

Guidelines for TRUST Savings and Loans Groups

Truth

Respect

Unity

Sustainability

Transformation.

Aim: To enable local groups to save from their own resources, so that they can:-

a) meet a crisis which would otherwise cause a member to use their working capital, or risk their income generation project.

And/or:

b) make loans available to members so that they can invest in starting, enlarging or diversifying an income generation project.

Model: The group shall create a fund through their own saving which shall be available for loans to the group members. The group shall be built on trust and mutual encouragement and accountability. A commitment is required from the group members to one another, to integrity, to openness and to hard work.

Guidelines

(The following guidelines are a suggestion to be used by the members as they set up their TRUST group. Changes or additions to them may be made as democratically agreed by the members.)

1. The group to have a chairperson, treasurer, secretary (the officer members) and other members. The officer members to be appointed by the group for six months renewable on a majority vote at a regular group meeting, provided at least six members are present. (A minimum of 7 members and maximum of 30 is recommended for a group. Consider dividing or starting a new group if more wish to join.)
2. All members register with a small admin fee, the amount as decided by the group. This money to be used for expenses such as a record notebook, pass books etc. They will each have a small pass book for their own record of their savings etc.
3. The group should meet once a week or once every two weeks, whichever the group decides, for mutual encouragement and training. Notes of important decisions should be kept by the secretary.
4. Each member should pay a small savings fee, the amount as decided by the group, at each meeting and this should be recorded both in the group record and the member's own record.
5. A bank account is to be set up to hold the savings. The chairperson and treasurer can only operate the account jointly. The balance is to be reported at each meeting.
6. When sufficient funds are saved members can apply for a loan which will be limited to a maximum amount, as decided by the group, during the first two years of the group. (Thereafter the group can vote to increase this maximum sum.) Members will require a history of regular continuous saving for at least three months before they can apply for a project loan.

7. An Income Generation Project Plan, which includes a cash flow forecast (unless the loan is to meet a family health or other crisis), is necessary to apply for a loan. This Plan is to be checked, modified (if necessary) and approved by an officer and one other group member.
8. The loan is to be approved by a simple majority vote at a regular group meeting [**more** than 50% in favour], provided that six members are present. (If it is a crisis needing urgent action and cannot wait for the next meeting then any two officers plus one other member can approve the loan.)
9. If a loan is not approved the applicant can reapply after one month.
10. If the loan application is not successful because of a lack of group funds, a waiting list should be established on a first-come-first-served basis provided the Project Plan has been approved.
11. If the loan is not approved because of a poor Plan and unrealistic proposals, other members should help in making improvements to the Plan.
12. A loan agreement is to be signed by an officer and the applicant(s) and witnessed by a community elder or officer (See guideline 19).
13. The loan repayment schedule with details of the loan amount and repayment terms (including any time lag before repayments commence) is to be prepared and copies given to both the secretary and the applicant(s).
14. The loan is withdrawn from the group's savings account and paid to the applicant. An officer and the applicant both sign to agree this transfer has been made.
15. Loan repayments are banked and recorded by the officer(s) and the applicant(s).
16. Interest of 1% per calendar month (or as decided by the group) is charged on the outstanding balance worked out monthly for the last day of the month and added to the total outstanding on the first day of the next month. Interest is only charged on the amount outstanding. Early repayment will decrease the amount of interest paid and late payment will increase the amount as 1% for each month is still charged.
17. Loan defaulters affect everyone in the group and are accountable to the group. A default occurs when repayments are more than two months in arrears.
18. Defaulters will be subject to the following sanctions: Ineligible for further loans until three months after the original loan is paid off and withdrawal of voting rights for the same time. If more than four month's repayments are missed on a Project or Crisis Loan the savings of the member will be confiscated up to the value of the default, the remainder, if any, will be repaid to the member and then their membership terminated.
19. The local community elder or officer should be informed of the existence of the group and stamp the agreements. If disputes arise which cannot simply and safely be resolved within the group, then the local community elder or officer should be asked to mediate.
20. Rules should be decided by the group at its commencement.

TRUST Savings and Loans Group

Loan Agreement

Place..... Loan Ref. Number..... Date.....

I,hereby agree to take a **loan** from this savings group
of..... at an interest rate of % per calendar month
for the purpose of
.....

I will make repayments according to the agreed schedule and I will keep the group informed of my progress.

Signed..... person taking loan (print name).....

Signed..... person taking loan (print name).....

Signed..... officer of the group (print name).....

Signed member of the group (print name).....

Stamp or Signature of the Community Elder or Officer:-

This loan was fully repaid with% interest per calendar month on
(date).....

Signed (Borrower(s))

Signed (Officer)

TRUST Savings and Loans Group

Loan Repayment Schedule

Loan reference number

Loan received (date) Amount

Loan to be repaid at per month for a period of months at an interest rate of% per calendar month starting on(date)

Signed (Borrower(s))

Signed (Officer)

Due	Actual	Amount	Received by	Interest accrued	Outstanding
Repayment	Repayment	Repaid	Group Officer	this month at	Loan Balance
Date	Date		Signature	1%	

Example

12,000 loan made on 1st May 2013 at 1% Interest per calendar month to be repaid over 6 months in monthly instalments of 2,070 with a final payment 2,074. Total repaid to be 12,424.

Month	Due	Actual	Amount	Received by	Interest	Outstanding Loan
	Repayment	Repayment	Repaid	Group Officer	accrued this	Balance
	Date	Date		Signature	month at 1%	
1	31/05/13	-	0		120	12120
2	30/06/13	30/06/13	2070	xxxxxxxxxx	121	10171
3	31/07/13	31/07/13	1500	xxxxxxxxxx	102	8773
4	31/08/13	31/08/13	2070	xxxxxxxxxx	88	6791
5	30/09/13	-	0		68	6859
6	31/10/13	31/10/13	2000	xxxxxxxxxx	69	4928

Because of missed or incorrect repayments at the end of the agreement period of six months, only 7,640 has been repaid and another 4,928 is still outstanding plus any further interest to be added.