



General Guidelines for Micro-Loan Committees

All micro-loan applications shall be examined by the SEEDTIME local loan committee, or by the SEEDTIME board and Executive Director in the absence of a local loan committee.

Loans may be made for new businesses or for business expansions, and are governed by the guidelines below. Loans are typically less than \$500, but higher amounts can be considered where appropriate. Loans cannot normally be made for general business activities (including payment of wages or other operating costs).

1. Loan Applications

All loan applications **must** be presented by the **Loan Applicant** and should include **all** the following documents:

1. A **Statement of Purpose** of the loan, and the loan amount requested (in Tougrug). The Statement of Purpose should be completed and signed by the applicant.
2. A **Business Plan** completed by the applicant. The Business Plan must give all the information asked for on the Business Plan Template in the Appendix of the *Reconxile Workbook 1: Setting up a Biblically-Based Business*.
3. For new businesses, documentary evidence of good **Market Research** must be presented by the loan applicant to the loan committee. For businesses already in operation, a **minimum of 6 months' detailed financial history of the business** must be presented by the loan applicant.
4. A **Local Community Leader Recommendation** in support of the loan application.
5. A **Pastor's Recommendation** (if the applicant is a member of a local church).
6. A **Certificate of Land Ownership**.
7. A **Certificate of Debt Clearance** from the Bank.
8. A **Financial Obligations Statement** declaring that the Loan Applicant has no outstanding private debts. This should be signed and dated by the Loan Applicant.
9. A **Training Certificate** awarded to the loan applicant by SEEDTIME following successful completion of SEEDTIME small business training.
10. The names and addresses of **2 Loan Guarantors** who must not be related to the loan applicant's family, unless they live separately from the applicant.

2. Loan Committee Decision

1. The applicant's **Business Plan, Market Research** and **Business Financial Data** must be examined in detail by the loan committee to determine its viability. The Loan Committee may require further information from the Loan Applicant. If the Loan Committee is not satisfied that the loan can be repaid, the loan cannot be granted.
2. The **Field Agent (who may be a member of the Loan Committee)**, acting on behalf of the Loan Committee, must visit the loan applicant's home and intended place of business, to determine the Loan Applicant's circumstances, and whether these are conducive to the repayment of any loan. No decision to grant a loan shall be made unless these visits are done.

3. The Loan Committee's decision to grant the loan must be unanimous. If one member of the loan committee does not agree with granting the loan, the loan cannot be granted.
4. The Loan Committee must present its decision, and the reason(s) for its decision to the Loan Applicant in writing.
5. To protect against conflicts of interest, no member of the Loan Committee may be a relative of the applicant. If such a case should arise, the loan committee member shall not take part in that loan decision, and, if necessary, another person of good local reputation shall be co-opted by the Loan Committee for that loan decision.

3. Loan Administration

1. If the Loan Committee agrees to make a loan, a **Loan Contract** shall be drawn up, signed by a member of the Loan Committee on behalf of the Loan Committee, and by the Loan Applicant, hereinafter referred to as the **Loan Holder**, and subsequently notarised.
2. The **Loan Contract** shall contain the following details:
 1. The amount of loan granted.
 2. The term of the loan (typically 12 months or less).
 3. The monthly repayment schedule.
 4. The price (interest) of the loan.
 5. Penalties for missed payments.
 6. Responsibility of the Loan Committee and Loan Holder for liaison with one another during the loan period.
3. The **Loan Contract** shall be kept by the Loan Committee, and a copy given to the loan applicant.
4. **Contact between the Loan Committee and Loan Holder**
 1. The **Field Agent** shall assume primary responsibility for contact with the **Loan Holder** throughout the duration of the loan.
 2. The **Field Agent** shall have contact **at least once per month** with the **Loan Holder**, including visiting the place of business, and shall alert the Loan Committee immediately if the Loan Holder is experiencing or is likely to experience problems repaying the loan.
5. When the loan has been repaid in full, the **Field Agent** shall give the Loan Holder a **Certificate of Loan Clearance**.
6. The Loan Committee should be made up of not less than three people.

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