PCEA SACCO LTD

MEMBER EDUCATION DAY 2026

TRAINING MANUAL

1. INTRODUCTION AND MEMBERSHIP

- Membership is open to all individuals whether they are employed by PCEA or not.
- Institutions, parishes, presbyteries, church groups and other registered groups may also join.
- Individual registration is Kshs. 1,000; minimum monthly contribution is Kshs. 1,000; minimum share capital is Kshs. 15,000.
- For institutions and registered groups, registration is Kshs. 5,000; minimum monthly contribution is Kshs. 5,000; minimum share capital is Kshs. 15,000.
- An organized group should provide a registration certificate and a list of members.

JUNIOR ACCOUNTS

- Designed for children and young dependents below 18 years. It encourages early saving and planning for future education and other financial needs. The guardian must be a SACCO member.
- Registration fee is shs 1000
- Minimum share capital shs 15000
- Minimum monthly contribution 1000
- The account can guarantee in cases of loans
- The account earns dividends and interest on deposits

2. FINANCIAL LITERACY

2.1 WHAT IS FINANCIAL LITERACY?

Financial literacy is the ability to understand and effectively manage money. It helps individuals make informed decisions about earning, spending, saving, borrowing and investing.

The main goal is not just to earn more money, but to make better decisions with the money you have.

2.2 FINANCIAL GOALS

A financial goal is something you want to achieve with your money.

Examples:

- ✓ Buying land or a home
- ✓ Paying school fees
- ✓ Starting a business
- ✓ Building an emergency fund
- ✓ Saving for retirement
- ✓ Buying an asset

Good financial goals should be specific, measurable and have a time frame. Example: Instead of saying “I want to save more,” say “I want to save KSh 100,000 within 12 months.”

2.3 BUDGETING

A budget is a plan showing how you intend to use your income.

A simple budget can divide income into:

- ✓ Basic needs
- ✓ Savings
- ✓ Debt repayment
- ✓ Investments
- ✓ Personal/discretionary spending

A budget helps you:

- ✓ Control unnecessary spending
- ✓ Identify where your money goes
- ✓ Plan for future expenses
- ✓ Avoid unnecessary borrowing
- ✓ Achieve financial goals

Key principle: Don't spend first and save what remains. Plan your savings first.

2.4 UNDERSTANDING DEBT

Debt is money borrowed with an obligation to repay it, usually with interest.

Before taking a loan, ask:

- ✓ Why am I borrowing?
- ✓ Can I afford the repayment?
- ✓ What will the total cost of the loan be?
- ✓ Will the loan help me create value or solve a genuine need?

Productive borrowing can help finance education, business or assets. Excessive borrowing for consumption can create financial pressure.

2.5 Understanding Interest

Interest is the cost of borrowing money or the return earned from saving/investing money.

Members should understand:

- ✓ Interest rate
- ✓ Loan repayment period
- ✓ Total interest payable
- ✓ Fees and other charges
- ✓ Difference between reducing-balance and flat-rate calculations

Don't look only at the monthly instalment. Understand the total cost of the loan. As for our sacco interest accrues monthly on reducing balance and is usually very clearly stipulated in the repayment schedule.

3. UNDERSTANDING SACCO LOAN PROCESS AND PRODUCTS

3.1 LOAN PRODUCTS

Product	Purpose / Key Feature	Repayment / Charge
Emergency Loan	For specific emergencies; relevant documents required	Up to 12 months Interest rate 12%
Normal Loan	For members without other outstanding loans	Up to 5× savings, Up to 72 months Interest rate 12%
Rudi Tena	Offsets existing SACCO loans; balance paid to member	2.5% charge on remaining loan balance, up to 72 months. Interest rate 12%
Rudi Nyumbani	Clears loans held with other institutions e.g. family bank	2.5% charge on existing external loan balance Up to 72 months Interest rate 12%
Refinancing	For an incomplete project financed through Normal or Rudi Tena	Within remaining period of existing loan Interest rate 12%
Institutional Loan	For church institutions, groups, parishes and sessions	Up to 5× savings; max 5 years; guarantors/collateral Interest rate 13%
Normal Plus	For members without another existing loan	Up to 5× savings; up to 84 months interest rate 13%
Rudi Tena Plus	Offsets existing loan	Up to 5× savings; up to 84 months; 2.5% charge on loan balance Interest rate 13%
Refinancing Plus	For incomplete projects financed through Normal Plus/Rudi Tena Plus	Within remaining period Interest rate 13%
Deposit/Share Boost	Helps increase deposits; funds credited to deposits	Guarantors not required

3.2 LOAN QUALIFICATION DOCUMENTS

INDIVIDUALS

1. Most recent payslip
2. Employer commitments letter stamped and signed by officer in charge
3. Guarantors as security and collateral (land) where applicable fully charged and valued
4. Bank account details
5. In the case of contractual employers, a letter from the employer stating the contract period remaining.

Groups and institutions

1. Minutes showing loan was authorized
2. Copy of pin certificate
3. Committal letter from directors

4. Six months' bank statements
5. Approval letter from relevant church court, For PCEA church institutions, an approval letter from the Secretary General
6. Security per credit policy
7. Guarantors.

Evidence of Repayment Ability

- ✓ Pay slip
- ✓ Six-month bank statements
- ✓ M-Pesa statements for

Collateral

- ✓ Members who have difficulty obtaining guarantors may use collateral in accordance with the collateral policy.
- ✓ Collateral must undergo legal valuation and charging at the applicant's cost.
- ✓ The applicant pays a processing fee of 0.25% of the loan amount or Kshs. 30,000, whichever is higher.

3.3 LOAN PROCESS

1. Identify the purpose of the loan and choose the appropriate loan product.
2. Confirm eligibility, savings/deposit position and any existing loan obligations.
3. Prepare the required supporting documents and security/guarantor information.
4. Submit the loan application.
5. The SACCO assesses the application, including repayment ability and available security.
6. Where applicable, guarantors/security are verified and the loan is processed for approval.
7. Once approved and all requirements are satisfied, the loan is disbursed according to SACCO procedures.
8. The member receives and follows the repayment schedule.

Points to note

- ✓ Keep loan repayments current to avoid arrears and related consequences.
- ✓ Maintain accurate contact, employment and financial information with the SACCO.

3.4 LOAN RISK CLASSIFICATION

Classification	Repayment status	Required Provisioning
Performing Loan	Payments are up to date.	1%
Watch Loan	One instalment unpaid for 1–30 days.	5%
Sub-standard Loan	Payments unpaid for 31–180 days.	25%
Doubtful Loan	Payments unpaid for 181–360 days.	50%
Loss	Payments unpaid for more than 360 days.	100%

a) Arrears begin immediately after the payment due date has passed without payment

For example, if a member's loan instalment is due on the 10th and no payment is received, then on the 11th the instalment is one day in arrears. Arrears do not begin after 30 days.

b) Loan recovery effective date is 30days from date of disbursement because of regulatory classification requirements of risk and provisioning.
c) Provisioning is the amount SACCO sets aside from income to recognize the risk that some loans may not be fully recovered. As a loan remains unpaid for longer and moves into a higher-risk classification, the required provision increases. This can reduce the SACCO's surplus and therefore has an impact beyond the individual borrower. For example, if watch loans are a total of ksh 1,000,000 then we provision 5% of the amount which would be kshs 50,000.

Loan reports are submitted to the SACCO Societies Regulatory Authority (SASRA).

3.5 LOAN INSURANCE

- ✓ In the event of death, the loan may be recovered through insurance.
- ✓ Insurance does not cover ordinary defaults or amounts already in arrears.

3.6 GUARANTORSHIP AND LOAN RECOVERY

Role of a Guarantor

- ✓ By guaranteeing a member, the guarantor commits their savings to the loan in case the borrower defaults.
- ✓ If the loan defaults, the guarantor's deposits may be used to recover the outstanding amount.
- ✓ A guarantor cannot simply be removed from a loan. Replacement is possible only when another eligible guarantor is provided.
- ✓ Before withdrawing from the SACCO, a member must clear obligations relating to loans they have guaranteed.
- ✓ A guarantor may file a case with the Cooperative Tribunal; where possible, PCEA SACCO can assist members in filing the case

NB:

- Loan repayment is the individual responsibility of each member.
- When an employee changes paying point or employer, they must ensure loan details are transferred to the new employer.
- Never guarantee a loan simply because someone asks you to. Understand the borrower's repayment ability and the commitment you are making.

4. INVESTMENST AND SACCO SAVINGS PRODUCTS

Saving - Saving is generally for preserving money and meeting short- to medium-term needs.

Investing- It involves putting money into an asset or financial product with the expectation of earning a return or increasing its value over time.

Examples of investments include:

- ✓ Treasury bills
- ✓ Treasury bonds
- ✓ Money market funds
- ✓ Fixed deposits

- ✓ SACCO Shares and deposits.
- ✓ Property
- ✓ Businesses

Each investment carries its own risk. Evaluate returns and risk and funds accessibility before investing.

Consider diversification of investments which means not putting all your money into one investment or asset.

4.1 SACCO SAVINGS PRODUCTS AND THEIR RETURNS

a. Member deposits – These are savings done monthly and the minimum for individuals is kshs 1000 while for institutions is kshs 5000.

- ✓ Deposits are used as a multiplier when determining the loan amount a member qualifies for. The amount a member can borrow is therefore linked to the level of their deposits.
- ✓ Regular contributions help members build deposits, qualify for loans and earn interest.
- ✓ Member deposits earn interest on deposits on prorata basis. The rates for the last three years were as follows:

  2023: 8.65% 2024: 10.2% 2025: 10.25%

Note: loan arrears (arrears is money that should have been paid that is not yet paid) will affect your earnings i.e. your savings and those of your guarantors will be deducted to recover your loan hence affecting the earnings.

b. Share capital:

- ✓ Every member must have at least Kshs. 15,000 in share capital and cannot own more than 15% of total SACCO shareholding.
- ✓ A member cannot take a loan against share capital.
- ✓ Share capital earns annual dividends on a flat-rate basis.
- ✓ Recent dividend rates: **2023 15.2% | 2024 15% | 2025 15%.**

5. DIGITAL PRODUCTS & SERVICES

a. **Member Portal**- The member portal can help you access the following.

- ✓ View savings, loan balances, dividends and transaction history.
- ✓ Apply for loans and monitor approval progress.
- ✓ Download account statements.
- ✓ Confirm deposits and contributions.
- ✓ Update contact details and personal information.

b. **Member App**

The Member App can be downloaded from the Play Store and provides convenient access to balances and mobile-loan services.

The member must be registered on the short code *477# to gain access to the app.

Short steps to illustrate how to use the app.

To deposit- open the app-Deposit-share/contributions-top up either deposits or shares. (please don't deposit to e-wallet)

To check balance- choose balances – either loans or savings

To request mobile loan- open app-request loan (you can only get a mobile loan through the app)

To withdraw -you only withdraw a mobile loan that you have already borrowed.

USSD- Dial *477# to access SACCO services including:

- ✓ Deposits from M-Pesa
- ✓ Mobile-loan applications
- ✓ Balance enquiries

6. Mobile Loans

It is Short-term loan accessed through *477#.

- ✓ Repayable in three equal instalments over one to three months.
- ✓ Up to 10% of your deposits.
- ✓ Interest of 6% is deducted upfront for three months which translates to 2% per month.
- ✓ Withdrawal charges are shs 32.40.

To qualify

- ✓ the member account must not be dormant;
- ✓ must have the minimum shares of Kshs. 15,000;
- ✓ The member must have savings;
- ✓ Other loans must be free from arrears.

If the mobile loan is defaulted, the total loan plus interest may be recovered from deposits following required notifications, and the member is disqualified and blacklisted from short-term loans for six months.

Repayment is made directly to the SACCO PayBill or through approved digital services.

7. Membership Maintenance: New Members & Dormant Accounts

- ✓ A member who introduces a new member receives a commission of Kshs. 300, subject to applicable SACCO procedure.
- ✓ An account becomes dormant when no savings contribution is made for more than three months.
- ✓ A dormant account must be reactivated and remain active for six months before the member applies for a loan.

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- ✓ SASRA regulations require the SACCO to maintain a separate record/account for non-remittances of twelve months or more; members should keep contributions current and confirm delayed remittances promptly.

8. SOCIAL WELFARE PRODUCTS

BANK: CO-OP BANK BRANCH: T-MALL ACC NO: 01120040130600 BANK PAYBILL:400200 ACCOUNT: 40020536	MPESA PAYBILL:922200 ACC NO: ID NUMBER	DIGITAL PLATFORMS • *477# • MEMBER APP • MEMBER PORTAL