



CO-OPERATIVE BANKS DEVELOPMENT AGENCY

27th Floor, 240 Vermeulen Street • Private Bag X115, Pretoria, 0001 • Tel: 012 315 5367 • Fax: 012 315 5905 • email: CBDA@treasury.gov.za

GUIDELINES TO EXEMPTION NOTICE RULES

LOAN POLICY

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The following serves as a minimum guidance note as to the issues/checklist that the Regulator will be examining when reviewing the lending policy of the Co-operative Financial Institution (CFI) as per Note 3 of criterias for registration under the CBDA Rules.

General

- a) The objective of the policy is stated
- b) The responsibilities for policy review and the frequency of review, which should not be less than an annual review.
- c) Criterias to apply for credit
- d) Basis for determining an amount and period of loan
- e) Criteria used to evaluate loan applications
- f) Analysis to be conducted on each loan application
- g) Dealing with conflict of interest regarding loan to employees, officials and board members.
- h) Separation of duties with regards to the loan policy and the approval process
- i) Provision for loan portfolio diversification
- j) Handling of loan concentration (large exposures in accordance with the regulation)
- k) Defining delegated authority to approve loans with regards to unsecured risk and maximum loan sizes
- l) Loan rejection process
- m) Approval of the lending policy by the board
- n) Accompanying lending procedures
- o) Allowance for refinancing of loans
- p) Collection process of outstanding loans
- q) Loan loss provision (delinquency loans must be provided for in accordance with the regulation), if not a separate policy.
- r) Compliance with the National Credit Act, Act 34 of 2005 and other financial regulatory requirements

Per product

- s) Statement regarding the waiting period to qualify for a credit
- t) Period and manner in which loan repayments must be made
- u) Manner in which interest rate will be determined (ie. whether fixed, variable)
- v) Period, including grace periods, that the interest on loan will be calculated
- w) Calculation of fees
- x) Documents to be used
- y) Treatment of guarantees, where applicable
- z) Acceptance of security, the completion of documentation when security is granted, and the treatment thereof in the event of a default
- aa) Stipulation of maximum loan period
- bb) Order in which loan repayments are allocated (fees, interest, principal amount ect)
- cc) Provision for loan protection