



Credit Committee AGM 2004 Report

Introduction

This report outlines the activities undertaken by and on behalf of the members of the Credit Committee during the past year 1st October 2003 to the 30th September 2004. It seeks not only to provide factual information, but also to give an insight to members on the lending policy and how it is implemented by the Credit Committee.

Report

Bearing in mind the conditions of the loan policy below, the Credit Committee met for a total of 50 meetings during the past year. There was a quorum present at all meetings and loans were approved or rejected in accordance with the policy. There was a total of 6206 loans approved during the year worth €17,000,000. We also rejected 260 number of loan applications valued at €84,000.00.

A growing number of members seem to borrowing very frequently throughout the year. As a result, the difference between their shares and the amount they have on loan is growing. As the greatest concern that the Credit Committee have when approving a loan is the member's ability to repay, these members may find their credit limit – their ability to borrow any more – “capped”.

Some members unfortunately do get into difficulties with their repayments. Their circumstances have possibly changed for the worse since they took out their last loan or indeed, they were so anxious to get their loan that they promised to repay more than they can now afford. We advise these members to come and see our Credit Control Officer for advice on how to deal with their problem. We are here to help.

Besides the Loans policy below, Roscrea Credit Union is also bound by legislation, which is supervised by IFSRA, which lays conditions on our ability to approve loans over certain periods of time.

This legislation puts limits on the number of loans we can grant which are repaid over a longer period than five years. These limits are currently

- ✎ 20% of our loans can exceed five years, and
- ✎ 10% of our loans can exceed 10 years.

As this legislation came into force after many of our loans were granted in times when there were no such limits, Roscrea Credit Union finds itself in the position where we are now in breach of these limits. We have improved from our position at last year's AGM, but we have still a long way to go. As a result, in order to conform to legislation, we cannot offer loans in excess of five years until further notice. Any member with a loan currently can only receive a “top-up” if he/she can repay the resulting balance within five years.

We note that many borrowing members are requesting loans in excess of five years as they can only repay a fixed amount from their income. We regret that because of legislation, we cannot approve such loans. We draw members' attention to the conditions of section 5 of the Loans Policy document below.

We also would like members to note section 6 (g). This refers to members applying for loans where the information supplied on their loan application may have changed since they joined the Credit Union or since they last applied for a loan.

Below is a list of the members of the Credit Committee for the year together with their attendances at the weekly meetings.

The Credit Committee would like to thank the CEO and Staff of Roscrea Credit Union for their help and courtesy during the year.

Jim Bolger,
Credit Committee Chairman

Credit Committee:

Jim Bolger, Hugh Keane, Dick Conroy, Jodie Hanrahan & Paul Ryan.

Roscrea Credit Union Loans Policy

1. The Credit Committee shall consider loan applications from members in accordance with the Standard Rules for Credit Unions. It will meet weekly when possible.
2. It shall present a monthly written summary report to the Board of all loans approved or rejected during the month
3. **Staff** Credit Officers may approve loans up to €4,000 provided the member has a good record. Higher amounts up to €13,000 need the approval of both the CEO and Credit Officer. The Credit Committee shall be notified each week of all loans approved or rejected by the Credit Officers.
4. The Credit Committee shall specify to the Board, each month, all loans approved in excess of €10,000. All loan applications in excess of €100,000 can only be considered at a meeting of the full Board of Directors. Other loan applications, of concern to the Credit Committee, may be referred to the Board for consideration.
5. In **determining** loan approval, the Credit **Committee** shall consider:
 - i. Purpose of the loan.
 - ii. Ability to repay.
 - iii. Repayment and Savings record.
 - iv. Amount of Savings, additional Collateral, or Guarantee.
 - v. Length of membership,
 - vi. Availability of Funds at this time.
 - vii. Any other relevant factor.
6. Conditions of concern to members applying for a loan:
 - a) In general, it is advisable that a member has an established savings record for some time, before applying for a loan.
 - b) Established members with good records, and seeking loans for the more essential family needs, will **receive priority** consideration where necessary.
 - c) The total loan **amount should** bear a reasonable **relationship** to the value of a member's shares and their previous repayment record. Hence, in order to get larger loans, a member must have larger shares.
 - d) Large or business-type loans may require extra collateral or guarantee, and may be referred to the Board for consideration.
 - e) Accounts in arrears will not normally be considered for **further** loans.
 - f) **Annual** type loans should be repaid on a yearly basis.

g) Proof of a member's income should be provided with the loan application.

7. Should the Credit Committee not approve a loan application, the member may appeal that decision only to the Board of Directors whose decision is final.

Above loan policy was adopted by the Board of Directors in October 1999