



**GUIDELINE 01/2009**

**GUIDE FOR DEVELOPMENTAL CREDIT PROVIDERS**

**OCTOBER 2009**

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## **SUMMARY**

This document constitutes guidelines issued by the National Credit Regulator (NCR), in terms of sections 16(1)(b), of the National Credit Act, 34 of 2005 (the Act).

These guidelines are intended for registered developmental credit providers, and provide guidance and explanatory notes pertaining to the applications for exemptions from certain sections of the Act by these credit providers.

The guidelines must be read with the relevant sections of the Act and Regulations, and in instances where there is a conflict between the Act and these guidelines, the Act prevails.

These guidelines may be updated from time to time. Credit providers will be informed of such changes by e-mail, fax or mail and updated guidelines will be placed on the NCR website.

For further information, please contact the responsible registration officer at the Registrations Department of the NCR.

## 1. Introduction

1.1. These guidelines apply to developmental credit providers who are registered with the NCR. The guidelines and explanatory notes were compiled by the NCR to assist developmental credit providers who apply for deviations from certain sections of the Act for their developmental credit agreements.

## 2. The guidelines and explanatory notes

2.1. The credit provider must apply in writing to the NCR for the approval of deviations from the relevant sections of the Act in respect of its developmental credit agreements.

2.2. The credit provider must set out the following information in terms of the developmental credit agreements which it is offering or intends to offer:

- (a) The nature of the developmental credit products offered.
  - (b) Provide a short description of the lending methodology (including whether it is an individual or group-based lending methodology). This must include a description of:
    - (i) The manner of client solicitation and whether public adverts or similar solicitation is employed;
    - (ii) The manner of evaluating applications and the key criteria employed;
    - (iii) The manner of disbursement and collection (also indicating whether the disbursement is in cash or kind);
    - (iv) Debt enforcement or debt collection procedures.
  - (c) Provide a profile of the target market.
  - (d) Relate the profile of the target market to the priority groups as per section 13(a) of the Act.
  - (e) Provide a provincial breakdown of the intended provision of developmental credit agreements.
  - (f) Provide information on the credit agreements, or loan products, including
    - (i) size or range;
    - (ii) repayment term;
    - (iii) interest rates;
    - (iv) security or collateral requirements;
    - (v) any other special conditions.
  - (g) Provide information on the anticipated number of clients and value of outstanding developmental credit loan book after 1, 3 and 5 years from the date of application. This must include a breakdown per type of product.
- 2.3. The credit provider must provide information on the existing developmental credit agreements, and in particular:
- (a) The number of agreements.
  - (b) The average size and range.
  - (c) The gross loan book.
  - (d) The period over which developmental credit agreements have been provided.

- 2.4. The information as per paragraphs 2.2 and 2.3 above must be provided in the same format (and size / income) as per the relevant sections of the statistical return, Form 39 Part 13 including the summary page (Part 1).
- 2.5. The application for deviations from the relevant sections of the Act must provide the following information:
  - (a) The credit provider must specifically identify all areas in which documentation which it intends to use or procedures which it intends to apply deviate from the requirements that apply to other credit agreements. This must be done with reference to the specific sections of the Act through which discretion is provided to the NCR for approving specific documentation or procedures for developmental credit agreements.
  - (b) The credit provider must motivate the departure from the requirements that apply to credit agreements in general; that is why is it necessary for the credit provider to depart from the procedures or documents that apply to other credit agreements.
  - (c) The credit provider must further motivate why it considers the procedure or documentation which it proposes to use to still afford the necessary protection to the consumer. This requires the credit provider to indicate which special circumstances exist or alternative procedure it applies which would ensure that the legislative objective of the particular section of the Act will still be met.
- 2.6. Where a statement or document is proposed to be used which is different from the statement or document for other credit agreements, copies of such statement or document must be attached to the application.
- 2.7. Copies of the developmental credit agreement and pre-agreement statement and quotation must be attached to the application. The Minister of Trade and Industry must approve different agreements or forms to be used for developmental credit agreements.
- 2.8. The motivations must be concise, and every departure from the general requirements must be covered in the manner set out above. It must relate to the specific requirements of the Act, and to each area where there is a departure.

### 3. **Additional information**

- 3.1. The NCR may request the credit provider to provide further information and documentation as may be necessary to complete the evaluation of the application.

### 4. **Submission**

- 4.1. The application must be sent to:

National Credit Regulator  
P O Box 209  
Halfway House  
1685