

PNP LAKAS TULUNGAN MULTI-PURPOSE COOPERATIVE

CREDIT POLICY

I. Section 1 – OBJECTIVE

The main objective of Philippine National Police Lakas Tulungan Multi-Purpose Cooperative is to provide benefits to its members. Hence, the loan products are specifically targeted to members need. However, in order to safeguard members' investment in the Cooperative, only members in good standing can avail of the Cooperative's loan products.

II. Section 2 – THE FOUR C'S OF GRANTING LOAN

The granting of loans by the Credit Committee and Loan Officers shall be based on the four "C's" of the Credit: Character, Capacity to pay, Circumstances, and Collateral.

1. **Character.** A determination of character involves the development of information relating to the applicant's credit history. This may be obtained from the community, other financial institutions, and credit bureaus.
2. **Capacity to Pay.** In determining an applicant's *capacity to pay*, the credit committee or loan officer should carefully examine the applicant's income, debts, debt payments, and living expenses. After debt payments and living expenses are taken into account, the applicant's income should be adequate to repay the loan in accordance with the agreed upon terms.
3. **Collateral.** A may grant unsecured and secured loans. Unsecured loans are consumer-type loans, usually relatively small, traditionally offered for various purposes incidental to the members' needs. Secured loans are extended credit with a security interest in personal or real property of tangible value. The security may also be an endorsement by another person who agrees to repay if the borrower fails to do so. Co-maker loans, deposit hold-outs, and automobile loans are common types of secured loans. Other types of secured loans are home equity loans and real estate.
4. **Circumstances.** These refer to the type of activity to be financed, the market for such activity, and the viability of the project to be financed among other things.

III. Section 3. TYPES OF LOANS.

The following loans shall be granted to members

1. **Regular Salary Loan.** A type of loan granted to member with minimal interest and basic charges. For Active Members, they can avail the New Loan Scheme of Php200,000.00 (No Front End Deduction).
2. **Supplemental Loan.** A type of loan granted to member in addition to his/her regular loan.
3. **Back to Back Loan 1.** A type of loan granted to members where their ATM cards, are used to pay/collateral to their loan. ATM Loans are granted only to PNP members subject to Loans Officers' approval.

4. **Back to Back Loan 2.** A type of loan granted to members where their Saving and Time Deposit are used to pay/collateral to their loan.

IV. Section 4. QUALIFICATION

1. Members in Good Standing:
 - 1.1. Has paid the required membership fee of One Hundred Pesos (Php100) (Art 2, Sec 4);
 - 1.2. Has paid at least One (1) share upon approval of his/her membership (Art II, Sec 6);
 - 1.3. Not delinquent in payment of his subscribed share capital and monthly amortization;
 - 1.4. Has not violated any provision of the cooperative's rules and regulations, memoranda, membership and subscription agreement and other instruments as provided for in the by-laws or as prescribed by the Board of Directors; and
 - 1.5. Complies with the obligations, duties and undertaking of membership.
2. Has a regular plantilla appointment as Officer (Police, Jail and Fire) or Non-Uniformed Personnel, AFP Officers and Enlisted Personnel and employees of other Government Agencies as provided for in the Articles of Cooperation and By-laws (Art 11, Sec 2).
3. Members of the Board of Directors who have either been retired or separated but opted to retain their membership.
4. Members of the Armed Services whose term of payment for the loan being applied for exceeds the 20th year of their active service shall be required to submit a Deed of Assignment (DOA) and Special Power of Attorney (SPA) of their receivables from the service, to the PNP LTMPC, but up to their obligations to PNP LTMPC only.
5. Associate members must be gainfully employed as certified by their employer. These members are either spouses or direct dependents of regular members including regular employees of the PNP LTMPC.

V. Section 5. AMOUNT OF LOAN LIMIT, TERMS AND OTHER CHARGE

1. Net pay requirements in accordance with GAA where Accredited Board policies published from time to time by the PNP. The members' income to including PNP LTMPC employees must be sufficient to repay loan.
2. Computation of interest rates shall be based on the current terms of payment policy of the Coop.
3. Collection of service charge will be 1% of the amount of loan.
4. The amount of insurance is dependent on the amount of loan based on terms of payment. Each eligible loan borrower shall be insured for an amount equivalent to his principal loan amount or will depend on the MOA signed by the Cooperative.
5. 1% of the loan shall be deducted and credited to the member's capital contribution (share capital).
6. If capital contribution (share capital) is short of the required minimum share capital, the difference shall be deducted from loan proceeds.

7. Borrower can renew loan after paying 25% of his existing loan and the remaining principal balance will be deducted from the net proceeds.
8. If there is an existing regular loan, an additional loan may be availed of by a member depending on their capacity to pay.
9. For PNP Active Members with 4th Long Pay, loan amount will be limited to Php 200,000.00 payable up to thirty-six (36) months only.
10. Postdated checks (PDC's) shall no longer be accepted as payment of loan.
11. Limitation of loan amount in relation to terms and new interest rate.

Amount	6 Mo	9 Mo	12 Mo	18 Mo	24 Mo	30 Mo	36 Mo	42 Mo	48 Mo	54 Mo	60 Mo
P5,000.00-15,000.00	✓	✓	✓	✓	x	x	x	x	x	x	x
P16,000.00-20,000.00	✓	✓	✓	✓	✓	✓	x	x	x	x	x
P21,000.00-49,000.00	✓	✓	✓	✓	✓	✓	✓	x	x	x	x
P50,000.00-100,000.00	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	x
P101,000.00 - above	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

12. Penalties: Overdue account for one (1) month past due date will incur the following charges:

- 12.1. One percent (1%) on the delayed monthly dues within the term of payment
- 12.2. One percent (1%) on the balance after the term of payment

13. For PNP and AFP Retirees and Transferee referrals, a referral fee will be given for every loan approved to be charged as Promotional Expense of the Cooperative.

VI. Section 6. LOAN PROCESSING AND APPROVAL

Loan application after having been initially processed and endorsed by the Management maybe approved:

1. All loans will be approved by the General Manager and the Admin Supervisor to be reported every board meeting.
2. The Head of the Credit Committee or its representative member, shall present a monthly summary report re: loans processed by the Cooperative amounting to P1 million and below during the board meeting.
3. The Head of the Credit Committee or its representative member, shall present to the BOD loan applications amounting to more than P1 million for BOD's approval/disapproval during the board meeting.
4. For approved loan with or without prepared cheque, cancellation initiated by the borrower-member shall be charged with cancellation fee of Two Hundred Pesos (Php200.00) for the administrative cost.

VII. RULES AND REGULATIONS

1. Granting of loans shall be in "First Come, First Serve Basis" subject to availability of funds.

2. The purpose of loan must be specifically stated on the loan application.
3. A promissory note specifying the terms of payment, liability of borrower with the amount of loan shall be indicated at the back of the loan form.
4. A Loan Disclosure Agreement indicating the breakdown of deductions of loan applied.
5. Loans requirements depending on the branch of service of the borrower.
6. For loans requiring extension of payment, restructuring shall conform with the new policy on loan amount limitation per table.
7. Checks to be issued covering loan proceeds shall be signed by any of the authorized signatories.
8. Any changes of the above provisions in part or in whole shall be subject to amendment by the recommendation of the Committee and approval by the majority of the Board of Directors in the regular or special board meeting.

VIII. Section 8. COLLECTION POLICIES

1. Payment of loans are effected thru automatic salary deduction scheme under the authorized deduction codes.
2. The use of Point of Sale (POS) machine shall compliment collection of payment for ATM loans and selected Pensioners' ATM.
3. Other policies on collection scheme may be promulgated from time to time upon approval of the Committee or Board of Directors.

IX. Section 9. TYPES OF MEMBER'S RELIEF

1. **A grace period of Five (5) days.** A member which was not deducted from his salary with the corresponding amortization of installment payment of his/her loan, shall be given a grace period of five (5) working days. The member shall pay the amount of amortization over the counter, so that it will not be charged with penalties and charges.
2. **Extension of period of payment.** The repayment period of a loan may be extended thru a written request of the borrower to the Committee in order to reduce the amount of the monthly amortization subject to applicable charges if necessary.
3. **Restructured loan.** A loan can be restructured if the arrears have reached the twenty percent (20%) past due, provided the interest charges shall be paid in part or in full.
4. **Pay-out Penalty Charges.** The member may pre-terminate the loan by paying in full, a five percent (5%) service charge based on outstanding principal amount of the balance after deducting the unearned interest to cover the cost of money to the cooperative.

X. Section 10. EFFECTIVITY

Effectivity of this Credit Policy will take effect on _____ per Resolution No. ____ Series of _____.

