



LOAN SECURITY DEPOSIT POLICY & PROCEDURES

Introduction

Mining & Petroleum Savings and Loan Society Limited (the Society), since inception in 1983 has been lending to its members on a 1:2 ratio. This means that if a member has K 2,000.00 in his savings account, he is eligible to borrow up to a maximum of K 4,000.00. Of the K 4,000.00 lent to the member, K 2,000.00 is termed as unsecured which becomes a risk to the Society, if the member fails to repay the K 2,000.00 exposed to the Society.

In the past, this unsecured portion of the loan was recoverable from the savings a member had with respective Superannuation Fund. In April 2003, changes to the Superannuation Funds Act prohibited disbursement of superannuation funds to third parties for any other purpose than that intended for. This meant that the Society was unable to recover funds from a member's superannuation fund.

As a result of changes in the Superannuation Act, the Loans Security Deposit (LSD) Scheme was introduced in September 2003 to safeguard the Society against the unsecured portion of loans the Society advances to members, the risk of which the Society carries.

Opening an LSD account is mandatory for all members who intend to acquire loans from The Society and the minimum deposit shall be K 50.00 per fortnight. Members may increase the amount at their own discretion.

Terms and Conditions of LSD

- 1) The Loan Security Deposit (LSD) Account will attract an interest rate as determined from time to time by the Board of Directors.
- 2) The LSD Account will not be accessed in any manner at all by a member until such time as the member ceases to be a financial member of the Society, including death. The member or his / her authorised beneficiary / beneficiaries as stipulated on the "OMTL Nomination of Beneficiary Form" will receive in full the total deposit, including interest earned, after all outstanding debts to the Society have been fully settled.
 - LSD funds cannot be used to offset (reduce) a member's loan account.
 - LSD funds cannot be used as a source for obtaining a loan with the Society
 - LSD funds cannot be transferred to a member's general (S1) savings account
 - LSD funds cannot be used for any purpose to a third party.
- 3) Members with an LSD account may benefit from a higher lending ratio than 1: 2. This will arise where the total value of the LSD fund is greater than a member's (S1) general savings account. However, it must be understood that only funds from the general (S1) savings account can be used for sourcing a loan from the Society. In any case, the total loan outstanding may be fully secured.
- 4) Those who do not have an LSD account will be subject to a lending ratio of 1:1 when seeking loans from the Society which in accordance with the directive from the Registrar.
- 5) Transfer of funds from a member's general (S1) savings account to the LSD account is permitted on the condition that the balance in the general (S1) savings account is in excess of total loans outstanding.
- 6) Members are allowed to deposit funds into the LSD account.
- 7) LSD funds will be invested in financial markets in the country where returns on such investments are seen to be attractive.

This policy document remains in force until such time as the Board of Directors sees it necessary to make amendments to the policy. Such amendments must be endorsed in a full Board meeting and minuted.

THE AGREEMENT

I have read, understood and agree to comply with the terms and conditions of the LSD account as stipulated above.

Name: _____	Employee Number: _____
Member's Signature: _____	Date: _____
Society Staff Signature: _____	Date: _____
Processed By: (Society Member) _____	Date: _____