



Loan Guidelines

These are short notes on how our LOAN POLICY works

These are **guidelines** derived from our Registered Rules as approved by the financial services regulators and our Policy Manual adopted by our Board of Directors. Money being lent out by the credit union belongs to other members and the Rules and Policies are designed to protect their money (and yours).

If what you need does not fall within the main guidelines do not be afraid to ask anyway; we will always listen in case we can help. Some examples of exceptions we have made are given later.

These guidelines apply primarily to loans that are not secured by your own savings in the credit union.

1. We expect you to save with us regularly for 3 months or more before granting your first loan.
2. We expect you to keep on saving at the same time as you are repaying your loan – even if the amount you save is much less than before.
3. Loans are not automatic. After completion of the application our Credit Committee will consider it, usually within 7 to 10 days. They may wish to interview you. Their decision will take into account your savings record and the repayment record for any previous loans. If you have shown, for example, that you can regularly save £5 a week, then you have gone a long way to proving you may be able to cope with a loan that would need repayments of say only £4.50p. Also, it always helps if you can find someone who will GUARANTEE repayment, e.g., another member with shares that are not guaranteeing another loan.
4. A first loan is normally granted for up to 3 times your current savings (shares) and to be repaid over one year (52 weeks or 12 months).
5. A good loan repayment record may enable you to be granted loans of larger amounts and over longer periods. There are legal limits to how much we can lend to any one member and for how long. You will be advised if you come up against these limits. The rules are quite complex and beyond the scope of these guidelines.
6. There is no lower limit and no additional charges for small loans and the same interest rate is charged. There are NO arrangement fees.
7. There is no charge for early repayment. At the time of any repayment, including total repayment, we charge interest on the current (reducing) balance at a rate equivalent to 1.5% per month for our standard loan. Thus for a loan of £100 repaid regularly over 52 weeks the total interest would be £9.40; the shorter the repayment period the cheaper it is. The APR as legally defined is 19.56%. Other rates may apply. The rate is fixed over the duration of the loan. The legal limit to credit unions loans in the UK is 3% per month; our loans are at half this rate.
8. It is not always necessary to pay off one loan before applying for a further advance as a 'top-up' or as a separate loan so please ask if you need this. The Credit Committee will normally want to see a good repayment record and for the initial loan to have been substantially repaid. We aim not to allow you to become 'over-stretched' but also do not want you to turn to higher interest lenders, which will make you even worse off.
9. We have never yet had to restrict the total amount of our loans but in theory this could happen. Where possible apply in good time. If you do not need the loan immediately it can be Reserved for you.
10. While you are below age 80 your loan balance is covered by FREE life insurance so that it would be fully repaid if you died (provided repayments are up to date and subject to some medical conditions).
11. If you are borrowing to cover regular payments such as utility bills we will expect such a loan to be repaid within a year (otherwise you will have an increasing debt).
12. If you get into difficulties with one of our loans, DO TELL US STRAIGHT AWAY; we will always listen sympathetically and try and find a way out for you. We may, for example, be able to reschedule the remaining part of the loan to a lower repayment amount over a longer period; there is no charge for this. Your **credit rating may suffer** if you do not tell us and we have to resort to legal action to recover **our members' money** lent to you.
13. A particular case where we may be able to help outside these guidelines is where you have been making regular payments to Credit Cards or Catalogue Shopping bills etc., but making little progress due to high interest. We may be able to do this, even if you are a new member switching existing debts, after a detailed look at all of your household budgeting and other bills. Plus we normally look to see if you have been able to maintain a reasonable level of repayments over three months or more AND to see what savings you can deposit with us.

Typical cost of a Standard Loan from Red Kite Credit Union

| Monthly repayment | | | | | | |
|--------------------------|-----------------------|--------------|------------------------|--------------|------------------------|--------------|
| Loan amount | Repayment over 1 year | | Repayment over 2 years | | Repayment over 3 years | |
| | Monthly repayment | Cost of loan | Monthly repayment | Cost of loan | Monthly repayment | Cost of loan |
| £100 | £9.16 | £9.95 | £5.00 | £19.68 | £3.61 | £29.93 |
| £200 | £18.32 | £19.90 | £10.00 | £39.36 | £7.22 | £59.86 |
| £300 | £24.78 | £29.85 | £15.00 | £59.04 | £10.83 | £89.79 |
| £500 | £45.81 | £49.72 | £24.93 | £98.39 | £18.05 | £149.63 |
| £1,000 | £91.63 | £99.47 | £49.87 | £196.78 | £36.10 | £299.26 |
| £2,000 | £183.26 | £198.94 | £99.74 | £393.56 | £72.20 | £598.52 |

Credit unions exist to serve their members so you can be sure of a fair deal.

The figures in the tables should be taken as a guide. Exact cost, i.e., total interest charged, will depend on the exact dates of payments. For a Standard loan, interest is charged at each payment on the reducing balance and computed on a daily basis at a rate equivalent to 1.5% per month. The final payment will usually be less than the regular payments. Other rates may apply. The financial services regulators apply a limit to credit union loans, currently 3% per month, so our standard loans are at half this rate.

| Weekly repayment | | | | | | |
|-------------------------|-----------------------|--------------|------------------------|--------------|------------------------|--------------|
| Loan amount | Repayment over 1 year | | Repayment over 2 years | | Repayment over 3 years | |
| | Weekly repayment | Cost of loan | Weekly repayment | Cost of loan | Weekly repayment | Cost of loan |
| £100 | £2.11 | £9.40 | £1.15 | £19.15 | £0.83 | £29.48 |
| £200 | £4.22 | £18.60 | £2.30 | £38.30 | £1.66 | £58.96 |
| £300 | £6.32 | £28.20 | £3.44 | £57.45 | £2.50 | £88.20 |
| £500 | £10.52 | £47.14 | £5.74 | £96.05 | £4.16 | £147.59 |
| £1,000 | £21.05 | £94.27 | £11.47 | £192.10 | £8.31 | £295.18 |
| £2,000 | £42.10 | £188.54 | £22.94 | £384.21 | £16.62 | £590.36 |

Figures in the rows can be added to make different loan amounts. For an exact quote contact Red Kite Credit Union on 01982 551000 or 01597 824000 or visit our web site at

www.redkitecreditunion.co.uk