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Box 15

(10)



WHAT IS A CREDIT UNION?

CAPE CREDIT UNION LEAGUE

<u>CONTENTS:</u>	<u>PAGE:</u>
The Credit Union and Membership	1
Management of your Credit Union	7
Meetings	10
Savings and Shares	11
Loans	14
Financial provisions	17

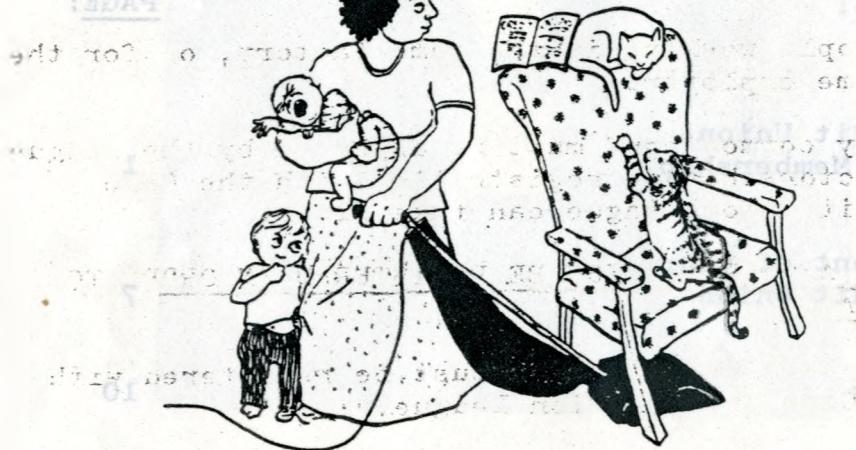
THE CREDIT UNION

1. WHAT IS A CREDIT UNION?

A credit union is a self-help financial co-operative where people, who are united by a Common Bond, agree to save money together and to make loans to one another at low rates of interest.

snitch y Friends are out in the garden

3000



... You will have to spend some spare time studying at home ...

2. WHY IS THE COMMON BOND SO IMPORTANT?

The common bond is the most important characteristic of a credit union because credit unions are founded on trust and unless members already have something in common, they have no basis for trusting one another. The purpose of the common bond is to protect members' interests and members' funds. It also fosters a spirit of commitment and co-operation.

3. WHO MAY FORM A CREDIT UNION?

Any group of people who are united by a common bond may form a credit union. For instance,

people attending the same church or people belonging to the same association.

members of the same profession, such as nurses, teachers etc.

people living in the same clearly defined geographical area.

people working in the same factory, or for the same employer.

Every common bond must be approved by the League Directors before registration with the Cape Credit Union League can take place.

4. MUST A CREDIT UNION BE REGISTERED IN ORDER TO OPERATE?

Yes, each credit union must be registered with the Cape Credit Union League.

5. WHAT ARE THE AIMS OF A CREDIT UNION?

The credit union has three main aims:

- i. to encourage regular savings among its members;
- ii. to provide loans (credit) to members for productive and provident purposes at a low rate of interest;
- iii. to educate members in the management and wise use of money.

6. WHAT ARE "PROVIDENT" AND "PRODUCTIVE" PURPOSES?

"Provident" loans are those which will bring immediate relief to the borrower, for example, to pay medical bills, to repair a house destroyed by fire, educational fees, funeral expenses, etc.

"Productive" loans are those which will help the borrower to save and increase his income and may be used, for example, to start a business, to buy tools, to buy machinery, to pay cash for merchandise, etc.

7. WHO MAY BECOME A MEMBER OF A CREDIT UNION?

Anyone who falls within the common bond of a Credit Union and whose written application to join the Credit Union is recommended by 2 members and approved by the Board of Directors, may become a member of that Credit Union.

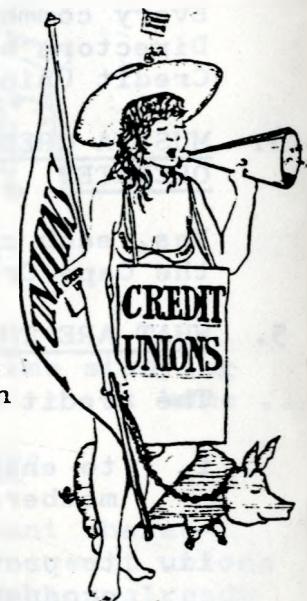
8. WHAT HAPPENS WHEN THE MEMBER'S APPLICATION IS APPROVED?

When the application is approved, the new member will be required to pay an entrance fee of R1.00 and to begin saving by purchasing two shares of R1.00 each. He will then be issued with a passbook in which all his transactions with the credit union will be recorded.

9. WHAT ARE THE RIGHTS OF A MEMBER OF A CREDIT UNION?

A member of a credit union has the following rights:

- i. a right to the services of the credit union.



... You'll need people with the talent to communicate your ideas to non-members ...

9. ii. a right to attend and participate in the deliberations of the credit union.
- iii. a right to save and to pay for shares whenever the credit union is open for business.
- iv. a right to withdraw savings and make loans whenever the necessary requirements have been fulfilled and the credit union is open for business.
- v. a right to one vote in matters needing the decision of members.
- vi. a right to be elected as an officer in the credit union.
- vii. a right to see the books of account of the credit union.

10. WHAT ARE THE DUTIES OF A MEMBER OF A CREDIT UNION?

A member of a credit union has the following duties:

- i. he must attend and participate in general meetings of the credit union.
- ii. he must save regularly and pay his loans as agreed upon.
- iii. he must use his vote to see that only good and capable officers are elected in the credit union.
- iv. he must protect the good name of the credit union.
- v. he must help to attract new members to the credit union.
- vi. he must increase his knowledge of credit unions.

help
yourself
to cut
the cost
of credit

11. MAY MORE THAN ONE MEMBER OF A FAMILY BE A MEMBER OF A CREDIT UNION?

Yes, members of the immediate family of a person belonging to a credit union may also join the credit union in order to save with that credit union and to benefit from credit union services.

12. CAN MEMBERSHIP IN A CREDIT UNION COME TO AN END?

Yes, membership in a credit union can end for several reasons - ① if a member dies ② if he no longer has at least 2 shares in the credit union, ③ if he withdraws from the credit union ④ or if he is expelled from the credit union. Each of these circumstances is covered by the rules of the credit union.

13. HOW CAN A PERSON WITHDRAW FROM MEMBERSHIP OF THE CREDIT UNION?

A member may withdraw from membership of the credit union at any time if he gives written notice of his decision to the officers of the credit union. If he was paid all his debts to the credit union, he will receive all the money he paid in on shares and savings together with any dividends due to him.

14. WHAT HAPPENS IF A MEMBER OF THE CREDIT UNION GOES MISSING?

When a credit union has been unable to contact a member for a period of 3 years, the Board of Directors may decide to close his savings and shares account. Before doing so, however, the credit union shall send the member a registered letter informing him of the decision. If no

reply is received by the credit union within 30 days of posting this letter, the accounts may be closed. The member may still claim what is owing to him during the next 7 years, but after that the money will be forfeited to the credit union.

15. WHAT HAPPENS IF A PERSON NO LONGER QUALIFIES FOR MEMBERSHIP OF THE CREDIT UNION?

A person who has been admitted to membership of the credit union but who loses the qualification that made him eligible may retain his membership and voting rights in the credit union and the credit union may continue to accept money from him for savings or shares in the credit union. The credit union may also make loans to the member, provided that the total of such loans does not exceed the amount the member has in his savings and shares with the credit union.

16. FOR WHAT REASON MIGHT A MEMBER BE EXPELLED FROM THE CREDIT UNION?

A member may be expelled for any grave and sufficient reason including the following:-

- (i) deliberately breaking or refusing to obey Credit Union rules;
- (ii) making confidential information public;
- (iii) deceiving the Credit Union about the purpose and use of a loan;
- (iv) changing or making false entries in passbooks or any records of the Credit Union;
- (v) failing to make regular deposits when a compulsory saving scheme has been accepted.

17. WHAT HAPPENS WHEN A CREDIT UNION MEMBER DIES?

On the death of a member, his shares and his savings will be either transferred to his heirs if they are qualified to be members of the Credit Union, or the money will be paid out as if he had withdrawn from the Union.

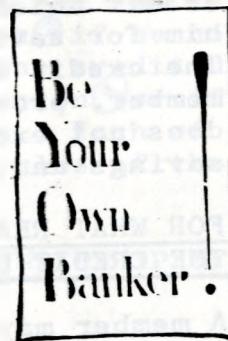
18. MAY A CREDIT UNION ACCEPT SAVINGS AND SHARES FROM, OR GIVE LOANS TO NON-MEMBERS?

No, because a credit union is there to serve its members. Only members may save or buy shares in the credit union and only members may receive loans from the credit union.

19. WHO OWNS THE CREDIT UNION?

The credit union is owned, operated and controlled by the members.

MANAGEMENT OF YOUR CREDIT UNION



20. WHO MANAGES THE CREDIT UNION?

The members manage the Credit Union through a board of directors and the various committees elected by the members at the Annual General Meeting.

21. WHAT IS THE BOARD OF DIRECTORS?

The Board of Directors consists of 5 - 15 members elected by the members of the Credit Union at the Annual General Meeting. Within 7 days following the Annual General Meeting, the Board of Directors elects from among themselves by secret ballot, a chairman, vice-chairman,

treasurer and secretary of the credit union, each of whom will hold office only until the end of the next Annual General Meeting. Except at the inaugural meeting, directors are appointed for terms of 3 years. Retiring directors may again be re-elected after they have retired.

22. WHAT ARE THE POWERS AND DUTIES OF THE BOARD OF DIRECTORS?

The Board of Directors shall, subject to the rules of the credit union, be responsible for the general control, direction and management of the affairs, funds and records of the Credit Union. A person elected as a director should be ready to attend and participate actively in the monthly meetings of the Board. Directors on the Board manage the credit union as a body and not as individual directors acting separately.

23. HOW OFTEN DOES THE BOARD OF DIRECTORS MEET?

Regular meetings of the Board of Directors should be held not less than once a month. Special meetings of the Board are held whenever necessary. To have a quorum in order to carry out the business of the meeting, at least one-half plus one of all the members of the Board of Directors must be present.

24. HOW MANY COMMITTEES ARE THERE IN A CREDIT UNION?

There are usually three committees:

- i) The Credit Committee examines all requests for loans. Application for a loan must be made in writing. The decision to grant a loan is made on the applicant's need and his ability to repay the loan. The Credit Union Committee, made up of 3 to 7 people,



is elected at the Annual General Meeting. Members of the Credit Committee must meet regularly, keep minutes of their meetings and present a monthly report to the Board of Directors.

... the credit committee should be prepared to meet at short notice in an emergency ...

ii) The Supervisory Committee examines and checks the records and accounts of the Credit Union and in this way watches over the money put into the Credit Union. The Supervisory Committee ensures that the officers of the Credit Union are carrying out their duties and that the Credit Union is being run according to the rules of the Credit Union and the Cape Credit Union League. The members of this committee must meet regularly, keep minutes of its meetings and present a quarterly report to the Board of Directors.

iii) The Education Committee informs members about Credit Union activities and provides information to the members about Credit Union services. It may also promote the education of officers and potential officers by encouraging various courses for Credit Union members. It is the responsibility of the Education Committee to increase the membership of the Credit Union within the community. The Education Committee meets regularly, keeps minutes of its meetings and presents an Annual Report to the Board of Directors.

25. WHAT COULD DISQUALIFY A MEMBER FROM BEING ELECTED AS A DIRECTOR OR A COMMITTEE MEMBER?

Members who have fallen behind in the repayment of a loan from the credit union, or who have

been absent without excuse from three consecutive board or committee meetings, or who are employed by the credit union, may be excluded from election as directors or committee members.

26. DO OFFICERS IN THE CREDIT UNION RECEIVE A SALARY?

No, all officers of the credit union usually give freely of their time and ability in their services to the credit union. Only employees of the credit union such as a manager or a book-keeper, will receive salaries.

27. IS IT NOT POSSIBLE FOR ONE PERSON OR A GROUP OF PERSONS TO GAIN CONTROL OVER A CREDIT UNION AND USE IT ONLY AS A MEANS OF ENRICHING THEMSELVES?

No, this is not possible. The credit union is run strictly on the principle of one man one vote. No matter how many or how few shares a member may have, his voting is always the same.

28. HOW DOES A CREDIT UNION OPERATE?

A credit union is operated in a spirit of self-help and mutual aid.



29. WHY ARE MEETINGS IN THE CREDIT UNION IMPORTANT?

Meetings in the credit union are the means by which members assume responsibility for and exercise their rights of control and management of the credit union. By participating in the

activities of the credit union, members use their power of democratic control.

30. WHAT IS THE ANNUAL GENERAL MEETING?

The Annual General Meeting is one of the most important events in the credit union. It is held between 1st October and 31st December every year and should be attended by every member of the credit union.

31. WHAT IS THE BUSINESS OF THE ANNUAL GENERAL MEETING?

At the Annual General Meeting credit union members will elect from among themselves, persons to serve on the Board of Directors and on the various committees. Reports from the various committees will also be presented.

32. WHAT IS A SPECIAL GENERAL MEETING?

A Special General Meeting of the members is held for a particular purpose and may be called when not less than 15 members have requested it in writing, or when the board of directors or Cape Credit Union League think it necessary.

33. WHAT ARE SAVINGS MEETINGS?

Savings meetings are held regularly on a fixed day and time as decided by the members. The purpose of these meetings is to allow members to deposit their money. Members may also use the opportunity to discuss credit union affairs, should they wish to do so.

SAVINGS AND SHARES

34. HOW MAY CRREDIT UNION MEMBERS SAVE MONEY?

Members may save money through the credit union

by buying shares on which dividends will be paid, or by making savings on which interest will be paid.

SAVE

in your credit union

35. WHAT ARE SHARES?

Shares are the permanent savings of the members. They are the most important source of funds for the credit union. The amount to be paid for a share is R1.00 and members must pay for 2 shares on joining the credit union.

36. MAY MEMBERS WITHDRAW SHARES?

Money paid for shares may be withdrawn provided that the period of notice of intention to withdraw is observed, and if all the monies owed to the credit union have first been paid in full.

37. WHAT ARE SAVINGS?

Savings are temporary deposits which may usually be withdrawn on any day that the credit union is open for business. However, in the case of a considerable sum, the Board of Directors may require the member to give due notice, for example 30 days. No payment can be made to a member unless all his liabilities to the credit union have been fully discharged.

38. IS IT SAFE TO KEEP MONEY IN A CREDIT UNION?

Yes, it is safe to keep money in a credit union

because:

- i) credit unions are required to deposit their money in a bank;
- ii) credit unions operate under strict regulations and will be supervised by officials of the Cape Credit Union League;
- iii) each credit union has its own supervisory committee, elected by the members, who will check the books of account, the passbooks and the cash floats at regular intervals;
- iv) credit union funds are protected by insurance against loss of funds due to dishonesty, robbery and other possible hazards.

39. HOW DOES A CREDIT UNION ENCOURAGE THRIFT?

Members are encouraged to save regularly even in small amounts. With these savings they can buy shares in the credit union. By the time the member has paid for some shares, the habit of thrift will have become so rooted in him that he will continue saving. Regular savings are necessary from each member because these savings are pooled and used as a fund from which any member may borrow in time of need. With the agreement of the Cape Credit Union League, the Board of Directors may impose a compulsory saving scheme on members.

40. HOW WILL MY MONEY GROW IF I SAVE WITH THE CREDIT UNION?

Money saved with the credit union grows because of the interest gained on loans and through investments at the bank or building society. Subject to certain conditions, the surplus is paid out to members in the form of interest on savings and dividends on shares.

41. DO MEMBERS HAVE PASSBOOKS?

Yes, members have passbooks in which their savings, shares and loans are recorded.

LOANS

42. WHO MAY BORROW FROM A CREDIT UNION?

Only members of the credit union who have paid the entrance fee of R1.00 and have also paid in full for two shares of R1.00 each, may borrow from the credit union.



... have you ever tried to get a loan from a bank? ...

43. FOR WHAT PURPOSE ARE LOANS MADE BY THE CREDIT UNION?

The credit union lends money for provident and productive purposes which, as explained in question 6, means for the purpose of immediate relief or to help the borrower increase his income.

44. HOW DOES A CREDIT UNION MEMBER APPLY FOR A LOAN?

Every application for a loan must be made in writing on the form provided by the credit

union and must state the purpose for which the loan is required. The form must be signed by the member seeking the loan and also by any other member or members who are willing to guarantee repayment of the loan.

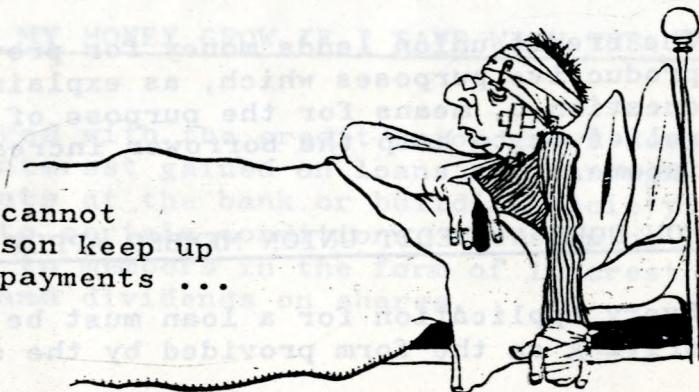
45. WHO DECIDES THAT THE LOAN IS FOR A PROPER PURPOSE

All loans are usually approved by the Credit Committee whose duty it is to examine the purpose for which the loan is requested, the guarantee offered for the security of the loan and the terms of payment. Members of the Credit Committee also know the character of the borrower. All transactions are confidential and members of the Credit Committee may not reveal to others the information they receive.

46. HOW IS A LOAN REPAYED TO THE CREDIT UNION?

A loan is usually repaid in fixed monthly instalments. When a member cannot keep up his loan repayments, he must inform the credit union. New repayment terms can be agreed upon - the time for repayment can be extended or loan repayments can be suspended temporarily. In such cases, a member is then asked to pay only the interest owing each month. There is no penalty for late repayment of his loan provided the member has informed the credit union and the credit union has agreed to new terms of repayment.

... if you cannot
for any reason keep up
the loan repayments ...



47. WHY NOT GET A LOAN FROM AN ORDINARY BANK?

Most people cannot borrow from a bank. Neither can a bank lend money to meet personal needs in the same way, as a credit union can. Furthermore, if you borrow from a bank, you pay more for the loan because you are charged for the investigation before granting of the loan and also charged for insurance. These charges are often known to the borrower.

48. WHAT IS THE RATE OF INTEREST ON A LOAN FROM A CREDIT UNION?

The interest charged on a loan from the credit union is usually 1% per month on the unpaid balance of the loan.

49. HOW CAN CREDIT UNIONS CHARGE LESS ON LOANS?

Credit unions can charge less because they are:

- i) operated for service and not for profit;
- ii) operated by the voluntary work of those who are members of the credit union;
- iii) operated without overhead charges for buildings, etc;
- iv) operated on a good knowledge of the characters of the borrowers.

50. HOW MUCH SHOULD A CREDIT UNION HAVE BEFORE IT MAKES LOANS TO MEMBERS?

Loans cannot be made except from a fund of money built up in the credit union through the shares and savings put there by the members. But as soon as there is a fund, loans should be made. Smaller loans should have preference so that as

many members as possible can experience the benefits of belonging to the credit union. In the beginning, when the fund is still small, it will be necessary to limit the amount which can be loaned to any member. Members must remember that those in need cannot take money out of the fund of the credit union unless that fund is kept filled by the savings of all the members.

FINANCIAL PROVISIONS

51. WHAT IS BOOK-KEEPING?

Book-keeping is concerned with the making of permanent written records of financial transactions into the books of account of the credit union.

52. WHAT MUST THE BOOK-KEEPING SYSTEM SHOW?

The book-keeping system must show:

- i) how much the credit union owes (its liabilities)
- ii) how much the credit union owns (its assets)
- III) whether the credit union has financial stability and is able to pay its debts as they arise
- iv) whether the credit union is operating efficiently covering its cost and providing a net surplus.

53. WHY IS BOOK-KEEPING CONTROL ESSENTIAL FOR A CREDIT UNION?

Because the members are the owners of the credit

union, they have a right to know how the credit union is doing and how their money is being used. The books of account will provide this information.

54. WHAT IS THE ROLE OF THE TREASURER IN THE CREDIT UNION?

Unless the board of directors decides differently, the treasurer is the general manager of the union. Working as a member of the board of directors he will:

- i) be responsible for the safe-keeping of all funds, securities, valuables and other assets of the credit union;
- ii) keep a complete record of all assets, liabilities, income and expenses of the union;
- iii) deposit all cash in accordance with Rule 42 (c) of the constitution;
- iv) prepare and present to the Board of Directors a monthly financial statement of the income and expenditure of the credit union;
- v) prepare and present to the auditor all financial reports as requested;
- vi) report to the members at every Annual General Meeting of the credit union.

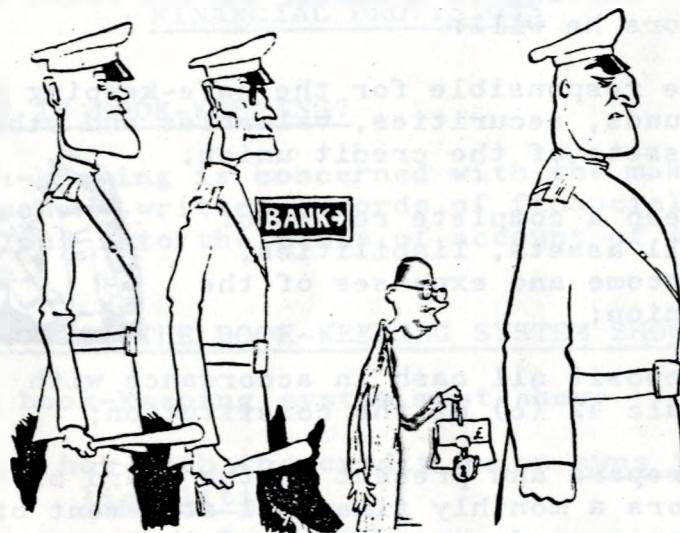


55. WHO MAY INSPECT THE ACCOUNTS OF THE CREDIT UNION?

Any member who is interested in the funds of the credit union may inspect his own account and the books of account in which the money received and expended by the credit union is recorded.

56. DOES THE CAPE CREDIT UNION LEAGUE INSPECT THE CREDIT UNION ACCOUNTS?

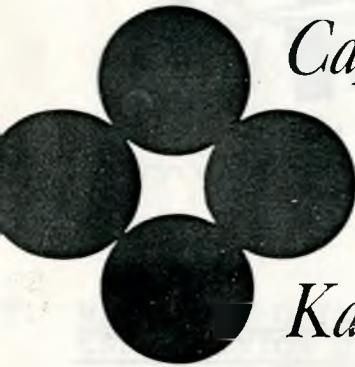
Yes, in an advisory and educational capacity, Cape Credit Union League officers constantly assist and guide the treasurer in credit union book-keeping practices. Once a year, after the Annual General Meeting, the financial statements of the credit union are sent to the Cape Credit Union League.



... every care must be taken to see that money is carefully handled ...

57. WHERE MAY DETAILS REGARDING THE RUNNING OF A CREDIT UNION BE FOUND?

The standard rules for a credit union as issued by the Cape Credit Union League contain details for all credit union operations.



Cape Credit Union League

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lweMboleko-Mali eKapa*

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