



Tuvalu

**PROVIDENT FUND (SMALL LOANS
INVESTMENT SCHEME) REGULATIONS
2014**



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MADE UNDER SECTION 5(3) OF THE PROVIDENT FUND ACT

Commencement [18th September, 2014]

1 Citation

These Regulations may be cited as the Provident Fund (Small Loans Investment Scheme) Regulations 2014.

2 Commencement

These Regulations must come into force on the date of its publication.

3 Provident Fund (Small Loans Investment Scheme) Regulations 2004 Repealed

These Regulations repeal the Provident Fund (Small Loans Investment Scheme) Regulations 2004 and all its amendments.

4 Interpretation

All words and phrases defined in the Act shall bear the same meaning in these Regulations unless the context requires otherwise-

- (a) "**Active contributing member**" is a member that has paid contributions to his retirement account at least once within the past 12 months;
- (b) "**Borrower**" means a member who is eligible to take a loan under the Members Small Loans Investment Scheme;
- (c) the "**Fund**" means the Tuvalu National Provident Fund;

- (d) "**Member**" means a registered member of the Tuvalu National Provident Fund;
- (e) "**Regulations**" means the Provident Fund Small Loans Investment Scheme Regulations 2014;
- (f) "**Scheme**" means the Members Small Loans Investment Scheme;
- (g) "**unemployed member**" means a member that is not engaged in any form of remunerated employment.

5 Eligibility to Loan

- (1) Subject to subsection (2) and (3), a member is eligible to apply and obtain a loan under this scheme if;
 - (a) he is a current or active contributing member; and
 - (b) has a credit balance in his retirement account that is equal to or more than \$400.
- (2) Notwithstanding subsection (1), a member is not eligible to obtain a loan under this scheme if he;
 - (a) has arrears on any existing loan made under this scheme that is greater than 3 months during the last 12 months; or
 - (b) is below the age of 45 years and is unemployed at the time of making the loan application; or
 - (c) is employed outside of Tuvalu, by a recruiting Agent or by an external employer, unless he can prove that part of his wages is allotted back to Tuvalu; his employer or a Bank operating in Tuvalu must confirm this transaction; or
 - (d) is employed and is not able to make loan repayments directly out of his own pay; or
 - (e) resides and works in a country other than Tuvalu and has withdrawn part or all of his retirement account by way of emigration benefit ; or
 - (f) is above the age of 45 years and his loan defaults had been cleared from his retirement account; or
 - (g) has committed more than 40% of his net pay to his current or existing loans.
- (3) Any member who defaults to repay his loan is not eligible to make further loans unless the Fund and the member have reached a compromise on how to settle the defaults.

6 Purpose of Loan

- (1) Loans granted under this scheme must be for any purpose that improves a member's livelihood during their working lives.
- (2) The Fund may at its own discretion refuse to grant any loan made under this scheme if a loan is for an inappropriate or unlawful purpose.

7 Loan Amounts

- (1) The total loan amount must not exceed 30% of a member's total retirement account balance on the date the loan application is made.
- (2) The minimum amount of any approved loan must be \$100 only.

8 Loan Security

- (1) A member's retirement account shall be automatically used as security for the loan account.
- (2) If a member defaults with a loan repayment, the Fund has the right to recover the outstanding amount from the member's retirement account.
- (3) A member's retirement account balance must always be given first security priority towards any loan made under this scheme.

9 Default Loan Repayments

- (1) An active contributing member's loan account that is in default for 12 months must, with the consent of the member, be cleared by the Fund together with any accrued interests from a member's retirement account.
- (2) The Fund has the right to clear the full loan amount together with any accrued interests of a non active contributing member from his retirement account after 6 months default.
- (3) For the purposes of sub regulations (1) and (2), the Fund must only clear a member's loan account from his retirement funds if it is the only proper method available to recover the debts.

10 Term of Loan

- (1) Subject to sub-regulations (2) and (3), all loans approved under this scheme must be repaid within 10 years.
- (2) The calculation of a loan term must start from the date that a member takes a fresh loan or a further loan.

- (3) Where a member has less than 10 years before he or she reaches retirement, the period left to retirement is the maximum term of the loan.
- (4) A member who does not retire from work at 55 years must provide proof of that in writing from his employer.
- (5) Voluntary contributing members loan term must be at least 3 months shorter than the term of their contract of employment.

11 Loan Repayment Amounts

- (1) Subject to sub-regulations (2) and (3), a loan repayment amount proposed for any loan made under this scheme, must not exceed 40% of a member's net income.
- (2) If a member has committed some portion of his net income to a loan with another lending institution or a recognized lender, that member's repayment amount is the difference between the portion that has been committed and 40% of his net income.
- (3) With the consent of the member, the Fund may assist to negotiate with other lenders on the appropriate repayment levels and terms that are suitable to facilitate the members further loans under this scheme.
- (4) The minimum amount of any repayment for any approved loan must be \$20 a fortnight or 10% of the borrower's fortnightly net pay.

12 Mode of Loan Repayments

- (1) All loan repayments must be made in the following manner:
 - (a) Direct bank transfer; or
 - (b) Employer instructed to deduct and pay the loan directly to the Fund; or
 - (c) Member pledge to make direct deposits of repayments to the Fund's Agents or Cashier.

13 Loan Interest Rates

- (1) The interest charged on any loan under these regulations must be 8.75% per annum.
- (2) The Minister upon the recommendation of the Board, may by notice amend the interest rate.

14 Reducing Balance Method

- (1) All loans must be charged interest on the reducing balance basis, with interest calculated:
 - (a) daily and debited to the account monthly; or
 - (b) monthly on the highest balance and debited to the account monthly.

15 Loan Fees and their Accounting Treatment

- (1) A fee of \$20 shall be charged and debited into a member's loan account per approved loan application.
- (2) All fees charged and debited into a member's loan account must be treated as revenues collected for the year in which they were charged.

16 Dishonoured Cheques

A fee of \$10 shall be charged for Dishonoured Cheques and debited to the member's loan account.

17 Manner of making a loan application

- (1) All loan applications must be made in the following manner:
 - (a) members who are residing on Funafuti must make a loan application in person by filing a loan form at the Loans Counter at the Fund's head office; and
 - (b) members who are residing in the outer islands and Fiji Islands must make a loan application on the approved forms kept by the Fund's Agents and Tuvalu High Commission.
- (2) The General Manager may, in special circumstances, authorize a loan application in any form.

18 Loan Approving Officers

- (1) The following people are authorized loan approving officers:
 - (a) General Manager;
 - (b) Manager of Finance and Members Services; and
 - (c) Manager of Corporate Services
- (2) The General Manager may appoint any other senior supporting officer as an authorized loan approving officer.

19 Mode of Loan Disbursements

- (1) All loan disbursements must be paid to a member's personal account at the National Bank of Tuvalu.
- (2) The General Manager may authorize disbursements to be made in any other mode.

20 Restriction of certain actions

If a member withdraws his housing benefit, the Fund shall not treat such action as a way of right for any lending institutions to clear a member's loans and any accrued interests from his retirement account.

21 Treatment of Loan Accounts in Arrears

- (1) Subject to regulation 5(3), a Loan Officer must examine whether the cause for the arrears was due to the negligence of another person, other than the member himself.
- (2) If a Loan Officer is reasonably satisfied that the default was caused by the negligence of another, the member may still be eligible for a further loan provided the Fund is satisfied that the member's default can be rectified.

22 Loan Forms

- (1) All loan forms used for the purpose of implementing this scheme must be those designed by Management and approved by the Board.
- (2) The Fund retains its intellectual property rights and rights of ownership over these forms and all other related documents submitted by members to support all loans made under this scheme.