



## **KIMISITUSACCOCOLLATERALPROCESSANDPROCEDURES**

### **INTRODUCTION**

Kimisitu Sacco Collateral Policy shall be read alongside Kimisitu Sacco Credit Policy. Interest rates, fees and commissions shall be determined by the Management and ratified by the Board from time to time.

Policy

For all loan transactions, the SACCO shall require a guarantee as backup which may be a pledge, mortgage, cash collateral and others as permitted by law.

The Society shall allow all loans to be secured through collateral

Types of Acceptable Collaterals

Listed below are the main types of collaterals the SACCO can accept to back up its lending transactions:

#### **a) Land Collateral Pledge**

This is constituted by land within Nairobi and its surrounding and towns in Kenya, and fully controlled by the member or his/her spouse. A lien shall be established with this guarantee.

The property should be within Nairobi and its surrounding and within the County Headquarters in Kenya, and fully controlled by the member or his/her spouse

The property title should be genuine and should not have been transferred to another person.

When the guarantee consists of this type of property, the borrower must protect it by means of a policy for events of force majeure for the entire amount of the appraisal or at least for the amount of the total risk, including the amount of the insurance according to the economic activity for which it is being used. This insurance shall include the risks of fire, flood, terrorism and any other. The building shall be insured through a reputable Insurance Company acceptable to the Sacco for the period of the loan. The amount of annual premium shall be determined and settled by the Sacco for the period of the loan while the borrower will service the same monthly in addition to loan repayment

### **Valuation of land or building**

The building shall be subjected to valuation by Kimisitu Sacco appointed valuers. Valuation fees shall be settled by the member unless the member has applied for valuation loan. The valuation fees shall be guided by the valuer's remuneration fee.

A valuation report shall be issued directly to Kimisitu Sacco by the valuer. A copy of the valuation report shall be issued to the member by the Sacco

### **VALUATION CHECK LIST**

#### **Charging of land or building**

Upon valuation of collateral and approval of loan, the Sacco shall secure the property offered as collateral by way of registering a charge at the relevant Lands Registry.

### **COLLATERAL MATRIX**

Approved collateral security mix of 80% of the forced sale value for Nairobi & its environs and 75% forced sale value for the County Headquarters.

### **DOCUMENTS CHECK LIST**

- Loan agreement
- Correct names of the borrower as per the ID
- 30 days' notice clause
- terms of repayment and purpose of the facility as per the offer letter
- Properly executed by the borrower and witnessed by an advocate
- Generally, in tandem with the all the terms of the offer letter
- Charge
- Kimisitu Sacco template as per the land regime
- Correct name and address of the Chargor as it appears on Title deed

- Correct name and address of the Chargee
- Properly executed by the Chargor and or borrower and duly witnessed by an advocate
- Spousal consent dully filled with correct ID number and witnessed by an independent advocate
- Different advocates to witness different signatures
- If spouse is dead attach proof like death certificate
- Affidavit by the Chargor if single attesting to that fact
- Affidavit by the Chargor if the names on the ID and Title deed do not tally
- Deed of guarantee of indemnity
- If Chargor is not a borrower provide guarantee of indemnity supporting the amount charged.
- Guarantee amount should support the charged amount
- Guarantor should acknowledge receipt of the copy of the guarantee
- Deed of assignment
- Correct name and address of the assignor as per the title deed
- Correct name and address of the assignee/lender
- Consideration is the amount charged

### **CHECK LIST DURING PERFECTION (LAWYERS)**

- All documents should be accompanied by a forwarding letter
- Ensure all registered documents are forwarded at least in duplicate
- Certified copy of the practicing certificate for the advocate witnessing the spousal consent together with the drawn documents for our record/review.
- Original Search
- Letter of consent to charge
- Land rates/and or rent payment receipt (where applicable)
- Land rates/and or rent clearance certificate (where applicable)
- KRA stamp duty receipts

### **LEGAL FEES ON CHARGING OF TITLE**

Legal Fees for registration of charges on titles are stipulated in the Advocates (Remuneration Order 2006).

### **Key Stages of the Collateral process**

Land/Building Collateral

1. Members checks the eligibility through the Sacco customer care team
2. Submission of application loan request attaching required documents. i.e. Copy of title deed
3. Members select the valuer from the list provided by the SACCO
4. Upon selection the instruction sent to the valuer for valuation process.
5. Members settles valuation fees for the valuer to release the valuation report to the Sacco unless the member has requested for valuation loan.
6. Loan appraised and approved as per the Sacco guideline.
7. Charging process commence by
  - List of Lawyers shared to the member to select the preferred one
  - Then instruction sent the lawyer for the process

Upon receipt of Charged title / property fund are disbursed

### **Motor Vehicle Collateral Pledge**

This is constituted by motor vehicle not more than 8 years of age from the date of manufacture.

Valuation of the vehicle shall be done by registered valuer appointed by Kimisitu Sacco and valuation report submitted directly to the Sacco.

Kimisitu Sacco shall issue the borrower with a letter of instructions to the valuation company to facilitate the process.

Valuation fees of Kshs 3,500 paid to the Sacco.

Upon approval of the loan the ownership of the vehicle shall be registered jointly between the borrower and the Sacco.

The vehicle shall be comprehensively insured through a reputable Insurance Company acceptable to the Sacco for the period of the loan. The amount of annual premium shall be determined and settled by the Sacco for the period of the loan while the borrower will service the same monthly in addition to loan repayment. The insurance company will issue a letter to confirm noting the interest of the Society in the vehicle in case the vehicle is involved in an accident or stolen, the insurer will be duty bound to pay the Sacco.

The vehicle shall be installed with the tracking Garget. Tracking company from the Sacco panel.

Tracking fees and tracking renewals paid upfront from the loan.

#### Release of Collateral/securities to the Member

Collaterals will only be released to the member when the loan secured by the security has been fully settled.

Documents will be released to the member by way of notification through a signed release of collateral form signed by both the SACCO and the member.

