

**RED RIBBON MULTI-PURPOSE  
COOPERATIVE**

**CREDIT POLICIES AND PROCEDURES**

**Revision No. 08**

**Effectivity Date: October 30, 2023**

## 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 Loan** - is used for purchase of appliances and bicycle unit for convenience
6. **Gadget 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 Loan** - is an immediate source of fund.
9. **ATM BUSTER LOAN** -is offered to those members whose ATM Card is pawned with other Loan Providers.

## 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. If the above mentioned is not available we will follow the hierarchy of dependents as provided by law.
3. **Natural Calamity** – refers to typhoon, floods, earthquakes and other calamities, disasters and force majeure.

4. **Loans Renewal**- offered to member-borrower who has completely paid at least 50% of the principal amount plus interest of their loans except Petty Cash Loan.
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 or modification of the time/credit terms.
6. **Credit Terms** – refers to the length of time at which a member-borrower agrees to pay for his/her loans plus interest through installments (salary deduction/direct payment/online payment to the bank or e-wallet)
7. **Associate Member** - refers to the non-RRBI employees: primary dependents of regular members, employees of RRMPC and other members of registered organized group.

#### **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 online or Face to Face Pre-Membership Seminar (PMS).
  - 1.2 Paid P200.00 as membership fee plus P200.00 Insurance Premium for initial Life Insurance Coverage.
  - 1.3 With subscribed capital of not less than P15,000.00
  - 1.4 Must have contributed to his/her subscribed capital for at least three (3) months.  
**Note: #1.4 shall apply for all types of loans except for the ATM Buster Loan which requires a minimum of five-year membership.**

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

1. Only regular or associate members of the RRMPC are eligible to become a Co-Maker.
2. Due to online submission of loan application, the comakers should confirm thru email or messenger that she/he signed as comaker of the said borrower with specific amount and understand the responsibility and obligation of the comaker. This is to prevent the borrowers from using the same loan application form for 2 or more loans and to avoid forged signature.
3. A Co-maker must not be delinquent with his/her obligation as member and borrower.

4. A Co-maker will only co-make for the amount loaned in excess of the borrower's paid-up capital and special savings.
5. A Co-Maker can only co-make up to a maximum amount equivalent to his/her paid-up capital and Special Savings.
6. 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.
7. 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.
8. 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 and Special Savings.
2. Submission of the Borrower-Member latest payslip (for non-confidential payroll).
3. Member's take-home pay must be 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 and Benefits Loan.***

4. 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.**
5. 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/Fire Certification

Barangay Captain's Report or

6. 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

1. 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	1.00
2 -3 years	1.25
3-4 years	1.50
4-5 years	1.75
5- 6 years	2.00
6-7 years	2.25
7-8 years	2.50
8-9 years	2.75
9-UP	3.00

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

## H. SINGLE BORROWERS LIMIT & COLLATERAL

The loan portfolio will be limited according to the type of loans granted. In such manner the RR Coop reduces its over-all risk and will be more profitable benefiting the entire membership in the process.

1. All loan or combination of loans shall not exceed the 15% of RR Coop share capital but not to exceed the Php2,000,000.00.
2. Loan availment secured by share capital and special savings shall be included in this limit.
3. Maximum clean loan shall be 40% of the single borrower's limit/loan limit and 60% shall be covered by hard collateral.
4. The collateral or chattel pledged must be in the name of the member-borrower.
5. Appraisal of Collateral should be made by accredited third party appraiser every 3 years for lot and improvement while for chattel mortgage is every 6 months. Appraisal cost shall be shouldered by the member borrower.
6. Release of loan proceeds shall be made after the inscription or annotation on the documents pledged for mortgage.

## I. CREDIT INTEREST AND SERVICE FEE

1. Interest rate will be computed based on straight-run computation. The table below enumerates the different products and their corresponding interest rates and service fees.

<b>TYPES OF LOANS</b>	<b>INTEREST RATES PER ANNUM (%)</b>	<b>SERVICE FEE</b>
Regular Loan	12.00	2% deducted in advance
Educational Loan	14.00	2% deducted in advance
Emergency Loan	14.00	2% deducted in advance
Appliance/Cell Phone Loan	22.00	2.0% add-on
Motorcycle/Bicycle Loan	22.00	2.0% add-on
Petty Cash Loan	1.85% per month	None
ATM Buster Loan	3.5% per month	4% deducted in advance
ATM Loan	22.00	2% deducted in advance
Benefits Loan Note: All loans plus Loan Protection Plan of P0.50 per thousand per month	2.5% per month	4% deducted in advance

2. Interest rates will depend on prevailing interest rate in the banking community. If the fund is provided by an outside source, interest rate will depend on the interest imposed by the outside source. The BOD officially decides on this concern.
3. Please refer to appendix A – RRMPC Credit loans for the guidelines on credit interests and service fees.

## **J. PROCESSING OF LOANS**

1. All application for loan should be filed personally by the Member-Borrower or online provided that all loans amounting to P100,000.00 and above original signed document shall be transmitted to Coop Office.
2. If Member-Borrower is legally married, the signature of the legal husband/wife is deemed necessary.
3. The COOP office will not entertain loan applications filed through representative even if the authorization letter is executed for said purpose.

***Note: Members on leave (for more than two (2) weeks) due to illness must submit an authorization letter together with the company ID and the doctor's certificate/medical records.***

4. Loans applied by the Chairperson of the BOD, BOD member, Credit Committee Members, General Manager and the treasurer should have prior approval by the majority (5) of the BOD. Loan/s applied by the COOP personnel shall not be processed by the personnel her/himself.
5. All loan proceeds should be released through online bank transfer to the members bank account.
6. Please see attached Appendix B for the procedure/flowchart for loan processing.

## **K. SCHEDULE OF LOAN RELEASES**

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

## **L. PAYMENT OF LOANS**

1. All loan payments shall be deducted from basic salary for members employed with RRBI. Other members shall pay thru online bank transfer, e-wallet and cash payment.

2. Deposit slips/ transaction receipt should be submitted to the COOP Office thru email, messenger and other means of transmitting images or documents for proper issuance of the Official Receipt (OR).
3. 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.
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.

#### **M. 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.
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.

#### **N. DELINQUENT ACCOUNT COLLECTION PROCESS**

1. Collection effort should start on the first day after the missed amortization of the member-borrower.
2. Collection Officer shall remind the member-borrower via telephone, electronic mail and other means of communication that the account is due or matured.
3. If the member-borrower does not respond to the reminder/communication, collection letter shall be sent to member-borrower via registered mail or other applicable means to inform them of their loan obligations.
4. Demand letter signed by the collection officer noted by the GM shall be sent during the first ninety days (90) of non-payment to the member-borrower for (three) 3 times.

5. After three (3) collection letters have been sent and duly received, appropriate legal procedure should be started.
6. If the collateral of the loan is the member's Time Deposit or Special Savings Deposit, these accounts can then be used to offset the loan amount.
7. If the collateral of the loan is real estate mortgage extra judicial procedure can commence. For chattel mortgage RR Coop can make moves to take possession of the vehicle through the proper foreclosure proceedings.

#### **O. 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.

#### **P. LITIGATION PROCESS AND APPROVAL**

1. All efforts to collect shall be exhausted before any account shall be endorsed for litigation.
2. Collection Officer in coordination with the GM shall prepare a written endorsement and justification letter for any account that will be filed for legal action.
3. All loans for litigation shall be approved by the Board of Directors regardless of the amount.

#### **Q. 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.

## **R. RESIGNATIONS**

1. Members who will resign from Red Ribbon Bakeshop, Inc. or its affiliates are required to settle all loan balances. In case the last pay/quit claim is not enough to pay the loan balance, the member's comaker will be informed. The remaining balance shall be settled by paying it thru online bank transfer, e-wallet and cash payment.
2. No member will be allowed to resign from RRMPC if his/her loan balance is more than his/her paid-up share capital plus savings account balance.

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

### **1. COOP Loan 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.

## T. 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.)*

APPROVED BY: 2023-2024 BOARD OF DIRECTORS					
NAME	SIGNATURE	DATE	NAME	SIGNATURE	DATE
Esmeraldo Cruz			Rosalie Reyes		
Graciano Sequito Jr.			Maribeth Caoagdan		
Melinda Lorenzo			Guadalyn Magno		
Emelda Sison			Femina Baluya		
Aileen Tibudan					