

CASE STUDY
Processing the loan application at Aglend*

Process: Individually read the case study, return to your group and discuss what your observations are. By reaching consensus provide answers to the questions below. Write your answers on a flip chart.

Time: You have 40 minutes to read, discuss and write your answers.

Learning Objective: To remind ourselves of the key factors in loan analysis – character, capacity, capital, collateral and conditions - and see how an initial screening process and loan application form contribute to providing this information.

You are a Consultant who was hired by “Aglend” institution to review loan application process because he has been noticing increase in delinquency and higher number of rejected applications.

The manager told you the following:

- Aglend does not have a social mandate to reach.
- Aglend concentrates on farm based households with minimum commercial potential which is their way of ensuring the repayment of loans.
- Lending money to this target group is very risky, therefore Aglend has some preferences about clients:
 - Aglend finds that if a household has more than 3 different incomes they pose lower risk to the lender
 - Aglend prefers not to lend to farmers growing flowers and fruits
 - AgLend prefers not to lend to farmers from Magambe and Sobiri area therefore it is important for them to know where client lives and works
 - AgLend farmers have to own land and they prefer a minimum of 1.5 ha
- It is very difficult and time – consuming to collect the information about farm based households therefore:
 - Basic criteria has to be developed to see whether a client qualifies for a loan
 - Loan application has to be short, but has to include all the information needed so to assist credit officers in credit appraisal process

Aglend has the IT, human, operational, technical, financial resources.

* This is drawn from the FAO-GTZ Aglend Toolkit # 3

Your task is to:

1. Come up with basic criteria that Aglend can review within 5 – 10 minutes to decide whether a client qualifies for a loan. You also want to prevent the information being collected several times so which process can you put in place knowing that Aglend has the IT, human, and other resources.
2. Suggest key factors needed for successful loan analysis and create a list of questions that can help to provide information on each of the key factors you have suggested.
3. Come up with loan application that will cover: Personal and family data; Economic activities; Previous and current loans; Details of the proposed loan; References and Declaration. (Use the template provided)