



**RED RIBBON MULTIPURPOSE COOPERATIVE**

Our Future, Today

# **CREDIT POLICIES AND PROCEDURES**

**Revision No. 07**

**Effective Date: November 30, 2016**

## A. OBJECTIVE

To provide the member-borrower alternative source of funds to address their present need.

## B. TYPES OF LOANS

1. **Regular Loan** - is an immediate multi-purpose source of funds
2. **Educational Loan** –is a fund solely, strictly, and exclusively for the educational expenses of member-borrower and his/her primary performance.
3. **Emergency Loan** - is an immediate source of funds to be used strictly for emergency purposes such as sickness in the family, death in the family, physical accidents, fire, and natural disasters and calamities.
4. **Petty Cash Loan** - is used for miscellaneous expenses of the member-borrower.
5. **Appliance and Bicycle Loan** - is used for purchase of appliances and bicycle unit for convenience
6. **Cell Phone Loan** - is offered to provide members with telecommunication gadgets for family and personal use.
7. **Motorcycle Loan** - is offered to provide members with motorcycle units for transportation, business and personal use.
8. **ATM-Ready Credit Loan** - is an immediate source of fund.
9. **ATM – Buster Loan**
10. **ATM – Benefits Loan**
11. **SMB** - Business Loan

## C. DEFINITION OF TERMS

1. **Co- Maker** – a guarantor who stands to meet a financial obligation in the event of the maker/member-borrower default.
2. **Primary Dependents/Family** -
  - 2.1 For Single Borrower-Member- The parents, brothers and sisters
  - 2.2 For Married Borrower member – The legal wife/husband or the biological or legally adopted children.
3. **Natural Calamity** – refers to typhoon, floods, earthquakes and other calamities and disasters.
4. **Loans Renewal**- offered to member-borrower who has completely paid at least 25% of the principal amount plus interest of their Regular Loan and ATM Ready.
5. **Loan Restructuring** – are past due loans whose amortizations/installments have not been paid on the due date for at least six (6) consecutive times by the borrower-member, who shall then apply for an extension of modification of the time/credit terms.
6. **Credit Terms** – refers to the length of time at which a member-borrower agrees to apply for his/her loans plus interest through installments (salary deduction/direct payment to the bank, and other mode of payment such as: PDC's, POS and cash basis subject for approval.

7. **Associate Member** - refers to the non-RRBI employees: primary dependents of regular members, employees of RRMPC and other companies doing business with RRMPC and RRBI.

#### **D. MEMBERS ELIGIBILITY TO BORROW**

1. A borrower must be regular or associate members of the RRMPC. A regular or associate members should satisfy all of the following:
  - 1.1 Attended the Pre-Membership Seminar(PMS)
  - 1.2 Paid P100.00 as membership fee.
  - 1.3 With subscribed capital of not less than P10,000.00
  - 1.4 Must have contributed to his/her subscribed capital for at least three (3) months.
  - 1.5 Former member will undergo a 12 months probationary period before he/she can avail all types of loans. Canteen meals on credit probationary period is 6 months.

**Note: #1.4 shall apply for all types of loans except for the ATM Ready Credit Loan which requires a minimum of three year membership.**

#### **E. CO-MAKERS ELIGIBILITY**

1. Only regular or associate members of the RRMPC are eligible to become a Co-Maker.
2. A Co-maker must not be delinquent with his/her obligation as member and borrower.
3. A Co-maker will only co-make for the amount loaned in excess of the borrower's paid-up capital.
4. A Co-Maker can only co-make up to a maximum amount equivalent to his/her paid-up capital.
5. If the Co-Maker's loan/total loans exceed the credit limit, then this prospective Co-Maker is not eligible to be an official Co-Maker.
6. The borrower-member should find another co-maker (Co-Maker#2) to make-up for the excess in the paid-up capital limit of Co-Maker#1.
7. In case the borrower fails to pay the loan amount, the total outstanding loan including interest will be shouldered by the sole Co-Maker or divided between/amongst the Co-Makers.

#### **F. REQUIREMENTS FOR LOAN**

1. No co-Maker is needed if amount to be loaned plus the total of the borrower's loan balance is equal to his/her paid-up capital.
2. Submission of the Borrower-Member latest payroll slip.
3. Member's take-home pay must be **to 55%** of his/her basic pay after deducting the installment for the loan being applied plus installments from other existing COOP loans, existing loans from RRBI, government agencies such as SSS, PAGIBIG and the like.

**Note: For the item #3, the 55% requirement will not apply for the ATM Buster Loan, ATM Buster (LTO) and Benefit Loan.**

- For the **Educational Loan**, receipt of tuition fee payments or certificate of matriculation, statement of account from the school, receipts from the purchase of school supplies such as books and school uniforms, and miscellaneous expenses must be submitted at the time of filing of loan or two (2) weeks after school opening. Failure to present these requirements will mean **suspension of privilege to avail of the educational loan in the future**.
- For **Emergency Loan**, a member-borrower is required to submit the following document/s:

**Reason for Loan**

Sickness/Accidents

**For Submission**

Doctor's Prescription and  
Medical Certificate issued  
By the attending Doctor

***Note: Purchase of maintenance medicine is not a valid reason for availing of emergency loan***

Death in the Family

Death Certificate

Natural Calamity

Barangay Captain's Report or Certification

- For **Motorcycle Loan**, member-borrower's paid-up capital must be 30% of the unit's acquisition cost. Also (3) co-makers are required.

**G. CREDIT LIMIT**

- The multipliers, as shown in the table below, determine the maximum credit limit or loanable amount which is based on the member's tenure membership with RRMPC. This rule applies only to Regular and Educational Loan.

TENURE OF MEMBERSHIP	MULTIPLIER
1- 2 years	1.0
2 - 3 years	1.25
3-4 years	1.5
4-5 years	1.75
5- <del>6</del> years	<del>2.25</del> 2.0
<del>6-7</del> years	<del>2.50</del> 2.25
7 - 8 years	<del>2.75</del> 2.50
8-9 - up years	<del>3.00</del> 2.75
9- UP	3.0

- Please refer to Appendix A – RRMPC Credit Loans for the rest of the guidelines on credit limits.

**H. CREDIT INTEREST AND SERVICE FEE**

6. All loan proceeds should be made through checks duly signed by the proper signatories or through ATM CARD. The first signatory of the check must be the Chairman of the Board or any of the three (3) remaining Board Members duly authorized by the bank.
7. All checks for availed loan should be issued in the name of the Borrower-member.
8. Signatory of the authorized bank representative should not appear in the check if loan is availed by the signatory-member-borrower him/herself.
9. Please see attached Appendix B for the procedure/flowchart for loan processing.

#### **J. SCHEDULE OF LOAN RELEASES**

1. Please refer to Appendix X – RRMPC Credit Loans for the rest of the guidelines on schedule of loan releases.

#### **K. PAYMENT OF LOANS**

1. All loan payments shall be deducted from basic salary and other mode of payment such as POS, cash payment in the bank and or PDC's subject for approval if the member apply for such kinds of payment.
2. Payments through the bank need no prior approval from the BOD. Deposit slips should be submitted to the COOP Office for proper issuance of the Official Receipt (OR).
3. Payment through the bank only applies to any of the following:
  - a) Advance loan payment;
  - b) Renewal of loans, where 100% of the original loan will be paid in order to qualify for loan renewals. Payment must be made five (5) days before the date of loan release.
  - c) In case of Non-deduction of loan from the Borrower-Member's salary due to error by the COOP or Accounting Office, payment should be done within three (3) days from payday to avoid penalties.

***Note: Payment through the COOP Office will be allowed for this specific reason.***

4. Borrower-member on maternity leave shall pay in advance the three installments covering the 1.5 months of maternity leave.
5. For payments made in advance, the interest corresponding to the latest principal balance will be computed.

#### **L. PENALTIES FOR DELAYED / NON PAYMENT OF LOANS ON DUE DATE**

1. Non –payment of loans due to reasons attributed to Borrower-Member's fault shall be penalized. Penalty equivalent to the interest rate per month will be added to the next payment.
2. Payments after seven (7) days from the scheduled due date will be penalized with an interest equivalent to the interest rate per month.
3. Failure to pay on the due date for two (2) consecutive times will suspend the member's right to avail of any COOP loan except for canteen privileges for three (3) months. The

start of re-admission will commence after the loan payment becomes regular or updated.

4. If a member-borrower fails to pay the full payment as per schedule of deduction and as per application of the 55% basic take-home pay, the interest will be considered first and whatever is left will be deducted from the principal amount.
5. Penalties shall not be applied for non-payments of loans due to physical illness of the member-borrower, calamity, or death in the immediate family of the member – borrower. This shall take effect on the paydays affected by his/her absence.

#### **M. RENEWAL OF LOANS**

1. Renewal of loans will be allowed only after the member-borrower has paid at least 50% of the combined principal amount and interest of the loan he/she is availing of, provided that he/she has still available credit limit.

#### **N. RESTRUCTURING GUIDELINES AND PROCEDURES**

1. Any action taken by the Credit committee shall be confirmed by the Board of Directors.
2. Borrower-member should apply via formal letter addressed to the COOP Office.
3. Loan restructuring will only apply to one type of loan at a time for one member-borrower.
4. Extension of payment terms will be only one-half (1/2) of the time of the payment period.
5. Loan restructuring will only be applied up to a maximum of two (2) times per loan type.

#### **O. RESIGNATIONS**

1. Members who will resign from Red Ribbon Bakeshop, Inc. or its affiliates are required to settle all loan balances. Otherwise, RRMPC shall advise the company to hold the issuance of the separation pay for the member-borrower.
2. No member will be allowed to resign from RRMPC if his/her loan balance is more than his/her paid-up share capital.

#### **P. RESPONSIBILITIES OF THE IMPLEMENTING OFFICERS OF RRMPC**

##### **1. COOP Clerk**

- Checks if all loan requirements are submitted;
- Advises member-borrowers that the loan will not be processed if requirements are incomplete.
- Checks the member-borrower credit status and reflects this on the appropriate portion of the complete requirements upon return of the loan application by the Credit Committee process loan.
- If check will be used as type of disbursement, prepares the check vouchers and request the Signatories to sign on the check.
- Advises member-borrowers the reason behind the disapproval of the loan, in any case.
- Issues the Schedule of Deduction to borrower-member and requests him/her to acknowledge receipt of the schedule.
- Files all pertinent papers of RRMPC.

- Advises member-borrower regarding the schedule of release of loan
- Ensures that all forms are readily available at any time.

## 2. Credit Committee

- Evaluates the loan application of a member-borrower based on his/her qualifications, records, and guidelines stipulated in this Credit Policies and Procedures.
- Approves loan (Credit Committee Chairperson signs approval in the Loan Application Form)
- Counterchecks the member-borrower's records and profile.

## 3. Internal Auditor

- Provides internal audit service
- Checks compliance to the standard guidelines/procedures stipulated in this Credit Policy.
- Provides audit findings to the COOP Manager and BOD.

## 4. Board of Directors

- Counterchecks adherence to the guidelines stipulated in this Credit Policies and Procedures.
- Signs loan approval by affixing his/her signatures in the check (**BOD authorized Bank Signatories only**).

## Q. ADDITIONAL GUIDELINES FOR SPECIFIC LOAN TYPES

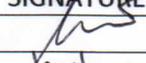
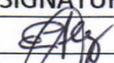
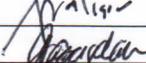
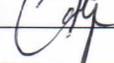
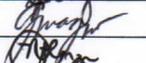
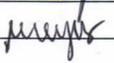
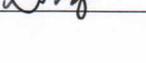
### 1. Motorcycle Loan

- Borrower-member may choose to give a portion of the down payment to reduce the amount to pay on each payday.
- The original copy of the Official Receipt (OR) and Certificate of Registration will be kept with RRMPC until the Borrower-member has completely paid the amount loaned. The Borrower-member will be provided with a photocopy of the OR and the Certificate of Registration.
- The registration and the Third Party Liability Insurance of the unit will be paid by the Supplier. If the Borrower-member opts for a comprehensive insurance, then the remaining balance will be shouldered by the Borrower-member. (*Note: Coverage is for 1<sup>st</sup> year registration only; renewals' registration is for the account of the member.*)

### 2. ATM Ready Credit Loan

- All the guidelines issued/covered by memos dated April 03 and 18, 2007 and March 18, 2007 and the Orientation Handout shall take effect in addition to this Credit Policy.
- Please refer to Appendix C,D, E and F.

APPROVED BY: 2016-2017 BOARD OF DIRECTORS

NAME	SIGNATURE	DATE	NAME	SIGNATURE	DATE
Aida Tanedo		11/14/16	Esmeraldo Cruz		11/15/16
Raymond Palisoc		11/15/16	Chrisse Lapina		11/15/16
Maribeth Caoagdan		11/15/16	Graciano Sequito Jr.		
Guadalyn Magno		11/14/16	Rosalie Reyes		11/14/16
Melinda Lorenzo		11-14-16			