QUEDANCOR INCOME AUGMENTATION LIVELIHOOD (IAL) PROGRAM FOR CASUAL STATE EMPLOYEES

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1. RATIONALE

The increasing cost of oil in the world market coupled with the unfavorable political environment hampered the government's program for economic development. With the government's current fiscal problems, providing immediate increases in the salaries and benefits of the government employees to relieve them of the high cost of basic commodities is not a feasible solution given the financial condition of our country.

Realizing the present predicament of most state employees in coping with the tight financial situation, QUEDANCOR, in line with its policy of alleviating poverty, generating employment and spur economic development, is expanding its Income Augmentation and Livelihood Program to State Employees to accommodate casual employees of the government in the said program.

2. OBJECTIVE

To make credit available to casual employees of the government agencies/ bureaus/ units, for their livelihood projects and similar activities thereby augmenting their family's income and creating employment for their dependents or relatives.

3. DEFINITION OF TERMS

3.1 Casual Employee – refers to an employee who has passed the probationary period but cannot be given a regular appointment due to lack of appropriate eligibility, or to further test his/her capabilities prior to his/her appointment to regular status.

3.2 Co-Maker – refers to regular/permanent state employee who is qualified and willing to pay the obligation of the principal borrower in case of default.

3.3 Non-Participating Government Agency/Bureau/Unit/PGEA – refers to a government institution, its bureaus, units or employees association which is not participating under the program but its employees are availing loans as individual borrower or willing to form an SRT under the program.

3.4 Participating Government Agency (PGA) – refers to the participating government agency which forged an agreement with QUEDANCOR in the availment of loans under this program.

3.5 Participating Government Employees' Association (PGEA) – refers to the participating government employees' association which forged an agreement with QUEDANCOR in the availment of loan by its members under this program.

3.6 Self-Reliant Team (SRT) – refers to a basic economic unit of agri-fishery farmers, employed within the same government agency/office for at least two (2) years of ser- vice and at least six (6) months service with the present employer in case of transfer to another government agency/bureau/unit and voluntarily forming themselves into

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an informal group for the primary purpose of promoting business opportunity and stimulating economic activity in the countryside.

3.7 Receivables – refers to the receivables of the applicant/employee such as but not limited to the salaries, allowances, bonuses, retirement benefits, separation pay, gratuity pay, monetary value of their accumulated leave credits and any other monies or benefits.

3.8 State Employee – refers to a permanent or casual state employee qualified to avail of a loan under this program.

3.9 Team Leader (TL) – is the leader of the SRT, duly elected or selected by the members of the group to collect loan amortizations from the SRT members and remit the same to QUEDANCOR based on the schedule of loan amortizations in accordance with the memorandum of agreement signed by them.

4. SCOPE

Casual employees in the executive, legislative and judiciary branches of the government including state universities and colleges (SUCs), Local Government Units (LGUs), government owned and controlled corporations and other government instrumentalities.

5. STATEMENT OF POLICIES

5.1 Eligibility Requirements

5.1.1 General Requirements

a. Must be casual employee with at least two (2) years of service with the government and at least ix (6) months service with the present employer in case of transfer to another government agency/bureau /unit and not on leave of absence without pay as of date of filing of application;

b. Must have at least fifteen (15) days unexpended leave credits (vacation and sick leave);

c. Must have no pending criminal and administrative case as evidenced by a Certification issued/signed by the agency concerned;

d. Must have a net monthly take home pay of not less than P3,000.00 after statutory deductions and net of all loan amortizations, including the IAL loan being applied for;

e. Must have a regular/permanent co-maker whose salary grade is equal to or higher than the employee-applicant. However, if the salary of the co-maker is lower than the employee-applicant, at least two (2) permanent or regular co-makers. The Co-maker must have a net take home pay of at least P3,000.00 a month;

For SRT Joint and Several Signatures (JSS) of members of the group; and

f. Must have no outstanding past due loan under the Life Loan program or other program of QUEDANCOR.

5.2 Loan Requirements

5.2.1 General Requirements

a. Duly filled-out application form (exhibit 1 & 2);
b. Duly certified photocopy of valid office ID and his/her qualified co-maker(s);
c. Two (2x2) latest picture of the borrower-applicant; and
d. Pay slips of the borrower-applicant and co-maker(s) for the latest two payroll periods preceding the loan

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application.

5.2.2 Additional Requirements

Under PGA/PGEA

Memorandum of Agreement (MOA)

Under Non Participating Agency/Bureau/Unit/EA

For Individual Borrower

PDCs to cover all monthly loan amortizations

For SRT

a. PDCs to cover all monthly loan amortizations (to be issued by the TL); and
b. JSS/MOA (Exhibit 3) among the SRT members.

5.3 Security Arrangement

5.3.1 Under PGA PGEA

Co-Maker(s)

5.3.2 Under Non-Participating Agency/Bureau/Unit/EA

For Individual Borrower

Co-maker(s)

For SRT

JSS/MOA among the SRT members

Regular employee with or without an existing loan under the IAL program may act as co-maker only once.

5.4 Loanable Amount

The maximum loanable amount per employee-applicant shall be equivalent to three (3) months of the monthly basic salary, but not to exceed P50,000.00.

For SRT, the TL may be given an additional loan amount of P 2,000.00 to P50,000.00 for deposits to satisfy the required maintaining balance of a checking account as determined by the QOO-CAG. Said amount shall be charged an interest equivalent to the interest rate of the loan. The TL shall amortize the said additional loan within the term of the SRT loan and could not be withdrawn until all the team members' loans are fully paid.

5.5 Term of payment

The loan shall be payable monthly for a maximum period of three (3) years.

5.6 Interest Rate and Service Fee

The loan shall bear an interest rate of 14% per annum computed using the straight- line method. Interest for the first year shall be non-refundable and deducted in advance while interests for the 2nd and 3rd years shall be equally amortized over the term of the loan.

A service fee of one to three percent (1-3%) of the amount of loan shall be deducted/collected in advance based

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on the following term of loan:

Term of Loan	Non-Refundable Service Fee(%)
Up to 1 year	1
Up to 2 years	2
Up to 3 years	3

5.7 Manner of Payment

5.7.1 For PGA/PGEA

The payment shall be made through payroll system in accordance with Circular No. 165 and its amendments and Circular No. 304 (Special Window for SBMA Employees).

5.7.2 For Non-Participating Agency/Bureau/Unit/EA

For both individual and SRT borrowers, the payment shall be made through the issuance of PDCs.

Employees of PGA with centralized salary/payroll shall be allowed to avail of loan and in lieu of a salary deduction, the employee-borrower shall be required to issue PDCs to cover the loan amortizations. Likewise, in lieu of the issuance of PDCs by individual borrowers, the designated collecting officer of the concerned agency/PGEA may be allowed to issue PDCs covering loan amortizations of its employees.

5.8 Pre-Termination Fee

A pre termination fee of three percent (3%) based on the outstanding principal shall be charged/added to the outstanding payable of the borrower who applies/requests for pre-termination of loan. However, no such fee shall be collected/charged for restructured or rescheduled accounts and in cases where the Bank or Financial Institution, which buys or rediscounts the PNs of QUEDANCOR borrowers, is not charging QUEDANCOR such fee.

Likewise, no pre-termination fee shall be charged for accounts paid in full within 30 calendar days prior to maturity date.

5.9 Formation of the SRT

Applicant-borrowers working in the same government agency/ office shall form a group of at least three (3) but not to exceed fifteen (15) members. They shall elect from among themselves a TL, who shall collect and deposit the groups' loan amortization to fund the PDCs issued as payment to QUEDANCOR.

5.10 Incentive for TL of the SRT

The TL shall be entitled to a one (1%) percent rebate, computed based on the total principal loan of the SRT group, for on time payment/remittance of the monthly loan amortization and full payment of the loan on or before the maturity date, as an incentive. The rebate may be deducted from the group's last amortization, if last payment is through the QUEDANCOR Cashier or through the voucher, if last payment is with the bank.

The rebate is subject to issuance of a Certification from the concerned DO/RO Accountant to ensure correctness of rebate computation and the TL's entitlement to the said rebate.

In cases wherein the TL incentive voucher is under process and the TL meets an accident or natural death, the legal heir namely the surviving spouse or children of legal age in this order of priority or if the TL is unmarried, the surviving parents or brothers/ sisters of legal age in this order of priority, can claim the incentive. In case of death or accident where the TL becomes incapacitated, the SRT group members shall elect a new TL among themselves.

5.11 Processing and Release of Loan

The Administrative and Finance Services Group (AFSG)/Finance Group (FG) shall process the voucher, prepare the check and directly release it to the borrower/authorized representative(s). The RO/DO QOO-LMG shall also provide the borrower a copy of the amortization schedule and the Promissory Note (PN) which must be duly acknowledged by the borrower.

6. SPECIAL PROVISIONS

6.1 These program policies shall also apply for the existing IAL Program and Special Window for SBMA Employees and their corresponding amendments. However, any policy inconsistent herein shall not be applied.

6.2 A supplemental Memorandum of Agreement for the existing PGA/PGEA (exhibits 4A & 4B) shall be executed prior to the implementation of this program.

6.3 Policies and requirements pertaining to the SRT specified in this circular shall also apply to regular employees under the non-participating government agency or non-participating employees association which will avail of the IAL loan under such scheme.

7. EFFECTIVITY

This circular shall take effect upon its approval.

Adopted: 15 Aug. 2005

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President and CEO

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