



AIRPORTS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD

Your Growth, Our Strength

COLLATERAL PROCEDURE

Dated: 06th July, 2023

INTRODUCTION

Airports Sacco Collateral Procedure shall be read together with Airports Sacco Credit Policy. Interest rates, fees, and commissions shall be determined by the Management and ratified by the Board from time to time.

COLLATERAL OBJECTIVE

The main objective of the collateral policy is to be used as a guide on security for loans, where the member opts to use the collateral or/and where the guarantors are not adequate to fully guarantee the loan.

The use of collateral is aimed at retaining the Sacco members who may face the challenge of getting guarantors.

It is also aimed at supporting the newly recruited members of the society from the burden of getting guarantors for their loans since they are not familiar with other members.

TYPES OF ACCEPTABLE COLLATERALS

1. Land and Building
2. Fixed Deposits

1. Land and Building Collateral

The Sacco shall accept Land and Building as collaterals /securities for loan facilities above Kshs 1,000,000.00 (One Million) or an amount recommended by Board from time to time.

The property should be within Nairobi and its surroundings or within the County Headquarters in Kenya, and fully controlled by the member or his/her spouse. The property title should be genuine and free from any other encumbrances. A lien shall be established with this guarantee.

a) Search and Valuation of land and building

- A search to ascertain property ownership shall be carried out and certificate/documentation availed.

- The property shall be subjected to valuation by Airports Sacco appointed valuers.
- The valuation fees shall be settled by the member.
- The valuation fees shall be guided by the valuer's remuneration fee schedule.
- A valuation report shall be issued directly to the Sacco by the valuer. A copy of the valuation report shall be issued to the member by the Sacco.

b) Collateral Value

The collateral value for the land and building used shall be 80% of the forced sale value for the Nairobi Metropolitan area and 60% forced sale value for the other areas.

c) Charging of property

The Society shall advise the member to pick a lawyer from the list of the Sacco approved lawyers to undertake the charging of the property.

- A charge must be prepared by a lawyer. The charge documents must be signed by the mandated signatories of the Society and sealed.
- The charge must be done at the land offices and a certificate of the official search showing that the land has been charged to the Sacco availed to the Society.
- All the charges pertaining to the administration of the collateral shall be borne by the borrower. Such as charging and discharging costs, rates, rent and rates certificate, stamp duty, other legal charges. etc.

d) Insurance

Where a member uses a building as security, the building must be insured by a reputable Insurance Company acceptable by the Sacco for the period of the loan. The insurance cover on collaterals shall be taken jointly between the borrower and the Sacco and paid for by the borrower.

2. Fixed Deposit Collateral

This shall consist of 90% of fixed deposits amount held in the Sacco FOSA.

The requirements shall be as follows:

- i. The member shall surrender the original fixed deposit certificate used as collateral.
- ii. The full fixed deposits once committed as collateral shall be locked and shall therefore not be available for withdrawal, transfer or any other purpose until the loan and interest so secured is cleared in full.
- iii. The duration of the loan repayment period shall be less than the fixed deposit maturity period by at least one month. However, where the loan period is beyond the fixed deposit maturity period, the amount fixed shall be renewed automatically.

- iv. The fixed deposit held after maturity shall continue earning interest.

NB. *The interest on fixed deposits shall be paid upon maturity and shall apply on a renewed fixed deposit terms.*

- v. The member must sign a letter of set-off.

CUSTODY OF DOCUMENTS

All original collateral documents must be registered and kept in the Society's strong room. Such documents are:

- i. Land title
- ii. Lease agreement
- iii. Fixed deposit certificate
- iv. Search certificate
- v. Charge report
- vi. Valuation certificates.
- vii. Signed but blank transfer form
- viii. Copy of KRA PIN number
- ix. Copy of National I.D card
- x. Copy of insurance on building
- xi. Any other original document pertaining to the collateral processing

MONITORING ASPECTS

- i. Loans are being repaid
- ii. That the title deeds are still within the Sacco (regular checks)
- iii. Update of Collateral register
- iv. Ensure insurance cover is up-to date

SUBSTITUTIONS OF SECURITIES

To ensure that the Sacco's position is not weakened as a result of substitution of securities; -

- i. Once a loan has been approved, no substitution of one security for another may occur without approval of the Credit Committee responsible for its original approval.
- ii. Substitution of any security may only occur after a new assessment process; this will be followed by writing a new letter of offer and full perfection processes.

REPOSSESSION PROCEDURES

- i. Repossession is the seizure of Item/Property placed as a security to the Loan where the correct documentation is held, and a debt is due.
- ii. The repossession of property in Kenya is guided by the Chattels Transfer Act (Cap 28) and The Auctioneers Act 1996 and Rules, 1997 and 2010.
- iii. This shall be effected once all other ways of recovering the debts have failed.

- iv. The Sacco shall ensure there is evidence of demand notices issued to the defaulter with the last copy indicating the action of selling their property in case they do not make good their loan repayments.
- v. The Sacco shall issue instructions to debt collector/auctioneer to go ahead with repossession
- vi. Upon sale of the property, the amount should be paid to the Sacco.
- vii. The Sacco will clear with third parties involved e.g Auctioneers.

DISCHARGE OF COLLATERAL

- i. Collaterals shall be discharged to the member when the balance secured by the security has been fully settled.
- ii. The discharge of the collateral shall be approved by the Credit Committee.
- iii. The collateral discharge approval shall be carried out by the credit committee and be communicated by the Chief Executive Officer to the custodian.

Appendix 1

Land and building check list

The borrower is required to provide the following documents to facilitate charging process: -

- i. Original title documents of the parcel of land.
- ii. Original and copies of borrower's PIN and ID cards;
- iii. 3 recent passport size photographs of the borrower;
- iv. Land Valuation report;
- v. Postal address, telephone and e-mail address of the borrower.

In case the borrower is married he/she is required to provide the following:

- i. Provide copies of the spouse's PIN certificate and ID card;
- ii. 3 recent passport size photographs of the borrower's spouse;
- iii. Duly executed spousal consent
- iv. In case the borrower is not married he/she is required to swear an affidavit to that effect.

Yours Faithfully,



Harrison Songé

CHIEF EXECUTIVE OFFICER