The credit committee is elected by the members at the annual general meeting (AGM) or appointed by the board of directors. The method used to staff the committee normally is discussed in the credit union law. The credit committee usually serves on a voluntary basis and reports to the membership or the board of directors, depending if they were elected or appointed. The committee usually consists of not less than 3 or more than 5 members.

In some countries there exists a clause in the bylaws that allows the credit committee to delegate their powers to loan officers. Since loan officers are experienced professionals they are able to grant more complex loans and the credit union can provide additional loan products to the membership. In new or small credit unions with very limited loan products such as share secured, co-signed, and unsecured loans the credit committee is usually capable of evaluating the borrower’s ability to repay the loan and making the loan decision. These loan types normally have short maturities, are for small amounts, and the paperwork needed to properly secure the loan is limited to the application and note.

As credit unions grow and expand the array of loan products offered, the use of professional loan officers instead of the credit committee is a good business decision. Vehicle, real estate, business, and agricultural loans are complicated. The documentation to properly secure the loan is extensive and labor intensive. The evaluation of the borrower’s ability to repay is also much more complicated; it usually involves financial statement, tax return and cash flow analysis. These loans usually are for a much greater amount and a longer term so the risk posed to the credit union is far greater.

**Loan Officer Duties and Responsibilities** – Loan officers are employees of the credit union. They report to the loan department supervisor or the general manager. They should have extensive experience in underwriting the loan types offered by the credit union. If the credit committee is able to delegate their authority to a loan officer, the following are their job duties and responsibilities:

- Interview loan applicants, obtain all of the necessary documentation to make the loan decision, properly secure the collateral used to qualify for the loan, and approve the loan.
- Provide information to the membership concerning the different types of loans offered, the terms and interest rates, and the documentation needed to be considered for a loan.
- Make loan decisions in a timely fashion to meet member needs.
- Grant loans according to credit union policy and procedures and in compliance with local law(s).
- Provide financial counseling to members in the wise use of credit.
- Refer all borrower requests for loan extensions, refinance, or any changes to original loan terms to the credit union manager or as designated in policy.
Make counter offers to borrowers that are creditworthy but can not qualify for the loan they requested.

- Assist management in drafting written procedures that clearly state how each step of the lending process is performed.
- Remain current on all personal credit obligations with the credit union.
- Maintain and keep current the loan officer minutes, include the following for approved loans: borrower account number, borrower name, amount of loan granted, interest rate, maturity, collateral used to secure the loan and any comments, for denied loans include the borrower name, amount of request, collateral offered to secure the loan, and the reason for denial.
- Maintain all loan documents in fireproof containers and ensure that all documents in the loan file are filed according to procedure.
- Participate in training, seminars, and workshops to improve loan underwriting skills and techniques.
- Make suggestions to the manager concerning changes to the lending policy and/or procedures.
- Evaluate the credit union’s lending performance annually and compare it to past periods by reviewing a breakdown of the number and dollar amount of loans outstanding by purpose and collateral, total number and amount of loans approved and declined, the total number of borrowers, the ratio of borrowers to members, the average loan size, the delinquent loan to total loan ratio, the net charge off/average loan ratio and the amount of delinquent and charged off loans granted by each loan officer.

These duties and responsibilities should be clearly stated in writing. Prior to hiring a loan officer the credit union manager will want to interview the potential candidate(s) for the job and discuss all their duties and responsibilities with them in detail. Each candidate should date and sign the document outlining their duties and responsibilities. Their signature implies that they have reviewed the document and will perform their duties and responsibilities to the best of their ability. The signed document should be retained in their personal file and should be available for regulatory review. Annually, compliance with this document should be a part of the loan officer’s appraisal process.

If the credit union has a credit committee, each credit committee member should fully understand their duties and responsibilities. They should receive and review a written job description just as an employee would. The duties and responsibilities should be clearly stated in the job description given to all perspective committee members so that expectations are perfectly clear. The following information should be included in the job description of a credit committee member.

**Credit Committee Job Prerequisites** - If the credit union is newly chartered and/or small and a credit committee is used, credit committee members should be:

- A member of the credit union;
- Experienced granting consumer type loans – such as unsecured, co-signed, and share secured loans;
- Capable of evaluating a borrower’s financial condition and their ability to repay;
• Capable of evaluating the value of collateral;
• An established member of the community that the credit union serves;
• Familiar with the majority of the membership;
• Knowledgeable of laws governing the credit union and the granting of credit;
• Familiar with the credit union’s lending and collection policies and procedures;
• Able to commit enough time to successfully complete all of the job duties and responsibilities; and
• Able to work as part of a team.

Credit Committee Duties and Responsibilities – These duties and responsibilities should be reviewed not only by prospective credit committee members, but no less than annually by the entire committee at the meeting immediately following the AGM and the review so noted in the committee minutes.

The duties and responsibilities of the committee include:
• Meet no less frequently than monthly and more frequently as required by the volume of business referred to the credit committee for decision or review.
• Review applications for loans and make decisions upon such applications within the authority delegated to the committee. All loan decisions must be based on the loan policies established by the board of directors and in compliance with applicable local law(s).
• Provide financial counseling to members in the wise use of credit.
• Act upon the request of a member with respect to amendment of the terms and conditions of a loan provided that such amendment falls within the loan policy.
• Give preference to the smaller loan applications if the need and credit factors are equal should adequate funds not be available to meet all loan demand.
• Review credit union loan and collection policies along with performance. Recommend changes to the policies to improve loan underwriting and collection efforts.
• Evaluate the credit union’s lending performance annually and compare it to past periods by reviewing a breakdown of the number and dollar amount of loans outstanding by purpose and collateral, total number and amount of loans approved and declined, the total number of borrowers, the ratio of borrowers to members, the average loan size, the delinquent loan to total loan ratio, and the net charge off/average loan ratio.
• Prepare and present a report at the AGM summarizing the loan activity for the year.
• Remain current on all personal credit obligations with the credit union.
• Appoint loan officers to assume all or part of the loan granting function. Ensure that the loan officers carry out their duties according to all legal requirements, board policies, and credit committee guidelines.

Upon reading their job duties and responsibilities, each potential credit committee member should date and sign that they have read the document. Their signature implies that they will perform the duties and responsibilities to the best of their ability.
signed document should be retained in the perspective committee member’s personal file and should be available for review by regulatory authorities.

In addition to reviewing their duties and responsibilities each perspective committee member, prior to the AGM and election, should provide their resume or CV to the nominating committee. This information should be retained in their personal file and made available to the membership prior to the election so that each voting member can cast an informed vote. The background information of most interest to the voting membership includes:

- Professional background;
- Education;
- Prior service on a credit or related committee; and
- Any special skills in the areas of loan underwriting, debt collections, finance, business, legal, etc.