

Standard Information Booklet for Small and Medium Business **(SME)** Lending



FIRST CHOICE
Credit Union

MAKING MORE POSSIBLE

ACHILL - BALLA - BALLYHAUNIS - CASTLEBAR

Standard Information for Business (SME) Lending

The purpose of this notice is to inform our business members about our SME lending services.

Micro, Small and Medium-sized Enterprise (SME) means an enterprise which:

- employs less than 250 persons
- has annual turnover not exceeding €50 million
- and has a balance sheet total not exceeding €43 million

In this context, an SME enterprise includes:

- any farmer or a sole trader or business entity borrowing for the purposes of their farm, trade or profession, or business.
- other members who borrow for a related business or enterprise purpose and who may be an employee in receipt of PAYE income.

If a farmer or sole trader applies for a personal loan for a car or home improvements this brochure does not apply. It only applies to loans for the purpose of the business or enterprise.

First Choice Credit Union is happy to lend to the SME sector. We have specialist staff who are trained and experienced in lending to this sector and the regulations which apply.

1. Background to SME regulations

New SME Regulations came into effect on 1st July 2016 to the extent that they apply to regulated entities excluding credit unions. They came into effect in relation to credit unions from 1st January 2017.

The objective of the regulations is to strengthen protections for SMEs, while also facilitating access to credit, by introducing specific requirements that regulated lenders must comply with.

These requirements include:

- Giving SME borrowers greater transparency around the application process.
- Providing SME borrowers with reasons for declining credit, in writing, that are specific to their application.
- Providing greater protections for guarantors.
- Contacting SME borrowers who have been in arrears for 15 working days.
- Warning SME borrowers if they are in danger of being classified as not co-operating.
- Expanding the grounds for appeal and operating an internal appeals panel.

2. Background to SME regulations

If you want to contact us about applying for such a loan, or have an existing SME loan and wish to talk to us, please contact a member of our lending team who will be happy to help you out.

Our contact details are:

- e-mail: loans@fccu.ie
- phone: (094) 90 22969

3. Interest rates

At First Choice Credit Union Limited all of our loan interest rates are variable. IN respect of our variable loan interest rates, please note the following Warning:

“The cost of your repayments may increase”.

Your variable rate loan can be cleared at any stage during the loan term without any notice period or early cancellation penalties.

4. Applying for credit facilities

The principal lending delivery channel for First Choice Credit Union Limited is generally through a face to face meeting with one of our lending officers. Applications can also be taken online through our website.

We will acknowledge all loan applications submitted within 5 working days of receipt.

We are very proud of the efficiency with which we deal with applications and undertake to revert with our credit decision within 15 working days (or sooner in most cases) of receipt of all documentation required to assess the application, in line with the Regulatory requirement.

To assess SME loan applications fully and properly, we will ask you for the information we need to assess your application. This will usually include:

- an up-to-date set of accounts for your business
- a business plan* which should include:
 - a brief background of the business or enterprise,
 - a projection of profit and loss,
 - a balance sheet and cash flow projection
 - an outline of how the proposed borrowing will help the enterprise
- Your latest Revenue Notice of Assessment document
- Up-to-date bank operating current account statements for your enterprise for at least the last 3 months
- Up to date personal current account statements for the last 3 months
- Proof that all taxes are paid up-to-date

*We can help you with the preparation of your business plan if you like

We will also conduct a credit check with the Irish Credit Bureau and the new Central Credit Register. Currently a refusal of credit by the Credit Union does not adversely affect your credit rating.

We may need other information depending on the size and purpose of the loan.

If within 15 working days of receipt of all documentation required, we cannot make a decision on whether to grant or decline your application, we will inform you in writing why the application will take longer than 15 working days and the expected timeframe within which a decision will be made.

If the reason we cannot make a decision within 15 working days is because further information is required, we will outline the information required and the timeframe within which the information should be provided.

5. Security

We apply a reasonable approach in relation to security based on the level of the credit being sought, the term of the loan as well as the overall risk profile.

6. Pre-contract information

At the time of or shortly after applying for any loan, we will give you a written statement of the terms and conditions of the loan if it is approved and you draw it down.

7. Lending Fees

First Choice Credit Union Limited does not charge fees to assess or administer your lending.

However third party expenses may be incurred in the context of your loan in some circumstances (e.g. legal fees, or valuation fees in some cases) and these will be payable by the borrower. Any such fees or expenses will be notified to you in advance.

8. Loan Draw Down

Once the loan is approved we shall notify you in writing. If loan conditions or a guarantee or other security are required we will

work with you to put this in place.

Once any loan pre conditions have been met the loan will be available for drawdown. Drawdown itself may be by way of transfer to your account, or by cheque, or by transfer to a third party account upon your instruction.

9. After Draw Down

After drawdown you are expected to meet the repayments set out in the loan agreement. We shall send you an annual statement showing all repayments, all interest charged and your balance.

If we decide to change the interest rate on any variable rate loan, we shall tell you the new interest rate and new amount of repayments in good time before any rate change.

Given that you can always repay your variable rate loan at any time and without any penalty, you will have the opportunity to clear the loan should you wish to.

10. If we are not able to approve your loan application

If your application is not successful we shall set out in writing:

- the reasons why we were not able to approve it
- details of our internal complaints and/or appeals procedures and information on how to lodge a complaint or appeal;
- information about the role of the Credit Review Office and its contact details;
- a link to the Government's website Supporting SMEs online guide or any other equivalent website available.

11. Annual review

All SME borrowers are welcome to have an annual discussion with a member of our lending team. We shall endeavour to contact you annually for this purpose. You should feel free to contact us directly at any time in this regard.

Such an annual review would cover:

- the performance of the loans currently in place between us,
- the security we hold, if any
- alternative borrowing arrangements that might suit you better than the existing loan.

To conduct the review, we will usually require:

- a copy of you most recent financial statements
- up-to-date bank statements for the most recent three months
- proof that your taxes are all paid up-to-date

We shall review all such documentation within seven business days of receiving it and we will contact you shortly afterwards to schedule an appointment at a mutually convenient time.

12. Difficulties in repaying a loan

We are aware that cash flow in any business or enterprise can be fundamentally uncertain. Inevitably, some SME borrowers will from time to time, have difficulties in meeting certain repayment commitments. If you ever anticipate such difficulties please let us know as soon as possible. It is usually far easier to agree a way to deal with a future potential problem than one which has already materialised.

If you contact us in such circumstances we shall work closely with you to agree a plan to you're your commitments. We have underlined the words "we shall work closely with you" because it is important for you to know that we really mean this.

Once you engage with us, act honestly and in good faith at all times and bring an honest realism to your commercial decision-making, we will endeavour to reach a mutually agreeable resolution.

If financial difficulties materialise to such an extent that we need to amend the loan in some way or take some other action, we shall provide you with our Notice to Borrowers in Financial Difficulties which will ensure that you are fully informed of your rights when working with us to resolve the matter.

Impact of Arrears on your credit rating and ability to access credit in the future:

Information with respect to arrears on your credit facility may be shared with a credit reference agency or central credit register (as required by law).

Your credit rating may be adversely affected.

This may impact your ability to avail of additional credit facilities in the future.

13. SME Lending Regulations

The information above has been prepared to comply with the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Lending to Small and Medium Sized Enterprises) Regulations 2015.

These regulations were designed to make it easier for SME borrowers to engage with their lenders and ensure that the whole process worked in a fair and transparent manner, particularly if financial difficulties arise.

We will provide you with a full copy of these regulations if you ask us.

You can contact us on 094- 9022969 or by email at loans@fccu.ie.

We have also posted a link to the regulations on our website at www.firstchoicecreditunion.ie.

Useful Information Sources

www.enterprise-ireland.com

www.localenterprise.ie

www.sfa.ie

www.isme.ie

www.agriland.ie

www.teagasc.ie

www.agriculture.gov.ie

<http://www.irishstatutebook.ie/eli/2015/si/585/made/en/pdf>