

The Truth and Nothing but the Truth



Q. Why Permanent / Equity Shares ?

A. Providing low cost loans for low income members who are unable to access other financial institutions is becoming more difficult.

Q. What is the Justification for new shares?

A. To introduce new low cost long term loan products for the lower income earning members and to use self help to continue to build our institution.

Q. What are the Risks now faced by The C.U. ?

A. The only savings available to the C.U. are shares that may be withdrawn at any time or upon termination of credit union membership. Long term lending cannot be pursued vigorously if the funds are not guaranteed

Q. How much money is required?

A. At least EC\$ 4- 5 million dollars at the start. Amounts less than this will not be sufficient for members to benefit given an average cost of \$200,000 to build a home.

Q. What are the funds to be used for ?

A. Financing real estate, land and major home renovations – low cost , long term loan products and investments

Q. What does the member do with the shares?

A. Hold them and earn dividends each year. Once sufficient funds have been raised, access cheaper loans because the funds from the permanent/ equity shares will be available to on-lend to members.

Q. Why Mobilise Savings?

A. Credit or finance from external sources for on-lending is expensive (5% -7% interest rate per year on \$5 – \$6 million is over \$250, 000) and uses up funds that may be lent to members at lower than current rates . Reliance on external finance, is a weakness as it prevents the C.U from setting their own policies and must follow rules set by other institutions.

Difference in the Share Types

Q. What will be the major difference between regular and Non Withdrawable / Equity Shares ?

A. Members will be able to access regular shares and to withdraw the unencumbered portion as normal , but the Equity/ non withdrawable ones will not be cashed, they will only be sold to someone else or transferred to another member under the approval of the Board of Directors .



A. In the traditional model, regular shares had been regarded as capital but these shares are withdrawable – they are a member's deposit. Equity shares will operate like the shares from the business sector (common) and will be paid dividends if the C.U makes profit.

Q. How will ownership of Permanent/ Equity shares be recorded?

A. At the first purchase, the member was issued a certificate and a transaction card. The certificate indicates the legal requirement of 1 share per member, whilst the transaction card indicates the dollar value of the shares and the amounts credited each year. In 2004, (AGM 2003, 50% of dividends were transferred to permanent shares for each member, at AGM 2004, 25% of dividends were transferred to permanent share accounts.

Q. How do these new shares affect loans and loan / share ratios?

A. Loans will still need a multiple of the member's share balance (usually 3 to 1). The permanent / equity shares will not be used to secure loans here at the Credit Union.

Q. What will it mean for the average borrower/ credit union member?

A. Now less than 20% of dividends are withdrawn therefore annually, the equity shares can grow by at least \$1 million per year. To date, the Credit Union has almost \$2 million from the creation of equity / permanent shares. Approx EC \$750, 000 per year

Q. Why Does My Share Certificate Say 1 share?

A. Because according to the By-Laws every member must have 1 equity share. The certificate only identifies that you have met the membership requirements. The information on the value of your shares is contained on your share transaction card. To get the number of equity shares that you hold divide the balance on the card by \$5

Q. What financial benefit do I get from the Shares ?

A. Dividends. Last year a 10% dividend rate was paid out. The dividends were paid into the member deposit account and can be withdrawn.

Q. Can I purchase additional equity shares?

A. Yes you may simply visit the Accounts Department and fill out an application form to purchase these shares. Each share costs \$5.00

