



## FINANCIAL SERVICES REGULATORY AUTHORITY

**Date:** November 8, 2017

**To:** All Credit Unions

**Re:** Requirement for all Credit Unions

In keeping with Regulation 30 of the Co-operatives Societies Regulations which states: ‘

- (1) *The loss exposure on outstanding loans at the end of the fiscal year, shall be calculated in accordance with Schedule 3.*
- (2) *For the purpose of these Regulations “overdue loans” means personal, mortgage or other types of loans on which the member is in default for more than 90 days on a payment of principal or interest according to any agreement he or she has with the credit union.’,*

You are required to submit in the notes to the financial statements of the 2017 audited financial statements, and beyond, a note indicating your compliance with Regulation 30 above. Disclosure must also be made on the following:

- i. Total gross loans;
- ii. Total delinquency on loans; and
- iii. Net loan delinquency (gross amount less collateral) per aging category.

We take the opportunity to remind you of key measures that need to be undertaken during the normal course of business:

Bill of sale: Section 17 of the Bill of Sale Act, Chapter 13.06 states:

*‘the registration of a bill of sale must be renewed once every 5 years, and if a period of 5 years elapses from the registration or renewed registration of a bill of sale without a renewal or further renewal (as the case may be), the registration becomes void.*

If a loan is granted beyond this time period, a new bill of sale must be obtained after the expiration of the bill of sale registered at the time of the loan application.

Shares and Deposits: Shares or Deposits used as security for a loan may only be reduced to an amount equal to the loan balance.

Mortgages: Property Insurance must be renewed annually on all mortgages. The sum insured must equate to the market value of the property. Further, the credit union must be guided by Regulation 27 (i) and (j) in respect of the assessment of the market value of the property held as collateral.

Life insurance: Members should be required to obtain life insurance, at their expense, for amounts not covered by Credit Union insurance program.

Vehicle loans: Comprehensive Insurance should be required for new vehicle loans. Verification must be done to ensure these policies are renewed annually.

The above guidance are critical for loan underwriting and should help in the safeguard against potential risk to your credit union and member funds.

This guidelines are made in keeping with Section 15 of the Financial Services Regulatory Authority Act, No. 13 of 2011.

Please be guided accordingly.

Yours sincerely,

  
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**CALIXTE LEON**  
**Executive Director**