



COOPERATIVE DEVELOPMENT AUTHORITY

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223-32



MEMORANDUM CIRCULAR 2024 - 07 Series of 2024

SUBJECT: GUIDELINES GOVERNING THE OPERATIONS OF COOPERATIVES ENGAGED IN CREDIT SERVICES

Pursuant to Section 4(a) and (f) of Republic Act No. 11364, otherwise known as the Cooperative Development Authority Charter of 2019, the following Guidelines is hereby issued:

Article I Title, Objectives and Coverage

Section 1. Title. This Circular shall be known as Guidelines Governing the Operation of Cooperatives Engaged in Credit Services.

Section 2. Objectives. This Circular aims to:

1. Achieve sustainable, safe and sound credit operations of cooperatives protecting the interests of the members, the investing public, and other stakeholders;
2. Achieve financial freedom among members and their families through integration of financial literacy in coops savings and credit activities;
3. Ensure adherence to and consistently uniform application of Board approved credit policies and credit operations manual;
4. To help cooperatives become responsible and effective lenders; and
5. To comply with the provisions and purpose of RA 11765 or the Financial Consumer Protection Act.

Section 3. Coverage. All registered cooperatives engaged in credit operations except cooperative banks.

Section 4. Definition of Terms. The following terms are defined as used in this Guidelines:

Credit accommodation – refers to any debt of the borrower to the cooperative and all terms and conditions of said debt which sum may not exceed the maximum line of credit amount.

Credit Management – refers to the credit department, loan officers or any group in the management handling the processing and evaluation of credit.

Dacion en pago or Dation in payment – refers to a special mode of extinguishing a loan whereby a property is alienated to the creditor in satisfaction of a debt in money. It shall be governed by the law on sales.

DOSRI Accounts – refers to accounts of Directors, Officers, Staff and Related Interests.

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Extension of Loan – refers to the modification of the original maturity date of an existing loan of a member-borrower.

Financial Cost – refers to expenses related to borrowings of funds which are used for the operation.

Loan Restructuring – refers to the manner of modifying the loans and other credit accommodations' original contractual terms and conditions in accordance with a formal restructuring agreement that sets forth a revised schedule of payments for the purpose of lessening the financial difficulty of the borrower and maximizing collection and realizable economic value on an obligation within a reasonable period of time. The modification may include, but is not limited to, change in principal due, maturity, interest rate and other charges, collateral, or other terms and conditions.

Operational Cost – refers to expenses incurred by the cooperative in the conduct of its normal course of business operations.

Past Due Account - refers to the outstanding balance of loans/accounts to/due from member-borrowers and/or non-member patrons which remains unpaid on installment due dates or beyond the credit terms set by the BOD using the Portfolio at Risk (PAR).

Portfolio At Risk – refers to the proportion of the loan portfolio with one day missed payment to the total loans outstanding at a given time. It shows the degree of riskiness of the total portfolio.

Securities - refers to shares, participation or interests in a corporation or in a commercial enterprise or profit-making venture and evidenced by a certificate, contract, instrument, whether written or electronic in character. It includes:

- (a) Shares of stock, bonds, debentures, notes, evidences of indebtedness, asset-backed securities;
- (b) Investment contracts, certificates of interest or participation in a profit sharing agreement, certificates of deposit for a future subscription;
- (c) Fractional undivided interests in oil, gas or other mineral rights;
- (d) Derivatives like option and warrants;
- (e) Certificates of assignments, certificates of participation, trust certificates, voting trust certificates or similar instruments;
- (f) Proprietary or non proprietary membership certificates; and
- (g) Other instruments as may in the future be determined by the Commission.

Article II Credit Operations

Section 1. Credit Policies. The Board of Directors shall be responsible for setting written loan policies. Credit policies should clearly reflect:

1. Limits on loan amounts for each loan product, loan maturities and repayment terms, acceptable collateral, and interest rates that are reasonably designed to meet the objectives;

2. Credit Evaluation which shall include the basis in granting loan and credit investigation;
3. Effective loan collection and monitoring policies designed with the following characteristics:
 - a. Monthly and accurate reporting of delinquent loan to the board;
 - b. Timely and consistent follow-up actions;
 - c. Utilization of outside collection sources when internal efforts fail to produce results; and
 - d. Maintenance of collection records.;
4. Loans of Directors, Officers, Staff and their Related Interests (DOSRI); and
5. All loans shall be covered by insurance or Loan Protection Plan.

Section 2. Truth in Lending Act Disclosure Requirements. Cooperative shall comply with the provisions of CDA MC 2012-05, otherwise known as the "Rules Implementing the Truth in Lending Act" and any amendments thereto, and shall make the true and effective cost of borrowing an integral part of every loan contract.

Section 3. Basis in the Grant of Loans. The Granting of loans by the credit committee and/or management shall be based on the five "C's" of credit: Capital, Character, Capacity to pay, Circumstances/Conditions, and Collateral.

1. Character. A determination of character involves the development of information relating to the applicant's credit history. This may be obtained from the community, Credit Information Corporation (CIC) and other private and government institutions.
2. Capacity to Pay. In determining an applicant's capacity to pay, the credit committee or loan officer should carefully examine the applicant's net income, outstanding debts, debt payments, and living expenses. After debt payments and living expenses are taken into account, the applicant's income should be adequate to repay the loan in accordance with the agreed upon terms.
3. Collateral. A cooperative may grant unsecured and secured loans. Unsecured loans are consumer-type loans, usually relatively small, traditionally offered for various purposes incidental to the members' needs. Secured loans are extended credit with a security interest in personal or real property of tangible value. The security may also be an endorsement by another person or entity, such as a security cover, to ensure payment if the borrower fails to do so. Co-maker loans, deposit hold-outs, and automobile loans are common types of secured loans. Other types of secured loans are home equity loans and real estate loans.
4. Circumstances/Conditions. These refer to the type of activity to be financed, the market for such activity, and the viability of the project to be financed among other things. It also refers to external factors that affect the socio-economic circumstances of the loan applicant. These factors are:

- a. Legality of the proposed project
 - b. Environmental soundness of the project
 - c. Appropriateness of the business in relation to the climatic conditions.
5. **Capital.** This refers to the regular, consistent amount of savings or contributions made by the member-borrower (or his/her co-borrower) in the cooperative and other institutions, which leads to the build-up of financial, material resources.

Section 4. Lending Procedures. The following lending procedures shall be observed:

1. **Application.** A member-borrower applying for a loan must submit an application stating the purpose of the loan and such other information as may be required by the cooperative. The loan application and other required documents should form part of the credit information file of the member-borrower.
2. **Credit evaluation.** Cooperatives shall prescribe credit evaluation policy to determine the credit standing and creditworthiness of the applicant and/or the fair market value or appraised value of the property offered as security and the report thereon shall be made part of the loan application. No loan shall be approved unless prior investigation has been made.
3. **Credit information file/collateral file.** Cooperative shall maintain a credit information file, which shall contain, but not limited to, the member-borrower's application, financial record, the collateral, and other information relative to the member-borrower consistent with the requirements of CDA MC 2019-01. The cooperative may maintain electronic copies or hardcopies of the credit information files and shall be updated regularly.
4. **Loan Approvals.** Loans shall be approved in accordance with the Codified Approving and Signing Authority (CASA) as approved by the Board of Directors.
5. **Loan Agreements.** For every loan granted by a cooperative, a promissory note shall be executed by the member-borrower in favor of the cooperative stating the amount of the loan, date granted, due date, interest rate, and other information.
6. **Inscription of Lien.** The proceeds of the loan shall not be released until after the inscription of Real Estate Mortgage or Chattel Mortgage. Inscription of lien shall be at the instance of the cooperative.

Section 5. Loan Monitoring. The Management/Credit Committee has the responsibility of exercising close control and monitoring over the cooperative's lending operations.

The Board of Directors has the responsibility of exercising oversight function over the cooperative's lending program.

Section 6. Loan Retention. The cooperative may require member-borrowers to deposit a portion of the loan proceeds, based on their credit policies, whether in the form of savings, time deposits or share capital. Where subsequent to the release of the loan proceeds, the member-borrowers open deposit account or make additional deposits to their existing accounts, no part of such new deposits shall be covered by a stipulation prohibiting or limiting

withdrawal while a portion of their loans are outstanding, provided, that this prohibition shall not apply in cases of loans secured by a hold-out on deposits to the extent of the unencumbered amount of the deposit existing at the time of the above-mentioned loan application.

Section 7. Interest and Other Charges. The following shall govern the rates of interest and other charges on loans granted by the cooperative:

1. **Interest Rate.** The rate of interest including commissions, premiums, fees and other charges on loans, and forbearance of money, regardless of maturity and whether secured or unsecured, shall be reasonably set based on the prevailing market rate but which should not be more than 3% per month computed based on diminishing balance.
2. **Interest payment -** Interest shall be based on diminishing balance in accordance with the provisions of the Truth in Lending Act.
3. **Interest rate in the absence of a written contract.** The rate of interest for the loan or forbearance of any money, goods or credit, and the rate allowed in judgments, in the absence of express contract as to such rate of interest, shall be six percent (6%) per annum.
4. **Interest on past due loans.** The cooperative shall not accrue interest income on loans that are already past due or on loan installments that are in arrears, regardless of whether the loans are secured or unsecured. Interest on past due loans or loan installments in arrears shall be taken up as income only when actual payments thereon are received.
5. **Prepayment of Loans and other credit accommodations.** A member-borrower may, at any time prior to the agreed maturity date, pre-pay a loan or other credit transactions in whole or in part. Provided that the costs or fees charged to the financial consumer for such prepayment, shall be reasonable and, shall be disclosed to ensure transparency, accountability and reasonable pricing.¹

Section 8. Secured Loans

1. **Loans Secured by Real Estate Mortgages.** Loans against real estate security shall not exceed eighty percent (80%) of the appraised value of the real estate security including insured improvements, provided the member-borrower has established a good credit record and has complied with other criteria, such as, but not limited to, the location of the property, if any, and such loans shall not be made unless the title to the real estate is registered in the name of the mortgagor; if not, a Special Power of Attorney must be executed by the registered owner of the real estate property in favor of the member to execute and enter into a contract of Real Estate Mortgage which shall be properly annotated in the appropriate regulatory body or government agency.
2. **Loans Secured by Chattels.** Loans secured by chattels shall not exceed fifty percent (50%) of the fair market value of the security, and such loans shall not be made unless certificate of registration to the chattels shall be in the name of the mortgagor.

¹ Rule 2 B. Sec. IV of the IRR of RA 11765 or The Financial Consumer Protection Act.

3. **Vehicle Financing Loans.** Loans under vehicle financing may be granted at least fifty percent (50%) of the value of the newly purchased brand new vehicles. Provided, safeguard shall be employed to ensure collectability of the loan.

Newly purchased vehicle is purchased within one (1) year at the time of the loan application.

4. **Loans Secured by Personal Properties.** Loans may be secured by unencumbered personal property, subject to RA11057, otherwise known as Personal Property Security Act, which may consist of:

- a. Bonds and securities issued by the Government. Such bonds and securities may be accepted at their face value or fair market value whichever is lower.
- b. Quedans or warehouse receipts issued by bonded warehouses covering stock deposited in said warehouses up to eighty percent (80%) of the calculated market value of the stock. Provided that safeguards shall be employed to prevent the transfer of the stocks covered by the warehouse receipts.
- c. Any other personal property up to fifty percent (50%) of the fair market value.
- d. If the property is newly purchased and the purchase price thereof appears in a sales invoice, then the loan shall be based on the purchase price.

For this purpose, newly purchased refers to property purchase in less than one (1) month from the loan application except for pre-loved or repossessed properties.

5. **Loans Secured by Certificates of Time Deposits (CTDs).** The following rules shall govern the grant of loans secured by hold-out on and/or assignment of CTDs issued by the lending cooperative or any other financial institution:

- a. The original copy of the CTDs subject to hold-out or assignment shall be surrendered to the lending cooperative;
- b. If the maturity of the CTDs subject to hold-out or assignment is earlier than the maturity of the loan, there shall be an agreement in writing that renewal of the time deposit upon maturity shall be made at least co-terminus with the term of the loan;
- c. The member-borrower shall furnish the depository bank a copy of the Deed of Assignment or hold-out agreement on the deposit used as collateral. A proof of receipt shall be submitted to the cooperative prior to the release of loan;
- d. There shall be no pre-termination of the time deposit without the consent of the lending cooperative and unless an acceptable substitute collateral for the loan has been made;
- e. The cooperative shall keep a complete record of all pertinent loan documents, such as, but not limited to, the original copy of the CTDs subject to assignment or hold-out agreement; deed of assignment or hold-out agreement; and written

waiver of the depositor required in Article II Section 8 (5.f) below, which shall be made available for inspection and/or examination by the Authority; and

- f. The loan documents shall include a waiver on the part of the depositor of his/her rights under existing law to the confidentiality of his/her deposits.
6. **Insurance on Real Estate Improvements.** The required insurance on improvements used as collateral for loan shall be sufficient to secure at least seventy percent (70%) of the appraised value of such improvements or if inadequately insured, the loan value shall correspond to the extent of insurance taken on such improvements.
7. **Foreclosure and Redemption of Mortgages.** The foreclosure and redemption of mortgages shall be in accordance with existing laws. Member-borrowers shall be allowed a period of one (1) year from the date of the registration of the certificate of sale, to redeem the property mortgaged.

Section 9. Unsecured Loans. Before granting unsecured loans, the cooperative must also exercise proper caution by ascertaining that the borrowers, co-makers, endorsers, sureties and/or guarantors possess good credit standing and are financially capable of fulfilling their commitment. The cooperative may opt to insure the loans with a reputable entity. The cooperative may formulate a policy on the limit in the number or total amount of loans where a member may be a co-maker.

The cooperative shall require the following:

1. **Proof of Financial Capacity of Borrower.** In addition to the usual personal information sheet about the borrower, the cooperative shall require that an application for a credit accommodation against personal security be accompanied by:
 - a. A copy of the latest income tax returns of the borrower and his co-maker duly stamped as received by the BIR, if applicable, BIR Form 2316, certified true copy of payslip, banks statements, proof of pension or a statement showing the household income and expenses of the borrower as verified by the cooperative; or
 - b. If the borrower is engaged in business, a copy of the borrower's financial statements, if applicable, and if the borrower will engage in business, a feasibility study or business plan of the project to be financed.
2. **Loan Signatories.** Loan documents of credit accommodations shall be signed by the principal borrower and at least one (1) co-maker in case of unsecured loans except the spouse of the borrower. The co-maker shall, at all times, be a member of the cooperative.
3. **Policy on Co-makers, Endorsers, Sureties and Guarantors.** The cooperative shall formulate specific policies and/or guidelines in assessing the capacity and limitation as co-maker, endorsers, sureties and guarantors

Article III.
Loan Limits/Maturity of Loans

Section 1. Loan Limit to a Single Borrower. A cooperative may grant to its member, whether officer or ordinary member, loan the amount of which shall not exceed the limit as stipulated in the policy set by the cooperative on the following:

- a. Member's deposits except amount subject to hold out and/or
- b. Paid-up share capital; and/or
- c. Member's salary, if employed, and/or
- d. Eighty percent (80%) of the appraised value of secured real property or fifty percent (50%) of the fair market value in case of loans secured by chattel or other personal properties.
- e. Paid-up share capital or equity invested in his/her business.

Provided it shall at no time exceed the following percentages of the net worth of the Cooperative:

1. Ten percent (10%) for individual member-borrower; and
2. Fifteen percent (15%) for a member-borrower and his/her immediate family member up to the first degree of consanguinity or affinity.

Section 2. Loan Maturity. Loans granted by a cooperative shall have a maximum term of not more than five (5) years except loans which are adequately secured by collateral and/or the risk of default is relatively low. Provided, that extensions or renewals of loan shall be in accordance with the provisions of Section 5 and 6 of Article V, respectively.

A cooperative may offer a loan term of more than 5 years provided that the cooperative has a source of fund that matches the long-term nature of the loan.

Article IV
Loans/Credit Accommodations to Directors, Officers, Staff and their Related Interests (DOSRI)

Section 1. Guidelines on DOSRI Loans. The following guidelines shall govern the DOSRI Loans:

1. Dealings of the cooperative with any of its directors, officers, staff, and their related interests shall be in regular course of business, and upon terms and conditions not more favorable than those offered to other member-borrowers.
2. Cooperative shall not indirectly make any loan to any director or officer of such cooperative, either for himself or as agent or as partner of another person or entity.
3. In all cases of loan applications of directors and officers, the written approval of the majority of the directors of the cooperative, excluding the director concerned, shall be entered upon the records of the cooperative. A monthly aging report of DOSRI

accounts (individual and aggregate) shall be regularly reported to the Board of Directors. These reports and records shall be made available for inspection by the Authority.

4. Delinquency among elected and appointed officers of the Cooperative is strictly prohibited and observed, including delinquency on loans, advances or any other debt balance with the Cooperative. If this occurs and the delinquency is greater than 60 days, the Board of Directors must suspend the duties of the delinquent party and may reinstate him/ her once the situation is remedied.
5. Credit accommodation loan shall be prohibited.
6. Once Directors, Officers or Staff ceases to be Directors, Officers or staff of the cooperative, the corresponding DOSRI account shall be reclassified as regular account for reporting/monitoring purposes.

Section 2. Restriction on Directors, Officers and Committee Members. No director or committee member shall vote on a loan requested by a member of his/her family, by consanguinity or by affinity within the second degree, or can he/she become a co-maker, surety or endorser on any loan contracted by a member with the cooperative. The application for a loan by a member of the Credit Committee shall be subject to the approval of the Board of Directors.

Article V Past Due Accounts

Section 1. Past Due Accounts. Any amortization/installment not collected on due date shall be booked as past due and shall remain in this account until paid.

1. Loans Receivable-Past Due. These are total collectibles from past due loans of member-borrowers. Aging of loans receivables should be prepared using Portfolio at Risk to determine status and risk of non-collection of the past due loans. A loan shall remain in this account until fully collected or until arrangements are formalized for its renewal/extension /restructuring or foreclosure of collateral.
2. Loans Receivable – Restructured. The restructuring of loans may be allowed only upon full payment of interest due or under exceptional conditions as may be defined in the cooperative's loan policies. Loans can be restructured only once. The restructuring of loans to directors or officers should be upon terms not more favorable than those offered to other member-borrowers.
 - a. Procedural Requirements. Subject to the restructuring guidelines approved by the Board of Directors, a loan may be restructured, the condition of which shall be contained in a resolution stating, among others, the following:
 - i. The basis for the approval;
 - ii. Determination of the borrower's capacity to pay, such as viability of the business; and
 - iii. Nature and extent of protection of the cooperative's loan exposure.

- b. **Approval Requirements.** The approval/disapproval of restructured loans may be delegated by the Board of Directors to a credit committee or other committee created or special group for such purpose under existing restructuring guidelines set by the Board of Directors.
 - c. When the cooperative makes modifications or renewals of delinquent loans, the interest owed is fully and effectively paid.
3. **Loans Receivable – Loans in Litigation.** Loans in Litigation shall remain in this account during the pendency of the legal proceedings until fully paid/restructured/ foreclosed. All expenses incurred in litigation shall be charged to operations and lodged under Litigation Expense. The corresponding memorandum entries shall be made on the individual ledger account for reimbursement by the borrower during redemption of foreclosed properties. A provision on litigation expenses, including attorney's fees shall be included in the primary loan document."

Section 2. Counselling and Financial Literacy. The cooperative shall promote financial literacy to the members.

In all circumstances, prior to restructuring or the release of the loan, a counselling to the member-borrower shall be administered by the cooperative.

Section 3. Loan Portfolio and Other Risk Assets Review System. The cooperative shall take timely and adequate management action to maintain the quality of loan portfolio and other risk assets. To ensure this, the management shall:

- 1. Set up and maintain adequate loan reserves at a level sufficient to absorb the loss inherent in the loan portfolio;
- 2. Establish a system of identifying, monitoring and controlling the existing or potential problem on loans and other risk assets; and
- 3. Evaluate credit policies vis-à-vis prevailing circumstances and emerging portfolio trends.
- 4. Implement standards on Loan loss provisioning
- 5. Formulate risk management policies and procedures.

Section 4. Loan loss Provisioning. The allowance for probable losses on loans (APLL) shall be booked based on the Portfolio At Risk (PAR) with a 30-day grace period. PAR is the amount of the loan portfolio with one day missed payment. The APLL shall be computed based on the own risk assessment of the cooperative's loan portfolio but shall not be lower than the prescribed formula and allocation percentage by the Authority. The amount of allowance for probable losses on loans already booked for one account may be used to cover required APLL for other non-performing accounts.

In case the cooperative has sufficiently provided for the allowance for probable losses on loans, the excess amount of allowance for probable losses over the past due loans will first be credited to Net Institutional Capital (NIC) until the required ratio of NIC is complied. Any excess after complying with the NIC shall be treated as Income /surplus.

Section 5. Extension of Loans. Except for home building and home development loans, extension of the period of payment of loans shall not exceed one-half (1/2) of the original period: Provided that thirty percent (30%) of the loan shall have been paid. A second extension may be further granted but not to exceed one-half (1/2) of the period of the first extension. No further extension shall be granted after the second extension.

Section 6. Renewal of Loans. Except for home building and home development loans, renewal of loans may be allowed. Provided that at least fifty percent (50%) of the loan has been paid or as defined in their credit policies, if any.

Section 7. Write-off of loans/other credit accommodations. The writing off of loans/other credit accommodations by cooperative shall be governed by the following regulations:

1. Writing off of loans by the cooperative shall be made in accordance with the write-off policy approved by the Board of Directors and shall be charged against the Allowance for Probable Losses on Loans (APLL). In case of insufficiency, it shall be charged directly to expense.
2. No loans shall be written off unless the same can be justified by the cooperative as uncollectible and an allowance for probable loan losses were set up.
3. A loan may be declared uncollectible under any of the following conditions: (a) the death of a borrower; or (b) insolvency with judicial decree of the borrower; or (c) unknown whereabouts of the borrower despite extra-diligent efforts to find the same. Provided that all administrative and legal remedies have been exhausted to collect the receivable. Other documentary requirements may vary depending on the nature, purpose and recipient of the loans.
4. Writing off of accounts does not diminish the liability of the borrower. The cooperative shall continue to exert effort and other means of recovery even the accounts has already been written off.
5. Once the account written off was recovered, the amount shall be reverted to Loans Receivable and the Allowance for Probable Losses on Loans. Then the amount collected shall be treated as a reduction to the Loans Receivable Account. Interest, delinquency charges, legal fees or other related fees collected from the recovery of loans are recognized as income during the accounting period in which it is collected
6. No loans from DOSRI accounts shall be written off.
7. The cooperative shall maintain a record of all loans written-off to facilitate further the collection drive work.

Section 8. Treatment of Assets Acquired in Settlement of Loans

1. The property acquired in settlement of loans through foreclosure or dacion en pago ("payment in kind") shall be booked or recorded in the amount equivalent to the balance of the loan (principal for time loans).
2. When the booked amount of the asset acquired in settlement of loans exceeds the appraised value of the acquired property, an allowance for probable losses

equivalent to the excess of the amount booked over the appraised value shall be set-up.

3. Non-refundable capital gains tax and documentary stamp tax paid in connection with foreclosure/purchase of the acquired real estate property may be included in the book value of the acquired real estate: Provided that the total book value does not exceed the appraised value of the acquired real estate: Provided further that if the amount to be booked as Real Properties Acquired (RPA) exceeds P5 million, the appraisal of the foreclosed/purchased asset shall be conducted by an independent licensed appraiser.
4. Any excess in loan balance over the amount booked shall be charged to "Allowance for Probable Losses on Loans", if previously provided. Otherwise, such amount shall be charged to Miscellaneous Expense Account.
5. Claims arising from deficiency judgments rendered in connection with the foreclosure of mortgaged properties shall be booked when collected as Miscellaneous Income.

Section 9. Appraisal of Properties to be foreclosed or acquired. Before foreclosing or acquiring any property in settlement of loans and other advances, it must properly be appraised to determine its true economic value. If the total amount to be booked as Assets Acquired in Settlement of Loans/Accounts exceeds P5 million, an independent licensed appraiser must conduct the appraisal. An in-house appraisal of such property shall be made at least every other year: Provided, That immediate re-appraisal shall be conducted on Assets Acquired in Settlement of Loans/Accounts which materially decline in value.

Article VI Financial Performance

In measuring the financial performance of cooperatives, the following shall be used as indicators: Stability, Turn-Over Ratio, Efficiency, Profitability and Structure of Assets (STEPS).²

The STEPS is computed based on the formulas or ratios, data/values/figures sourced from the Audited Financial Statements and Cooperative Annual Progress Report.

Article VII Miscellaneous Provisions

Section 1. Compliance with RA11765 otherwise known as the Financial Consumer Protection Act (FCPA). The Cooperative shall comply with the provisions of RA11765, CDA MC 2023-14 or the Implementing Rules and Regulations of RA11765 and any related guidelines issued by the Authority.

² CDA MC 2021-04 PAR <https://cda.gov.ph/downloads/cooperative-standard-report-forms>

Section 2. Codified Approving and Signing Authority (CASA). The cooperative shall develop a Codified Approving and Signing Authority to serve as guide in identifying the accountabilities of officers and staff. Model CASA is shown as Annex A.

Section 3. Compliance with Sharia Law. For cooperatives organized by Muslim Filipinos, any provisions in this Guidelines which are inconsistent with the Sharia Law, the provisions of the latter shall prevail.

Section 4. Sanctions. Any violations of the provisions of this guidelines shall subject the accountable officers as determined by the Authority to the following sanctions, after due notice and hearing:

1. First offense - a monetary fine of Fifty Thousand Pesos (P50,000) for each of the directors and officers.
2. Second offense - Suspension and a monetary fine of One Hundred Fifty Thousand Pesos (P150,000.00) for each of the directors and officers.
3. Third offense - Removal and perpetual disqualification to be elected or appointed as officer.

Section 5. Submission of Credit Information to a Credit Information Corporation (CIC). Cooperative shall regularly submit information on the credit transactions of a member-borrower to CIC pursuant to RA 9510 and CDA MC 2019-01.

Article VIII Transitory Provisions

All cooperatives engaged in credit services shall amend its Articles of Cooperation , by-laws and credit policies to conform with the pertinent provisions of this Guidelines within two (2) years from its effectivity and that this shall be presented and discussed to the General Assembly provision by provision.

Article IX Separability Clause

Whenever part of this Guidelines is declared unconstitutional or inconsistent with existing laws, the remaining provisions not affected shall remain in full force and effect, unless deemed otherwise.

Article X Repealing Clause

All CDA issuances, rules and regulations applicable to the cooperative that are inconsistent with the provisions of this Manual are hereby repealed or modified accordingly.

Article XI. Effectivity

This Memorandum Circular shall take effect after fifteen (15) days following the completion of its publication in the Official Gazette and the Office of National Administrative Register (ONAR).

Approved by the Board of Directors pursuant to Board Res. No. 108, S-2024 dated February 12, 2024.

Issued this 1st day of February, 2024.

For the CDA Board:

By:


USEC. JOSEPH B. ENCABO
Chairman

**POLICY on
CODIFIED APPROVING SIGNING AUTHORITY(CASA)**

The following sections identify the different transactions and activities in the area of membership, withdrawal or resignation, reinstatement, refund of membership equity, claims of members benefits, marketing, fund management, personnel, general and administrative affairs, and turnover of accountability and business operations. For each of these activities, responsible approving and signing authorities are indicated to serve as reference or guide to leaders and management in the conduct of operations.

A. Membership

Indicates the approving and signing authorities in all matters pertaining to membership, withdrawal or resignation, reinstatement and affiliation in other different organizations.

The continuing dynamism of the cooperative largely depends on the quality and quantity of its members, as well as on its active participation as affiliates in other organizations. The cooperative must possess a well-defined approving and signing authorities to enable it to immediately and adequately respond to the needs for continuous membership recruitment and effective implementation of disciplinary actions against erring members and other aspects related to membership.

TRANSACTIONS/ LIMITS	GA	BODs	Treas	Com	Mngt
1. Approval of Application and Withdrawal of Membership, Determination of Membership Status		✓			
1.1 Implementing Rules and regulations					
1.2 Application for Membership					✓
1.2.1 New Applicants					✓
1.2.2 Reinstatements (Redate or Update)					✓
1.3 Determination of Membership Status (member is active or inforce or lapse status)					✓
1.4 Withdrawal/Resignation of Membership					✓
1.5 Determination of Members Benefits		✓			
2. Signing of Written Notice re BODs Action on Membership Application, Membership Status, and Withdrawal of Membership.		✓			✓
3. Approval of Disciplinary Action Against Members.		✓			
3.1 Board resolution		✓			
3.2 Written Warning					✓
3.3 Suspension of Benefits, Rights and Privileges		✓			
3.4 Expulsion of Member		✓			

4. Removal of Elective Officer, Trustee and Committee member.	✓				
5. Signing of Notices to Implement Approved Disciplinary Actions Against Members.		✓			
6. Approval of Affiliation/Partnership with Other organizations.		✓			
6.1 Approval of Membership in Other Organizations.					
6.2 Approval of partnership with Other Cooperatives, MFI & other Legally Organized Groups.		✓			

B. Claims

This section provides the approving and signing arrangements in Claims transactions.

This shall provide the association the capability to immediately address its need for timely decisions and fast or effective delivery of claims.

TRANSACTIONS/ LIMITS	GA	BODs	Treas	Com	Mngt
7. Approval of Application CLAIMS in the (program)					
7.1 Determination of Membership Status (member is active or in-force or lapse status) and amount of claims					✓
7.2 Determination if CLAIMS are acceptable/ payable/ deniable					✓
8. Signing of Written Notice re BODs Action on Denied Claims of Members Claim		✓			
9. Approval of Amount of CLAIMS					✓

C. Refund of Members Equity

The refund of Members Equity is a benefit intended for the member upon resignation or upon death claims of the beneficiary, and as such must be clearly defined as to the approving authority of the transactions in relations to said benefits.

TRANSACTIONS/ LIMITS	GA	BODs	Treas	Com	Mngt
10. Approval of Application Refund of Members Equity					
10.1 Application for refund of Members Equity					✓

10.2	<i>Determination of Membership Status (member is active or inforce or lapse status)</i>					✓
10.3	<i>Determination if Refund of Members Equity are acceptable</i>					✓
11.	Signing of Written Notice re BODs Action on Members Refund of Members Equity .					✓
12.	Approval of Amount of Refund of Members Equity					✓

D. REINSURANCE

As a measure to lessen the risk mitigating situations for Credit Life Insurance Plan (CLIP), partnership with other insurance providers is a prerogative. The association must seek to address the need for insuring the loan amount in excess of the approved amount by the Insurance Commission.

TRANSACTIONS/ LIMITS		GA	BODs	Treas	Com	Mngt
13.	Partnership with other Providers		✓			
13.1	<i>Selection of reinsurance providers</i>					
13.2	<i>Signing of the MOA</i>		✓			

E. Fund Management Transactions

This section delineates responsibilities in all matters involving the investment of the surplus funds of the association, which include among others determining what, when, where and how to invest the funds as per provisions in the Insurance Code. Matters pertaining to Membership Equity Contributions, other organizations, disposition/withdrawal are considered. Approval and designation of authorized persons as the official signatories for placements/investments, withdrawal slips, checks and other negotiable instruments or documents in the designated banks of the association are also defined.

TRANSACTIONS/ LIMITS		GA	BODs	Treas	Com	Mngt
14.	Granting of Authority to Invest		✓	✓		
15.	Approval of Amount, Terms and Type of Investment		✓	✓		

16. Selling or Purchasing of Investment		✓	✓		
17. Approval of Membership Equity Contributions and the like, with, other Organization and Disposition/Withdrawalthereof		✓	✓		
18. For disbursements:					
18.1 Not exceeding P30,000.00 covered by check/withdrawal slip/request for MC, the authorized official signatories are the General Manager, Cashier, Treasurer and President					✓
18.2 In excess of P30,000.00 covered by check/withdrawal slip/request for MC, the authorized official signatories shall be any one of the signing officers in Class A and any one of the countersigning officers of Class B. Class A Manager Cashier Class B Treasurer President/CEO Chairman Emeritus					
		✓	✓		✓

F. Human Resource Development (HRD)

To implement a more efficient human resource development, Personnel matters shall be under the supervision of HRD Committee. As the arm of the BOD, he/she shall be appointed under the supervision of GM to facilitate the management of such. Below is the suggested delineation of accountabilities and responsibilities between and among concerned officers.

TRANSACTIONS/ LIMITS	GA	BOD	Treas	Com	Mngt
19. Approval of the following:					
19.1 Organizational Structure and Personnel Plantilla Including Compensation Structure and Amendments Thereto				✓	
19.2 Recommendation of the HRD Committee		✓			
19.3 Review the approval of the proposed revisions/ amendments/changes in the existing policy		✓		✓	

19.4	Approve the implementations of decisions recommended by HRD concerning but not limited to:				
	a. Grave Penalties	✓			
	b. Termination of Staff				✓
	c. Salary Increases			✓	
	d. Grant Bonuses/Incentives				
	e. Acceptance/Hiring of New Staff	✓			
19.5	Pass recommendations to the HRD Committee	✓			
19.6	Act upon the recommendations of the General Manager				✓
19.7	Over all supervision of the personnel welfare	✓			
19.8	Sign on the employment papers/ records (leave, service record etc.) and certificate of employment and compensation			✓	

G. General and Administrative Affairs

This section provides signing authorities to ensure that internal control has been installed to safeguard disbursements and the cooperative properties.

As an internal control measure, it is proper for the association to identify the responsible persons/units responsible for making decisions on expenses, acquisition and disposition of assets, and other related administrative matters. for making decisions on expenses, acquisition and disposition of assets, and other related administrative matters. A clearly defined and delineated approving and signing accountability will help prevent unreasonable and excessive spending by any officer or personnel.

TRANSACTIONS/ LIMITS	GA	BODs	Treas	Com	Mngt
1. Approval of Procurement/Purchase of Non-expendable Items, e.g., land, building, other capital expenditures					
1.1 Depreciable within three (3) years but the total purchase amount shall not exceed the P5,000,000.00 amount within the budget year	✓	✓			
1.2 Depreciable for more than three (3) years	✓	✓			

1.3 Land	✓	✓			
2. Minor repair and maintenance of cooperative's assets and rented assets up to P10,000.00					✓
3. Approval of Procurement/Purchase of Expendable Items, such as:					✓
3.1 Supplies and materials up to P10,000.00					✓
3.2 Laptop, computer P10,001.00-50,000.00					✓

TURNOVER OF ACCOUNTABILITY

This section provides the approving and signing authorities for clearances of outgoing key Cooperative leaders and officers. The delineation of these responsibilities is vital in ensuring the proper transfer of important documents and records to Cooperative staff who shall take-over the roles and functions that will be left behind by the outgoing personnel.

TRANSACTIONS/ LIMITS	GA	BODs	Treas	Com	Mngt
1. Approval of Clearance of Outgoing Personnel:		✓			
1.1 General Manager					
1.2 Officers					✓
1.3 Staff					✓