

[CDA RESOLUTION NO. 70 s.1991, November 18, 1991]

COOPERATIVE DEVELOPMENT LOAN FUND POLICIES AND PROCEDURES BACKGOND

By virtue of Section 10 of R.A. 6939, CDLF was transferred from the Department of Agriculture to the Cooperative Development Authority. CDA has decided to adopt the purposes and uses of CDLF as contained in Section 6 of P.D. 175. Section 6 of P.D. 175 created the Cooperative Development Loan Fund (CDFL). The funds may come from 1) general appropriations; 2) proceeds from sales of US Public Law 480 commodities; (3) foreign loans or proceeds of sales of commodity loans; (4) grants and donations; (5) levies imposed by existing laws on agricultural commodities for the development of cooperatives; and (6) such other sources as are now provided by existing laws or maybe provided for in the future. This fund may be utilized for (1) loans for cooperatives; (2) guarantee for loans granted to cooperatives; and (3) advances to cooperatives for the purchase of equity of rural banks. This fund was administered by a Management Committee which prescribed rules and regulations for its utilization.

SECTION 1. Objectives of CDLF —

- a) To promote the development of agro-industrial sub-sector of the cooperative sector, and
- b) To finance cooperative institutions.

SECTION 2. General Loaning Policies and Operations — The basic loaning policy is to provide cooperatives with funds adequate for their needs and purposes and on terms the borrowers can reasonably be expected to achieve, provided there are adequate justifications and the borrowers have the repayment capacity.

SECTION 3. Types of Loans — The fund may be loaned out to cooperatives to meet their operational and business requirements. The following are the types of loans that may be extended under the CDLF:

- 1. **Marketing Loan.** This loan to cooperatives is intended for the purchase of agricultural products of members of agricultural supplies and inputs for distribution to members. This is primarily designed for agricultural cooperatives as well as agribased cooperative federations.
- 2. **Operating Loan.** This loan is for the administrative and operating expenses of borrower cooperatives usually based on planned and approved business activities.
- 3. **Facility Loan.** This loan is for the purchase, construction, repair and installation of facilities required by cooperatives of farmers and fisherfolk. This will

enable the borrower cooperatives to engage in agribusiness activities which are usually lucrative and profitable.

4. Land/Building Loan. This loan is for the purchase of land on which to construct building or for the construction of building.

5. Investment Loan. This loan is for investment by borrower cooperatives in activities or enterprises connected with and in furtherance of the cooperative program such as investment on Cooperative Banks and subsidiary corporations.

SECTION 3. Eligible Borrowers — The following may borrow from the CDFL:

1. Federation of agribased and non-agribased cooperatives
2. Area Marketing Cooperatives
3. Cooperative Rural Banks/Cooperative Banks

SECTION 4. Specific Terms and Conditions —

1. Amount of Loan — The amount of loan is determined on a case to case basis, depending upon actual needs and capacity of the cooperative to absorb and use the loan proceeds.

2. Security of Loan -

a) Generally, the security for the loan shall be the total assets of the borrower cooperative.

b) CDA may, however, require specific security such as property or facility, stocks or inventory to be acquired or contracts that may be entered into resulting from the loan.

c) Guarantee from the officers.

3. Schedule of Releases — Loans shall be released in full or in partial amounts of the actual needs as reflected in the approved project feasibility study.

4. Interest Rates —

- a. Marketing Loan — not less than sixteen per centum (16%) per annum
- b. Operating Loan — not less than fourteen per centum (14%) per annum
- c. Facility Loan — ten per centum (10%) per annum
- d. Land/Building — eight per centum (8%) per annum

SECTION 5. Terms and Repayment Schedule —

1. Marketing Loan — Maximum of one (1) year with a credit line of a maximum of two (2) years subject to review every six months. Borrowers of this type of loan should show proof of satisfactory operating performance.

The CDLF may ask for immediate payment of the loan if the borrower is found to have violated any terms and conditions of the loan agreement.

2. Operating Loan — Same as marketing loan.