

WATFORD CREDIT UNION LTD. INFORMATION SHEET

Joining fee and minimum savings

The joining fee for adult members is £1 plus an initial £1 minimum in savings (which we refer to as shares). Your share balance must be brought up to at least £5 within 6 months and must be maintained at no less than this amount. Junior savers (under 18) pay no joining fee.

Share (savings) accounts

Each share account is an individual personal account - we don't offer joint accounts. We are also not allowed by law to offer accounts to organisations or businesses. The maximum amount that any member can hold in their savings (share) account is £10,000.

Funding

Credit Unions are funded by money that they get from members' contributions in shares and joining fees, and sometimes also by grants, donations and sponsorship. Watford Credit Union has received grants from Watford Borough Council, SRB, Key Fund and Comic Relief. Credit Unions also earn money by charging interest on the loans to members and by investing members' money in interest-earning bank/building society accounts. Junior savers are paid interest on their accounts at a rate equal to our best bank/building society interest rate, less any corporation tax payable. Any surplus at the end of the financial year (after all running costs are met, including provision for bad debt and contributions to reserves) is returned to adult members through a dividend on shares.

Dividend on shares

The payment of a dividend, if at all, depends on the amount of surplus money available. Details are decided after the end of each financial year at the AGM, in the light of a recommendation by the Board of Directors. Watford Credit Union's latest declared dividend (for the financial year to 30 Sept 2010) was 1%.

Collection points and other methods of paying in

We collect money, join up new members, pay out loans and withdrawals etc and generally keep in touch with the community through our collection points. Some of these operate from local community centres and church halls, with opening hours depending on volunteer availability.

You can also save money or repay a loan by post (cheques only) or by standing order from your bank or building society, or by electronic bank transfer.

We will also use payroll deduction where an employer has agreed to co-operate. We currently have such an agreement with Watford Borough Council and Watford Community Housing Trust and would welcome further such agreements.

Loans – information and rules

- You must be over 18 to apply for a loan.
- In general, before making a loan application you need to save regularly over at least 13 weeks – ideally by paying approximately the same amount of money per week or month into your share (i.e. savings) account.
- After the initial 13 weeks, you can at any time apply for a loan of no more than 3 times the amount of your savings, with an absolute maximum loan of £5000.
- Emergency loans will also be considered. Proof of the nature of the emergency will be required. If the

Credit Committee (and/or the Loans Officer) is satisfied that the money is required for a genuine emergency, then a loan (maximum £500) can be granted even if you do not meet the standard 13 weeks' savings requirement and/or you need to borrow more than 3 times your share balance.

- All loans must be paid back within a maximum of 3 years. The interest charged is 1% per month on the decreasing balance of the loan. (12.7% APR)
- A standard form (available from the Watford Credit Union office) must be completed for each loan applied for, including details of your current income and expenditure.
- When you apply for a loan, the Credit Committee (and/or the Loans Officer) will assess your credit worthiness and your ability to repay the loan. This could involve an interview, either face-to-face or over the phone. Evidence of your income and your expenditure might be asked for.
- You will be encouraged to save, even if only a small amount, whilst repaying your loan.
- All loans are subject to availability of funds and at the discretion of the Credit Committee. The excess of loan balance over share balance for any member will not exceed 5% of the credit union's total assets.
- The Credit Control Officer follows up all loan repayments that fall into default and if necessary the credit union will start a process of legal action. Any related charges incurred by the credit union can be added to the amount owing by the defaulter.
- If you need help filling in the loan application form or if you have any queries, you can leave a message at the office asking to speak to a member of the Credit Committee.
- A decision on a loan application can usually be made within 3-7 working days.
- On receipt of a loan, you must sign the loan agreement, which is a legal document in which you undertake to pay the amounts specified by the dates specified. There is no penalty for repaying extra amounts at any time.
- You can apply for a second loan if at least 50% of the existing loan has been paid off.
- If in any one calendar month you do not pay enough to cover both an agreed loan repayment and an agreed deposit into your share account (i.e. savings), any amount you do pay will be used first towards the loan repayment and then any surplus will be paid into your share account.
- Agreed loans are normally paid by cheque – if you would prefer another method of payment, please raise this with the Credit Committee when applying for the loan.
- While you are repaying a loan, and if you are not in arrears, you may withdraw money from your share account (savings) as long as your share balance does not as a consequence fall below one-third of your current loan balance. The Board of Directors may agree that these conditions can be waived, if exceptional circumstances apply.