



Capacity Based Lending

CUDCC

Module 8



What is Capacity Based Lending?

- Is a non-traditional lending practice in the credit union that gives loans based on the capacity of the members to pay.



What are the Principles of CBL?

- **Security first**
 - **members' savings**
 - **Credit union**

**Loan Quality first
before quantity**



CUDCC

Module 8



What are the Principles of CBL?

- **Evaluation of risk**
 - **set the limit of manageable risk**

**PAST
DUE!**



What are the Principles of CBL?

- **Grant loans to members with good standing & capacity to pay**





What are the Principles of CBL?

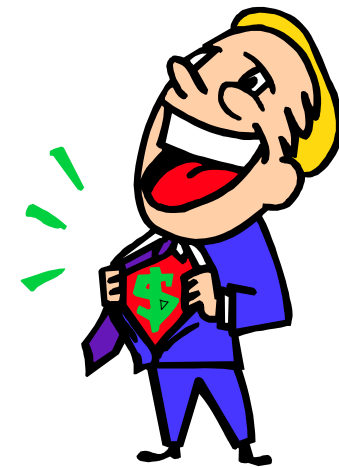
- **Thorough credit investigation**





What are the Principles of CBL?

- Loan is a privilege rather than a right inherent to membership





What are the Principles of CBL?

- **No loan will be extended to member with delinquent account**





What are the Principles of CBL?

- **Balance between risk, diversification and profitability**





What are the Principles of CBL?

- **Limiting loan exposures to certain geographical area**





What are the Principles of CBL?

- **Collateral for commercial, real estate and agricultural loans**





What are the Principles of CBL?

- **70% financing for viable project**
- **30% member participation**





5 Cs of Credit



- **Capacity – This refers to the member-borrower's proven capability to repay the loan on the agreed terms**





5 Cs of Credit



- **Character**
 - integrity, credibility, trustworthiness of the member-borrower and or the co-borrower



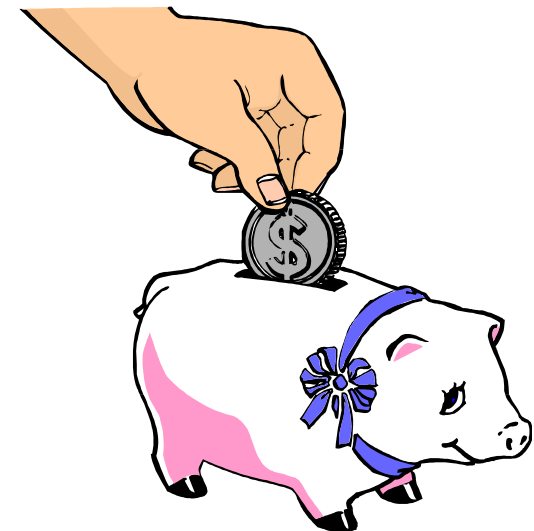


5 Cs of Credit



Capital

regular, consistent amount of savings or contributions to the build-up of financial, material resources



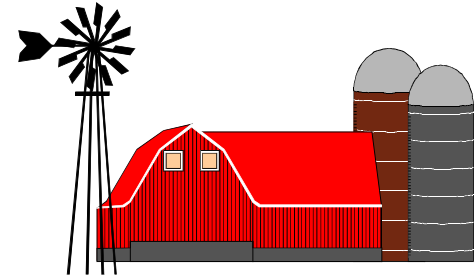


5 Cs of Credit

4

Collateral

Real, personal and deposit certificates that can be offered as security to the loans



CUDCC

Module 8

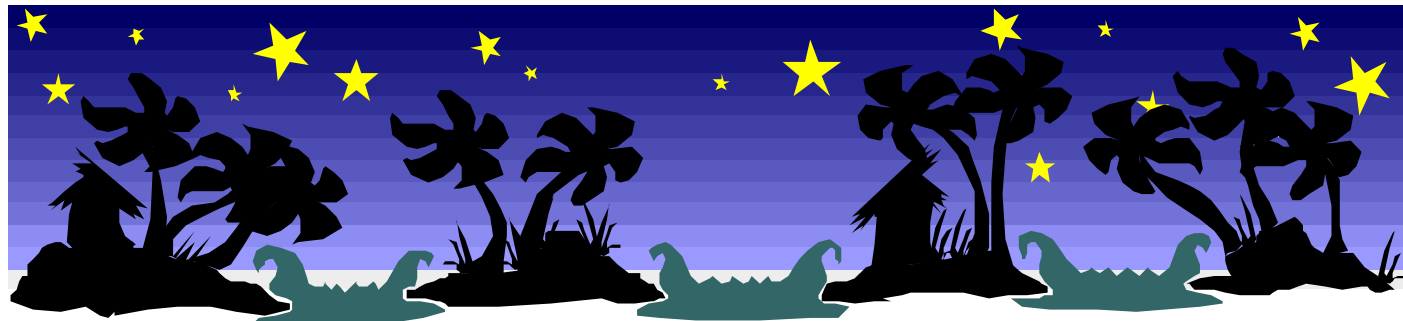


5 Cs of Credit



Condition

External factors affecting the socioeconomic condition of the loan and the borrower





conclusion

- **Delinquency is a cancer.**
- **It affects all the key areas of operation of the credit union**





conclusion

- **Will CBL minimized delinquency or Delinquency discouraged CBL**





- Thank you very much

CUDCC

Module 8