

REVISED LOAN SECURITY REQUIREMENTS UNDER THE VARIOUS QUEDANCOR PROGRAMS

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The corporation's primary task of establishing a convenient credit support mechanism and reliable guarantee system for the credit needs of the agri-fishery sector necessitates an effective program implementation that will support its investment blueprint for countryside development. In line with this, QUEDANCOR's program policies and loan security requirements must be strengthened and standardized to encourage good repayment and improve collection performance.

1. OBJECTIVES

1.1 Strengthen the loan security requirements under the various QUEDANCOR credit programs to ensure good repayment on loans and intensify collection of loan receivables.

1.2 Ensure a steady source of loanable funds through an effective management of its loan receivables and borrowed funds.

2. SCOPE

This guideline shall cover all QUEDANCOR borrowers under its various financing programs except, IAL Program for Government Employees; NCB Card Program; Inventory Financing Programs; and all other programs with existing Memorandum of Agreement as to source of funds/co-program implementors, with pre-arranged provisions on loan collateral or security requirements such as Dairy Program, CDA-CLP Program, Livecor Agri-Aqua Equipment Leasing Program, Palay Warehouse Receipt Program; and other Special Programs.

3. STATEMENT OF POLICIES

3.1 Standardized Security Requirements

3.1.1 For SRT

For loans up to P 50,000.00

- a. Joint and Several Signatures (JSS) of members of the SRT group; and
- b. Deed of Assignment of Receivables supported by a Marketing Contract/ Agreement, if applicable.

For loans above P 50,000.00

- a. Joint and Several Signatures (JSS) of members of the SRT group;
- b. Deed of Assignment of Receivables supported by a Marketing Contract/Agreement, if applicable; and
- c. A loan guarantee from the participating LGU or Buyer-Firm/IS.

3.1.2 For Individual Borrowers (Entity and Non-Entity)

For loans up to P 50,000.00

- a. Continuing Deed of Assignment of Stocks-in-Trade with Trust Receipt Agreement (for Food/Market Retailers/Sari-Sari Stores) or Deed of Assignment of Receivables supported by a Marketing Contract/Agreement, if applicable; and
- b. Co-Maker/s.

For loans above P 50,000.00

- a. At least 80% REM; or at least 80% combination of REM, Non-Interest Bearing Cash Trust Fund, Bank/Time Deposits, LandBank/Government Bonds/ Securities and similar Investments; and
- b. Deed of Assignment of Receivables supported by a Marketing Contract/Agreement, if applicable.

To be eligible for the loan, individual borrowers must have an equity equivalent to at least 20% of the total project cost. The borrower's equity can be in the form of agri-fishery machinery and equipment, inputs or labor.

In addition, borrowers (except LGU, National Government Agencies and Government Owned and Controlled Corporations) shall be required to issue post-dated checks (PDCs) to cover all loan amortizations, and execute Joint and Several Signatures (JSS) of Officers or authorized representative/s for Corporations, Cooperatives, Federations, Associations and other entities with juridical personality.

3.2 Basis of Valuation

Basis of valuation shall be as follows:

Type of Security Percentage of Valuation

- a. Real Estate Mortgage 100% of Appraisal Value
- b. Cash Bond 100% of Cash Value (in Php)
- c. Deed of Assignment of Liquid Risk-Free Assets
 - Cash/TDs/Government Securities 100% of Cash Value
 - Accounts Receivables 70% of Outstanding Principal
 - Inventories/Stocks-in-Trade 70% of Cash Value
- d. Deed of Assignment of Internal Revenue Allotment 70% of the free/alienable % of the gross revenue
- e. Deed of Assignment of Acceptable Shares of 70% of current/face value of Non- Blue Chips
 - Stocks in Government/Private corporations shares of Stock or 80% if Blue Chips
- f. Deed of assignment of Landbank and other 100% of Face Value
 - government bonds; and

3.3 Group Credit Life Insurance (GCLI)

Loans up to P 50,000.00, whether SRT or individual, must be 100% covered by a GCLI.

For loans above P 50,000.00, SRT borrowers, individual farmers, fisherfolk, agri-fishery workers, government/urban and rural workers, sole proprietors and partners, designated officers/representatives/stockholders signing the JSS and PNs in behalf of the entities such as corporations, cooperatives, associations, federations, NGOs, and similar entities with juridical personality except LGU, shall be required to secure a GCLI for the unsecured portion of their loans.

The unsecured portion shall refer to that portion of the loan not covered by a Real Estate Mortgage (REM), Non-Interest Bearing Cash Trust Fund, Deed of Assignment of Liquid Risk-Free Assets, Deed of Assignment of Acceptable Shares of Stocks in government/private corporations/Bonds and other related investments, Deed of Assignment of Receivables(for Special Programs)/Deed of Assignment of Stocks-in-Trade/Inventories (for Food/Market Retailers/ Sari-sari Stores) and other related securities.

4. EFFECTIVITY

This Circular shall supersede Memorandum Circular No. 321 issued on 01 September 2004.

This Memorandum Circular shall cover loan applications filed and received by QUEDANCOR starting 01 July 2005.

Please be guided accordingly.

Adopted: 31 May 2005

(SGD.) NELSON C. BUENAFLOR

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