

**St. Jarlath's Credit
Ltd. Standard
Information
Booklet for SME
Lending**

Standard Information for Business (SME) Lending

The purpose of this notice is to inform our business members about our SME lending services. It is targeted at enterprises employing less than 50 persons and with annual turnover and balance sheet total of up to €10 million.

In this context, an enterprise includes a farmer or a sole trader such as a carpenter who is borrowing for the purposes of their farm, trade or profession. It also applies to other members who borrow for a related business purpose and who may be an employee on PAYE. If a farmer or carpenter is borrowing a personal loan for (say) home improvements or a holiday this brochure does not apply. It only applies to loans for the purpose of the business/farm.

St Jarlath's Credit Union is happy to lend to the SME/agri sector. We have specialist staff who have been trained in lending to this sector and all of 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 setting up an internal appeals panel.

2. Points of contact

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.

3. Interest rates

Our loan interest rates are variable.

For our variable loan interest rates, please note the following Warning: **“The cost of your repayments may increase”**.

All our loans can be cleared immediately without any notice period or early cancellation penalties.

4. Applying for credit facilities

The principal delivery channel for the credit union is generally through a face to face meeting with one of our lending officers. Applications can also be taken over the phone and online.

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 loans 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 background of the business, projected profit and loss, balance sheet and cash flow projections etc. (we can help you with this if you like)
- your latest Revenue Notice of Assessment,
- up-to-date bank statements for at least the last 3 months,
- proof that all taxes are paid up-to-date, &
- if security is required to support the loan application, details of what will be involved.

We shall also conduct a credit check with the Irish Credit Bureau and the new Central Credit Register. We will need your consent for the former but not the latter as it is required by law.

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 we cannot make a decision within 15 working days of receipt of all documentation required 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. Fees

Unlike banks we generally don't charge fees however if 3rd party expenses are incurred in preparing your loan e.g. legal and valuation fees if security needs to be put in place, these will be notified to you before we incur them.

8. Drawing down the loan

Once the loan is approved we shall notify you in writing. If a guarantee or other security is required we shall need to work together to put this in place. Once it is in place the loan will be available for drawdown. Drawdown itself may be by way of cheque or EFT to your bank account and in some instances paid directly to solicitors.

9. After that

After drawdown all that happens is that we expect you 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 it is a variable rate loan and we decide to change the interest rate, we shall tell you the new interest rate and new amount of repayments in good time beforehand. Given that you can always repay your 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 this happens 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 however feel free to contact us directly at any time yourself if you prefer.

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 need an up-to-date set of accounts for your business. Whatever is prepared for Revenue purposes will usually suffice. If necessary, and only if it is, we may also ask for

- up-to-date bank statements,
- proof that your taxes are all paid up-to-date and
- your consent to conduct an updated credit check.

We shall review all such documentation within 7 business days of receiving it and contact you shortly afterwards to schedule an appointment at a mutually convenient time.

12. If you envisage difficulties in repaying the loan

We know that business and particularly cashflow can be fundamentally uncertain. We also know that the best laid plans do not always come to fruition exactly as envisaged. Inevitably, some of our SME borrowers will from time to time, have difficulties in making those payments.

If you ever anticipate such difficulties please let us know as soon as possible. It is always far, far easier to find some flexibility to deal with a future potential problem than for one which has already materialised.

If you do contact us in such circumstances we shall work closely with you to assess your financial outlook. 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 are upfront 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 the financial difficulties do 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 you 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 (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 093-24645 or by email to sme@sjcu.ie. In addition, we have posted a link to them on our website.

Useful Information Sources

www.enterprise-ireland.com

www.enterprise-ireland.com

www.localenterprise.ie

www.sfa.ie

www.isme.ie

www.agriland.ie

www.teagasc.ie

www.agriculture.gov.ie