

COMMERCIAL LOANS PACKAGE

1. Sector coverage:	Commercial undertakings of more than \$10k in value
2. Eligibility:	Business people with viable commercial undertakings
3. Repayment cycle:	Fortnightly or monthly as per cash flow projections
4. Maximum Loan:	\$500k
5. Loan Extensions:	Loan extension is allowed on evidence that project or business maintains competitiveness in the market as shown by its financial accounts for the past 3 years and past 3-6 months. No loan extension allowed unless previous loan is reduced by 25%.
6. Refinancing:	Allowed
7. Regular Site Visit to Project Site:	On site visits reports is required from the Loan Supervision Department.
8. Maximum loan term:	Assessed on CASH FLOW PROJECTIONS, but not more than 10 years
9. Equity Contribution/deposit:	10% of loan amount (cash)
10. Grace Period:	Assessed on Cash Flow Projections
11. Security:	150% coverage from - Insurance on project items, buildings, and equipments Project items KPF Pledges Land
12. Repayment:	At end of grace period
13. Insurance:	On all project items, buildings, equipments, etc.
14. Disbursement:	By installment to borrower or to supplier
15. Approval Authority:	EXCOM for loans over \$10k up to \$50k Board for loans over \$50k

Appraisal Requirements		
Criteria	Details	Documents
16. Borrower's integrity	Identification	Birth Certificate, KPF ID Card
	Member of KPF	KPF Statement shows that 70% of KPF is un-pledged.
17. Salary assignment	Permanent Employee	Confirmation letter from PSO, etc
	Repay-ability	Payslip and Payslip letter from Ministry of Finance, etc. Net salary meets salary assignment requirement
	Credit checking – KHC, BOK	Statement
	Commitment ratio	Personal & salary details form, S/slip
18. Business integrity	<i>South Tarawa loans:</i> Net salary minus fortnight SD should not be less than \$40 per fortnight	
	<i>Outer Island loans:</i> Net salary minus fortnight SD should not be less than \$20 per fortnight.	
	Salary deduction & remittance	<ul style="list-style-type: none"> ▪ Salary processing point (OI/ST) ▪ Employer's undertaking re SD
	For new businesses – Business Plan from Ministry of Commerce and to contain market studies and financial projections for 5 years	Business Plan forecasting for the next 5 years
	For existing businesses – Copies of Accounts submitted to Tax Office for the past 5 years	Copies of Accounts submitted to Tax Office for the past 5 years
Actual financial reports for the past 6 months	Actual financial reports for the past 6 months	
Financial projections for the next 3 years	Financial projections for the next 3 years	

Interest Rates		
13.5%	Public bus transport	
13.0%	Bridging finance	
12.0%	Other business loans	
13%	For loans above \$10k and below \$20k	Loans to be considered by EXCOM and Board
13.5%	For loans above \$20k	Loans to be considered by EXCOM and Board

FEE	DETAILS	PURPOSE
Application fee	\$20 upfront	Defraying loan processing costs:-
Establishment fee	<\$5k – 1.5% of loan >\$5k – 2.5% of loan >\$10k – 3.5% of loan >\$50k – 5% of loan	<ul style="list-style-type: none"> ▪ Stationery, printing and photocopying for loan application, supporting documents and legal documentation ▪ Staff time (Loan officers, senior lending staff, Management approval and execution)
Loan extension fee	Fee to be paid upfront Correspond to (Outstanding loan balance). (1-500) - \$20 (501-1000) - \$25 (1001-2000) - \$30 (2001-3000) - \$35 (3001-4000) - \$40 (4001-5000) - \$45 (5001-6000) - \$50 (6001-7000) - \$55 (7001-8000) - \$60 (8001+) - \$100	<ul style="list-style-type: none"> ▪ Application fee for loan extension
Loan administration fee	\$5 per month	<ul style="list-style-type: none"> ▪ Administration service fee
Registration fee	\$20.00	<ul style="list-style-type: none"> ▪ Registration costs charged by high court
KPF Pledge fee	\$20.00	<ul style="list-style-type: none"> ▪ KPF pledge fee charged by KPF ▪ To cater for early release of KPF pledge prior settlement of loan
Arrears fee	5% of arrears but not more than \$20	<ul style="list-style-type: none"> ▪ Cost of staff time in doing additional jobs because of defaulting repayment
Statement fee	\$2.00 per statement	<ul style="list-style-type: none"> ▪ Cost of statements issued
Legal document and release letter fees	\$5.00 per copy	<ul style="list-style-type: none"> ▪ Cost for additional legal documents issued
Closing fee	\$100 per account closed	<ul style="list-style-type: none"> ▪ Cost for closing account
Refinancing fee	5% of loan outstanding refinanced	<ul style="list-style-type: none"> ▪ Cost for refinancing loans