



**U.P. CREDIT COOPERATIVE  
FERNANDEZ HALL**

Delos Reyes Street corner C.P. Garcia  
U.P. Campus, Diliman, Quezon City  
Telefax nos. 8924-8002/8646-8862

## **CREDIT POLICY AND PROCEDURES MANUAL**

The purpose of this **U.P. Credit Cooperative**, herein under referred to as UPCC, Policy and Procedures Manual is to provide guidance in decision-making and taking actions within the UPCC for various operations and activities. The manual is intended to:

- a) establish and implement the objectives of the UPCC as interpreted by the Board of Directors; and
- b) govern the operations of the UPCC. This is on the premise that it is an operational document that is meant to assist members of management teams and the staff in running the UPCC Loans and Billings Department smoothly.

This Credit Policy and Procedures Manual have been developed to provide a uniform level of understanding in the interpretation and administration of the credit at UPCC. In developing this manual, the Board of Directors considered that most of the procedures described herein are practiced by the UPCC in one way or the other.

**Policy and procedures help an organization to:**

- a. save time by preventing people from having to make the same decision many times;
- b. prevent and help resolve disputes as policies and procedures lay down firm guidelines that make it easy to decide what does or does not lie within the guideline;
- c. encourage faith in the organization as members and employees see that they can rely on the organization to behave consistently hence making them feel secure about their dealings with the organization; and,
- c) aid continuity as the organization gradually changes in their make-up, for instance, if the Board of Directors, members and employees leave and are replaced.

Amendments to the policy and procedures manual may be made from time to time by the Board of Directors and become effective only when adopted through a resolution by the Board.

UPCC meets the savings and credit needs of its members not presently provided by other financial institutions by allowing members to obtain loans based on security of their savings, their incomes, character and guarantee by fellow members.

The UPCC Credit Policy and Procedures Manual have been formulated within the legal framework to help members and officials of the UPCC avoid credit administration problems.

**The general objective of credit policy is to:**

- a) guide and induct new management/employees on what they are expected to do;
- b) provide standard ways of performing certain activities and tasks in credit program;
- c) eliminate misunderstanding and certain errors of omission which may occur in performing specific functions;
- d) help in communicating what each person is expected to do; and
- e) help the Board of Directors and management staff to focus on certain areas of importance – key result areas.

**The specific objectives of the policy are to:**

- a) establish a fair and efficient loaning system based on uniform and consistent credit administration;
- b) ensure fairness in loan granting process;
- c) provide clear basis for dealing with members' loans;
- d) ensure that UPCC does not get into difficulties through approving loans in excess of available funds;
- e) ensure proper utilization of loans granted to members;
- f) facilitate loan recoveries;
- g) minimize loan defaulting;
- h) set checks and balances in credit operations; and
- i) define committee and staff roles in order to avoid duplication and overlap of duties and responsibilities.

For the credit system to function there is need to have a Credit Policy and Procedures Manual to guide those who are involved in the credit granting process. The Credit Committee, Manager, Officers and Board must follow clear-cut set of rules, procedures and policies. These policies include preconditions for granting loans, the minimum requirement for a member to be eligible to borrow, maximum loan, types, terms and conditions and other relevant information on the Credit Management Process.

## 1.1. Purpose

The Credit Policy and Procedures Manual are intended to provide direction, guidelines, and make provisions for proper and efficient utilization and administration of **UPCC** Loan Portfolio. This will ensure that the UPCC's interests are adequately protected; funds are equitably distributed; liquidity planning is encouraged; and communication and information flow between the UPCC and its members are effectively enhanced.

This document shall become the Loaning Policy for **UPCC**. This policy and procedures shall be reviewed as may become necessary from time to time.

## 1.2. Legislation

All loans must be made in accordance with the provisions in Republic Act 9520 otherwise known as the PHILIPPINE COOPERATIVE CODE OF 2008 and its implementing guidelines, the UPCC By-laws, rules and regulations.

## 1.3. Policy and Procedures Manual Violation

Any violation to this Credit Policy and Procedures Manual shall be subject to disciplinary action as prescribed by the UPCC Board of Directors.

## 1.4. Policy Approval and Review

This policy takes effect from the date of signing and will be subject to review annually or as may be necessary by the Board of Directors.

## 1.5. Definitions

Unless otherwise stated in this Policy and Procedures Manual the following words shall mean:

- i. **Back Office** - is the administration and support personnel who are not client-facing. Back-office personnel provide essential functions to the business of the UPCC.
- ii. **Board of Directors** - Members elected by the UPCC at the Annual General Meeting who ultimately will be responsible for the policy making operations of the UPCC.
- iii. Co-maker *See Guarantor*
- iv. **Credit Committee** - A Committee appointed by the Board of Directors comprised of three (3) members responsible for the approval of loans within the approved lending policies as stipulated in this manual.
- v. **Demand Notice** - is a formal written request from a creditor to a debtor, demanding payment for a debt that is owed. It is typically used when a debtor has not paid a debt in a timely manner and the creditor wishes to formally demand payment.



- vi. **Deposit** - means a sum of money paid on terms under which it shall be repaid, with or without interest or premium, and either on demand or at a time or in circumstances agreed by or on behalf of the person making the deposit and the UPCC receiving it at its own risk.
- vii. **Delinquent Loan** – means that there is a default payment on a borrower’s obligations or his/her inability to meet the amount of monthly dues.
- viii. **EFT See Electronic Fund Transfer**
- ix. **Electronic Fund Transfer** - is the electronic transfer of money from one bank account to another, via computer-based systems, without the direct intervention of bank staff.
- x. **Equity** - is the difference between assets and liabilities, or the total of institutional capital and other capital accounts. Also, refers to shareholders' equity, which represents the residual value to shareholders after debts and liabilities have been settled.
- xi. **Guarantor** – also known as co-maker, a guarantor “guarantees someone else's loan by promising to repay the debt if the principal borrower defaults payment of said loan. In other words, the guarantor is jointly and severally liable with the borrower in the event of default payment of the borrower and become due and demandable
- xii. **Insider Loan** – is a loan to one or more of its own officers or directors, including employees of UPCC.
- xiii. **Interest Rate** – is the amount of interest due per period, as a proportion of the amount lent, deposited, or borrowed. The total interest on an amount lent or borrowed depends on the principal sum, the interest rate, the compounding frequency, and the length of time over which it is lent, deposited, or borrowed.
- xiv. **Loan** - Any financial transaction or commitment entered into by the UPCC with a member who becomes or could become indebted to the UPCC.
- xv. **Loan Aging Report** - also known as an accounts receivable aging report, refers to a record of overdue invoices, accounts receivable, or unused credit memos by periodic date changes. The report is used to determine which borrowers have outstanding invoice balances.
- xvi. **Loan Application** - is a formal request, either written or electronic, made by an individual intending to apply for a loan.
- xvii. **Loan Application Form** - is a document used by individuals to request a loan from the UPCC. Loan application forms usually represent the first stage of a much broader eligibility evaluation process.
- xviii. **Loan Delinquency** - A loan becomes delinquent when a borrower makes payments late (even by one day) or miss a regular installment payment or payments.

- xix. **Loan Disbursement** - is the transfer of funds from a lender to a borrower as part of a loan agreement. When a borrower successfully secures a loan, the lender releases the approved loan amount to the borrower and makes the funds available for use.
- xx. **Loan Recovery** - the process of repaying the loan amount, along with interest and any applicable charges, in accordance with the terms and conditions of the loan agreement.
- xxi. **Loanee** - a person who receives a loan.
- xxii. **Loan Redemption Insurance (LRI)** – also known as credit redemption insurance, is the insurance that will cover the payment of the outstanding loan of a qualified borrower in case of his/her death.
- xxiii. **Management** - Refers to the senior staff of the UPCC
- xxiv. **Manager** - An officer hired by the Board of Directors responsible for the day-to-day operations of the UPCC in accordance with the rules and regulations set by the Board of Directors
- xxv. **Member in good standing** - means a member who is current on the repayment of his/her loan payments due to the UPCC, who is current on making his/her required contributions and has not in any way acted in a manner which is potentially damaging to the UPCC, and has fully complied with the policies and rules set by this cooperative.
- xxvi. **Provisions for loan losses** - is an expense in the income statement to reflect an increase in the probability of losses due to uncollected loans.
- xxvii. **Savings** - savings by members which can be withdrawn on demand within the normal working hours as specified by the UPCC Management
- xxviii. **Security for Loans** – is a document signed by the Head of the Office where associate members are employed that guarantees payment of loans obtained from the UPCC.
- xxix. **Share Capital** - shall mean member's equity in the form of issued and fully paid up shares of common stock.
- xxx. **Shares** – is a non-withdraw able member contribution to the cooperative's capitalization subject to review by the Board of Directors.

## 2. GENERAL POLICY AND PROCEDURES

### 2.1. Administration

A high quality of loan documentation including proper signing authorities, borrowing resolutions shall be instituted and maintained. Adequate accounting records for a loan shall be required and maintained as well as such physical and monitoring controls that are necessary to ensure that the loan does not jeopardize or impair the UPCC financial position.

## **2.2. Authority**

This Policy and Procedures Manual has been approved by the Board of Directors to provide direction and guidelines to the Credit Committee and UPCC staff in order to ensure that financial resources are adequately protected; that the UPCC investment in member loans is of high quality; and that the **UPCC** return on loans is relative to the risk undertaken.

## **2.3. Eligibility for a Loan**

A member shall be considered for a loan only when he or she fulfils the following conditions:

- i. Must be a person of high integrity, honest and trustworthy.
- ii. Must have been a member of UPCC through the contribution of the prescribed membership.
- iii. Must have accumulated the prescribed minimum share capital.
- iv. Must have no delinquent loan.
- v. Shall have guarantors.
- vi. The maximum borrowing by a member cannot exceed the set limits by the Board and shall be three to four times than the members' shares deposits.
- vii. Existing members must have a clean past loan repayment record.
- viii. Loans will be granted according to the applicant's qualifications based on character, ability to repay and specific compliance with requirements and specifications.

## **2.4. Loan Applications**

i. With the exception of mobile advances applied on the mobile phone, all loan applications shall be completed in writing on standard forms provided by the UPCC. Verbal applications shall not be entertained.

ii. The loan form shall in each case set the amount applied for, the purpose of the loan/advance, terms of repayment and security offered.

The loan/advance application form must be duly filled-in and supported by relevant supporting documents (such as most recent pay slip, business records) confirming the applicant's ability to repay the loan comfortably.

The duly filled-in loan application form may also be sent by post and shall be processed accordingly.

## **2.5. Loan Process**

i. Loan applications shall be submitted by the members and during working hours at the UPCC Office.



ii. The date of receipt shall be stamped on the application form the same day when it is received and processing shall be done on a first come, first served basis.

iii. In the initial verification, Credit staff shall find out if the prospective applicant meets the requirements, validate the correctness of the information provided by the borrower in the application form and attachments thereof, prior to numbering the application form serially and enter the application in the loan application register.

iv. If requirements are not met in full, the Credit staff may advise the borrower to complete the requirements, otherwise he/she may be advised that his/her application may be disapproved.

v. If the applicant does not agree with the Credit staff, he/she may appeal to the Manager and/or the Credit Committee who shall act on the appeal the fastest time possible.

vi. If requirements are fully met, the application form is handed to the Credit Committee for loan assessment and analysis.

## **2.6. Assessment and Analysis**

i. Important aspects to be assessed are: applicant's credit history, income/employment verification, income stability, employment stability, residence stability and debt-to-income ratio.

ii. The Credit Committee also assesses the applicants' eligibility based on their deposits and take home pay provided in their monthly pay slip.

iii. The borrower must have the minimum number of guarantors who shall all be members of UPCC.

## **2.7. Appraisal**

i. UPCC may conduct credit appraisal, a process by which UPCC appraises the technical feasibility, and economic viability, including creditworthiness of the prospective borrower.

ii. The application will be subjected to the predetermined formula-based qualification parameters, period of patriotic membership, savings multiple and debt ratio.

iii. The Credit Committee will ensure that the appraisal is done based on the above-mentioned parameters, including comparison of incomes and expenditures to gauge capability of payment.

iv. In case where the borrower is found out to have no capacity to pay the loan will be disapproved. However, the borrower may appeal the decision to the Board of Directors for reconsideration.

## **2.8. Loan Approval**

i. The Members of the Credit Committee shall meet to review the application handed to them by the Credit staff. The review shall be conducted based on specified limits such as member's character, capacity and/or ability to pay, capital and collateral security offered by the borrower.

ii. Loan applications shall be considered in the order in which they are received, provided that: whenever there are more applications for loans than the funds available, preference will be given, in all cases, to smaller loans.

iii. When all conditions for approval have been satisfied, a loan will be approved by a majority decision of the Credit Committee.

iv. Members will be informed immediately, that is, not later than 3 days after approval of their loans.

v. The rejected/deferred loan applications are filed and reasons for rejection are indicated in the application forms which are then communicated to borrowers.

vi. The borrower may appeal disapproved loans to the Board of Directors.

vii. Only the Board of Directors shall approve loans for staff and Directors.

viii. The Management / Credit Committee may at any time request for more information or an interview with the member to satisfy their need to be assured that the application is fully compliant to this policy.

ix. Only once the loan has been approved and all policy requirements have been fully complied with, that the funds are transmitted to the borrower through ATM Account Savings or a Check.

x. No check should be collected by third party or ATM Account Savings transfer unless authorized by the member in writing.

xi. All batch numbers of electronic funds transfers (EFT) and Checks should be recorded.

xii. The payment date for the loan is to be set at 1 month from the date the loan was disbursed, or in the case of payroll deduction, on the next payroll date.

## **2.9. Purpose of Loan**

Loans shall be granted for wise and productive purposes where repayment will emanate from assured source.

## **2.10. Insider Loans**

i. Staff members are entitled to loan like any other members.

ii. Loans to Board Members and staff shall be approved in the normal loan process. This shall however be brought to the attention of the Board of Directors provided that such member or employee shall not be present when their loan application is being considered.



iii. A board member who defaults in his/ her loan shall be liable for fine and is forwarded to board members and is likely to lose his position as a Director; if he or she defaults for two months or more.

iv. An employee who tampers with his/her monthly deposit contribution and loan repayment shall face disciplinary action.

v. Terms and conditions for staff loans shall be determined by the Board of Directors from time to time.

### **2.11. Interest on Loans**

i. The Board of Directors is empowered by the UPCC's By-laws to set and review loan interest rates.

ii. The UPCC will adopt a loan pricing strategy, which will be based on full sustainability, balancing institutional sustainability, growth, safety and soundness and quality of services to members. Factors to be considered when determining interest rates include: full cost of funds, loan risk, inflation, institutional capital building, members' needs and market trends.

iii. The method of quoting interests shall be decided by the UPCC from time to time and may vary from one loan product to another.

iv. The stated interest rates shall exclude legal fees and any other direct cost related to loan processing like collateral valuation

### **2.12. Guarantors/Assessed Loans:**

a) One month - send notice letter to borrower

b) Two months – send notice letter to borrower and guarantors

c) Three months – reminder to borrower and guarantor on offset or recovery

d) Four months- offset and fully recover from guarantors

### **2.13. Security for Loans**

i. The Credit Committee or Board of Directors shall ask for a specified number of guarantors for all loan products offered by the UPCC.

ii. In the case of associate members, the head of Office where said members work, shall execute a pledge or an agreement with the UPCC to guarantee that loans obtained by their employees who are associate members of UPCC are duly paid.

ii. No member will be allowed to guarantee more than known capacity as evidenced by the deposits on record at the UPCC. The UPCC shall maintain a register to ensure this requirement is not violated.

iii. A borrower or a guarantor may apply to the Credit Committee for a change of guarantors.

iv. The obligation of previous guarantors shall cease upon change of guarantors subject to the new guarantors being accepted by the UPCC. The obligation of guarantors shall also cease when the loan guaranteed is fully paid, reduced to or less than the borrowers' deposits in the UPCC. The society shall maintain a record of all guarantors to every loan in each member's file

v. The Credit Committee shall require those applying for loans to produce 100% full security for all loans.

vi. All security offered must be in place and in possession of the UPCC before funds are disbursed.

#### **2.14. Loan Disbursement**

i. Loans will be disbursed when all security documents are completed, signed, acknowledged and in place at the Office.

ii. Loan application forms once duly completed shall constitute the loan contract. Loans will be disbursed after approval by the relevant authorities subject to availability of funds.

iii. The UPCC will debit net loan to the member's loans account in the Back Office and credit his/her savings/bank account with the same amount.

iv. The member can withdraw the money through his or her savings/bank account through the normal procedure.

v. The UPCC, on the request of the borrower, may disburse a loan by making direct payments to another organization/bank.

#### **2.15. Loan Delinquency**

i. The credit manager/officer shall at the end of each month prepare a loan aging report listing all loans whose repayment date has been exceeded in the following order:

- ✓ 0 days
- ✓ 1-30 days
- ✓ 31-180 days
- ✓ 181-360 days
- ✓ 360 days and above

Other delinquency report to be extracted on monthly basis is the defaulter's report which indicates the defaulted period and the amount.

#### **2.17. Loan Documentation**

i. The Loans and Billing Department of UPCC shall maintain up-to-date documentation of loan files and ensure that the loan file has the following complete and in place:

- ✓ Loan application,
- ✓ Appraisal and analysis report,
- ✓ Loan Contract,
- ✓ Receipt/acknowledgement of security,
- ✓ Security documents and

ii. All application forms for loans and all reports and minutes of the Credit Committee for every sitting shall be filed and retained in the UPCC files as permanent records.

### **2.18. Reports**

i. A quarterly delinquency report shall be prepared by the Manager/Officer, discussed by the Board of Directors and compared with targets to track down the UPCC's overall rate of delinquency.

ii. The loan aging report listing all loans whose repayment date has been exceeded shall also be tabled. Aging shall be as follows;

- 0-3 months, 3-6 months, 6-12 months, and over 12 months

iii. The UPCC shall also ascertain that all necessary insurance covers for the loans, in case of the member's death, are taken.

iv. Every staff member should submit reports to the credit officer fortnightly (every two weeks) pertaining their duties and responsibilities geared to performance.

v. The UPCC shall charge off delinquent loans it considers difficult to collect. This shall be done through accounting procedures. All efforts will be made to recover them and proceeds written back in the UPCC's income and expenditure account.

### **2.19. Summary loan granting mechanism**

#### **ELIGIBILITY**

- i. One should have registered as a UPCC member.
- ii. Contribute deposits to a multiplier factor of 3 or 4 of the desired amount.
- iii. Own deposit member's loans can freely be issued to members without any additional security provided they have not used their deposits to guarantee a loan.
- iv. If offset is done to a loanee, before getting another loan there must be an activation of his/her account for three months. In cases of dormancy, activation fees determined by the management from time to time are charged before issuance of loan.

#### **LOAN APPLICATION**

- i. Issuance of loan forms by the officers and filling in of forms.
- ii. Signing of loan forms by the guarantors who are still shareholders of the UPCC.



iii. Return of loan forms to the office for ratification

- ✓ On the how the form is dully filled up
- ✓ Qualification of guarantors

#### **QUALIFICATION**

- i. Must meet eligibility criteria
- ii. The repayment period depends on the product type provided that the loanee may repay within a shorter period.

#### **SECURITY**

- i. Guarantors: - who are also the shareholders

#### **VERIFICATION**

The officer after receiving the loan form counterchecks the following:

- ✓ Borrower's deposits
- ✓ Share capital
- ✓ The amount borrowed against the deposits and the capacity to pay
- ✓ Whether the loan form is properly filled-in and signed by both the loanee and the guarantors

#### **LOAN FOLLOWUP/RECOVERY**

- i. Two notices of reminder are sent before the due repayment date
  - ✓ One month default – A reminder noticed
  - ✓ Two months –A reminder noticed to both the loanee and the guarantor
- ii. A Demand notice issued
- iii. Three months-notification of recovery
- iv. Four months- recovery
- v. On the follow-up process, the UPCC shall determine the reason(s) as to why the loans are late, after which the UPCC may carry-out either of the following:
  - ✓ Restructure the loan to an amount the delinquent borrower may comfortably manage.
  - ✓ Top ups

### **3. LOAN PRODUCTS AND FEATURES**

UPCC services are intended to enable members to borrow from their savings. UPCC has repackaged and introduced the following growth oriented individual loan products that members may obtain at competitive interest rates.

The members may obtain the following loans depending on their capacity and the ability to service the loans. The proposed loan products have also taken into account the existing UPCC products with a view to ensuring harmony in operations.

### 3.1 Personal Loan/Salary Loan

Based on borrower's paying capacity and deposits at UPCC with maximum payable of 72 months



#### U.P. CREDIT COOPERATIVE

FERNANDEZ HALL, Delos Reyes Street corner C.P. Garcia  
U.P. Campus, Diliman, Quezon City  
Telefax nos. 8924-8002/8646-8862

Revised Policy on Salary Loans

Effective 01 June 2007 as approved by the Board of Directors at its 31 May 2007 meeting

SEQ	PARTICULARS	BORROWING CAPACITY	INTEREST RATE	NO. OF YEARS TO PAY	REMARKS	CO-MAKERS REQUIRED
1	Membership is less than 2 years	Maximum of 2 months basic salary plus ACA/PERA plus Fixed Deposit (FD) and Capital Build-UP (CBU) multiplied by one and a half (1 and 1/2)	10%	1 yr	available to all members	U.P Borrower 5 U.P Co-maker
2	Membership is 2 years or more but less than 5 years	A. Maximum of 5 months salary plus ACA/PERA plus FD and CBU multiplied by one and a half (1 and 1/2)	10%	1 yr	can be availed of by tenured employees of U.P. and non U.P Offices with MOU	U.P Borrower 5 U.P Co-maker
			11%	2 yrs		
12%	3 yrs					
13%	4 yrs					
		B. Maximum of 4 months salary plus ACA/PERA plus FD and CBU multiplied by one and a half (1 and 1/2)	10%	1 yr	can be availed of by temporary employees with item at the U.P	U.P Borrower 5 U.P Co-maker
			11%	2 yrs		
12%	3 yrs					
13%	4 yrs					
3	Membership is 5 years or more but less than 7 years	Maximum of 7 months basic salary plus ACA/PERA plus Fixed Deposit (FD) and Capital Build-UP (CBU) multiplied by one and a half (1 and 1/2)	10%	1 yr	can be availed of by tenured employees of U.P. and non U.P Offices with MOU	U.P Borrower 5 U.P Co-maker
			11%	2 yrs		
			12%	3 yrs		
			13%	4 yrs		
			14%	4 yrs	for 1-6 months salary for 7 months salary	
4	Membership is 7 years or more but less than 10 years	Maximum of 9 months basic salary plus ACA/PERA plus Fixed Deposit (FD) and Capital Build-UP (CBU) multiplied by one and a half (1 and 1/2)	10%	1 yr	can be availed of by tenured employees of U.P. and non U.P Offices with MOU	U.P Borrower 8 U.P Co-maker
			11%	2 yrs		
			12%	3 yrs		
			13%	4 yrs		
			14%	4 yrs	for 6 months salary for 7, 8 and 9 months salary	
5	Membership is 10 years or more	Maximum of 10 months salary plus ACA/PERA plus FD and CBU multiplied by one and a half (1 and 1/2)	10%	1 yr	can be availed of by tenured employees of U.P. and non U.P Offices with MOU	U.P Borrower 8 U.P Co-maker
			11%	2 yrs		
			12%	3 yrs		
			14%	4 yrs		
			15%	5 yrs		
			16%	6 yrs		
6	Non-U.P member (PNB, COA, Alumni) without MOU whose membership is 5 years or more	Maximum of 5 months salary plus ACA/PERA plus FD and CBU multiplied by one and a half (1 and 1/2)	10%	1 yr	can be availed of by employees of all other units whose payrolls are not prepared in the Accounting - Diliman	U.P Borrower 4 U.P Co-maker
			11%	2 yrs		
			12%	3 yrs		
			13%	4 yrs		
7	Retirees	FD plus CBU but not to exceed Php 100,000.00	10%	1 yr		none
			11%	2 yrs		

### 3.2 Multi-Purpose Loan

#### REGULAR MEMBER

LOANABLE AMOUNT	TERMS	MONTHLY	SERVICE FEE	LOAN REDEMPTION INSURANCE	REMARKS
300,000.00	65 MOS	5,000.00	10%	5%	New applicants
250,000.00	65 MOS	4,160.00			

**Note:** Regular member whose membership is at least one year can avail the maximum loanable amount but if the regular member whose membership is below 1 year he/she can avail the loanable amount based on prorated calculation.

- 1 - 5 months - 50% loanable amount
- 6 - 11 months - 80 % loanable amount

#### Associate Member

LOANABLE AMOUNT	TERMS	MONTHLY	SERVICE FEE	LOAN REDEMPTION INSURANCE	REMARKS
60,000.00	12 MOS	5,000.00	10%	5%	U.P Contractual included in Payroll
30,000.00	6 mos	5,000.00	10%	5%	Non-U.P Contractual special voucher Payroll

Figure 1

- Member with “Good Standing” can avail of the Multi-Purpose Loan
- A penalty of 3% compounded monthly shall be charged in case of monthly unpaid amortization
- Retiree can avail the loan provided that he/she has 7 years in service before the actual date of retirement but with the maximum amount of what he/she received in his/her Expanded Service Recognition Pay (eSRP) to cover the remaining balance. A duly notarized affidavit of undertakings must be attached as additional requirement stating that eSRP will be used as collateral.
- 5 co-makers are required for this loan package. The co-makers are jointly and severally liable with the borrower, in the event of default payment of the borrower and become due and demandable. The unpaid loan, including fines/interest shall be immediately deducted from co-makers.
- Service fee of 5% of loan’s yearly diminished balance shall be added if no renewal is made after 12 months and henceforth.



### 3.3 PERA Loan

#### REGULAR MEMBER

LOANABLE AMOUNT	TERMS	MONTHLY	SERVICE FEE	LOAN REDEMPTION INSURANCE	REMARKS
200,000.00	105 MOS	2,000.00	12%	10%	New applicants

**Note:** Regular member whose membership is at least one year can avail the maximum loanable amount but if the regular member whose membership is below 1 year he/she can avail the loanable amount based on prorated calculation.

- 1 - 5 months - 50% loanable amount
- 6 - 11 months - 80 % loanable amount

- Service fee of 3% of loan's yearly diminished balance shall be added if no renewal is made after 12 months and henceforth
- Retiree can avail the loan provided that he/she retires in less than 100 months in service before the actual date of retirement but with the maximum amount of what he/she shall receive in his/her Expanded Service Recognition Pay (eSRP) to cover the remaining balance. A duly notarized affidavit of undertakings must be attached as additional requirement stating that eSRP will be used as collateral.
- A penalty of 10% compounded monthly shall be charged in case of monthly unpaid amortization
- Five (5) co-makers are required for this loan package. The co-makers are jointly and severally liable with the borrower, in the event of default payment of the borrower and become due and demandable. The unpaid loan shall be immediately deducted from co-makers including fines/interest.

### 3.4 Productivity Loan

#### REGULAR MEMBER

LOANABLE AMOUNT	TERMS	MONTHLY	SERVICE FEE	LOAN REDEMPTION INSURANCE	REMARKS
300,000.00	65 MOS	5,000.00	10%	5%	New applicants

**Note:** Regular member whose membership is at least one year can avail the maximum loanable amount but if the regular member whose membership is below 1 year he/she can avail the loanable amount based on prorated calculation.

- 1 - 5 months - 50% loanable amount
- 6 - 11 months - 80 % loanable amount

- Member with “Good Standing” can avail of the Multi-Purpose Loan
- A penalty of 3% compounded monthly shall be charged in case of monthly unpaid amortization
- Retiree can avail the loan provided that he/she has 7 years in service before the actual date of retirement but with the maximum amount of what he/she shall receive in his/her Expanded Service Recognition Pay (eSRP) to cover the remaining balance. A duly notarized affidavit of undertakings must be attached as additional requirement stating that eSRP will be used as collateral.
- 5 co-makers are required for this loan package. The co-makers are jointly and severally liable with the borrower, in the event of default payment of the borrower and become due and demandable. The unpaid loan shall be immediately deducted from co-makers including fines/interest.
- Service fee of 5% of loan’s yearly diminished balance shall be added if no renewal is made after 12 months and henceforth.

### 3.5 Special Seasonal Benefit Loan

LOANABLE AMOUNT	TERMS	SERVICE FEE
50,000.00	PAYABLE IN FULL COLLECTIBLES BY MAY AND NOVEMBER	10%

- A penalty of 3% compounded monthly shall be charged in case of monthly unpaid amount

### 3.6 Computer Loan

#### REGULAR MEMBER

LOANABLE AMOUNT	TERMS	MONTHLY	SERVICE FEE	LOAN REDEMPTION INSURANCE	REMARKS
100,000.00	18 MOS	5,556.00	8%	3%	New applicants

**NOTE:** Associate member can loan based on their capacity to pay and remaining months of service as per approved Contract of Service

- A penalty of 3% compounded monthly shall be charged in case of monthly unpaid amount

### 3.7 Bridge Loan

LOANABLE AMOUNT	TERMS	MONTHLY	SERVICE FEE	LOAN REDEMPTION INSURANCE	REMARKS
10,000.00	12 mos	PAYABLE IN 4 QUARTER THRU DIVIDEND PROCEEDS	5%	3%	New applicants

- A penalty of 3% compounded monthly shall be charged in case of monthly unpaid amount

### 3.8 Special Occasion Loan

LOANABLE AMOUNT	TERMS	MONTHLY	SERVICE FEE	LOAN REDEMPTION INSURANCE
10,000.00 BELOW	12 mos	834.00	7.5%	-
10,001.00 TO 15,000.00		1,250.00		2.5%

### 3.9 Income Augmentation Loan

- Loan from Premium Deposit and a 5% charged for Service Fee from loanable amount.

**NOTE: ALL TYPES OF LOANS ARE TEMPORARY SERVICE OF UPCC WHICH MAY BE SUSPENDED FOR VALID REASONS, LIKE AVAILABILITY OF FUNDS.**

## 4. OTHER CREDIT PROCEDURES FOR LOAN PRODUCTS

### 4.1. Savings Refund

- When one wants to withdraw from the UPCC, he or she will be referred to the Manager, or a respective officer mandated by the Board to see whether they can be advised on the need to maintain their membership.
- If one insists on resigning, he/she will be advised on how to write the withdrawal letter
- He /she will also be advised on the need to replace Guarantors
- He/she will be advised on the maturity date(s) of his loan(s).
- The Credit staff will then check if all the documents are in order
- In case there is an issue arising from the clearance, the Manager shall endorse for resolution of the issue(s) to the Board of Directors.

### 4.2. Clearance

Upon the clearance of loan, the following should be considered: -

- If the loan is cleared before the stipulated period the remaining interest is disregarded or ignored and only the interest for the cleared month is charged.
- No charges for paying beyond the expected monthly repayment or clearing a loan by lump sum.

### 4.3. Guarantors

- For a member to qualify as a guarantor one has to have been a regular member of UPCC. An associate member is not allowed to act as guarantor.
- UPCC staff and B.O.D are not allowed to guarantee other members of the UPCC or each other.



## **5. FUNCTIONS OF THE CREDIT COMMITTEE AND CREDIT OFFICE**

### **5.1. Duties of the Credit Committee**

The Credit Committee consists of three qualified members of UPCC and appointed by the Board of Directors. This Committee is chosen within seven days after the General Assembly. It shall hold such meetings as the business of the UPCC may require but not less frequently than once a month.

The manager will arrange for the Credit Committee meetings, and ensure the schedules and forms are ready. He will also liaise with them whenever there are issues to be addressed and keep them updated on the loans status regularly and advise them on cash provisions, and the loaning policy.

The credit officer should take minutes in case the secretary is absent; the minutes should be available within 3 days.

#### **Main Duties**

- i. Ensure establishment and review of appropriate credit policy consistent with the relevant provisions of the regulations and the UPCC By-laws.
- ii. Ensure that the problem loan accounts are adequately identified and classified as prescribed in the regulations.
- iii. Ensure adequate provisions for potential losses.
- iv. Review periodic credit and loan portfolio reports of the Society before submission of the board.
- v. Endeavour diligently to assist members to solve their financial problems
- vi. Observe the loan policy and the By-Laws when acting on Loan Applications.
- vii. Keep minutes of their meetings and detailed reports about their deliberations for the consumption of the Board.

The Credit Committee has therefore a very important function to undertake within the Board of Directors of a UPCC. They should analyze the lending activity to evaluate the efficiency of the lending process. They are supposed to fulfill the obligations of the UPCC faithfully and with determination. The credit committee is expected to make detailed reports about its deliberations for the consumption of other committees and the general membership.

### **5.2. Loans and Billings Department**

#### **Objectives of the Loans and Billings Department**

- i. The main objective of this department is to lend out loans to members at reasonable rates set out in the credit manual.

ii. The department must ensure that the loans are recovered as soon as possible so that the funds become available for further lending.

iii. The department shall strive to give the best services to members in the shortest time possible period without discrimination or favor.

**Duties and Responsibilities of the Loans and Billings Department Staff**

i. Receiving loan forms and acting on them

ii. The credit manager to ascertain the loan form is properly filled and has the right and correct information

iii. Checking/accessing the form checking the following:

- What type of loan is applied for and whether it has all the supporting documents and details or information required for that particular type of loan.

iv. Checking the validity of savings/deposits

- checking the guarantor's deposit

- Confirming the assessment

v. Reporting

**Duties and Responsibilities of Loans and Billings Department Staff**

i. Receive and record all loan forms

ii. Doing appraising and disbursement of loans

iii. Arranging loan forms and filling them appropriately

iv. Doing loan recoveries

**Conclusion**

The UPCC credit manual is a guiding tool which shall be followed to the letter thereby ensuring that the right loan processes are adhered to, a good quality portfolio is disbursed and good recovery procedures are enhanced.

The manual also gives a clear view of the business of UPCC by analyzing all the loan products it offers.

**Approved by the Board of Directors at its Regular Monthly Meeting on April 24, 2024.**