



GUIDELINES ON REAL ESTATE (PROPERTY AND LAND) COLLATERAL/SECURITIES REVALUATION FOR CREDIT UNIONS IN ST. KITTS AND NEVIS

1. Introduction

The purpose of these Guidelines is to provide credit unions in St. Kitts and Nevis with information that will guide periodic reviews and requests for the revaluation of real estate where either land or property has been pledged as collateral for loans.

These Guidelines will assist registered credit unions in the periodic assessment of collateral/securities pledged on all real estate (property and land) secured loans. The objectives are as follows:

- a) To ensure that there are adequate margins maintained over the life of loans;
- b) To guard against any possible deterioration in the condition of real estate or other assets held as collateral/security pledged for loans at the credit unions;
- c) To set out the basis for which new appraisals will be required; and
- d) Outline the exception criteria that would govern waivers in extreme circumstances (with Board of Directors and/or Credit Committee approval).

The process of conducting periodic revaluation will ultimately reduce exposure of the credit unions and avoid possible losses in the event of severe delinquency that may warrant possible forced sale of real estate following legal action.

2. Applicability

These Guidelines apply to all registered credit unions pursuant to Sections 8 and 121 of the Cooperatives Societies Act, No. 31 of 2011.

In keeping with best practices for the consideration, approval and administration of loans, the following shall be considered:

- a) A periodic review on all loans secured by real estate shall be conducted by determining the loan-to-value ratios, i.e. property value compared with the existing loan/mortgage balances. To ensure no excess funds were advanced and to safeguard the funds loaned by the credit union, a periodic review of the adequacy of property insurance assigned and the Appraisal Report (where applicable) is required.

4. Conducting Reviews and Assessments

The Board of Directors, Credit Committee and Management shall ensure that staff members of the Loans Department undertake structured reviews of the credit union's Securities and Discharge Register, update the information therein and produce periodic Property Assessment Reports and/or request an Appraisal Report, where necessary. The Property Assessment Report and Appraisal Report shall contain pictures to support the Report.

Where shortfalls (e.g. inadequate loan-to value ratio) are identified as a result of the disparity in the value provided by an appraiser at the commencement of the mortgage against values on subsequent valuations due to the use of varying benchmarks (e.g. differing cost per square foot) by a different appraiser, the Property Assessment Report shall act as the basis for site visits by a *trained* senior staff member of the Loans Department, to ascertain the true condition of the property.

5. Compilation of Approved List of Appraisers

A list of appraisers who meets the credit union's criteria and are determined to be fit and proper shall be considered to render appraisal services subject to the approval by the Board of Directors. Due regard shall be given to: -

- a) the person's probity, competence and soundness of judgment;
- b) the diligence with which the person is fulfilling or is likely to fulfil his/her responsibility;
- c) the honesty, integrity and reputation of the person;
- d) the capability and qualifications of the person; and
- e) whether the interests of members and/or the credit union are, or are likely to be, in any way threatened by the person conducting the appraisal (*conflict of interest*).

Prior to the consideration, approval and revaluation of a loan/mortgage backed by property and/or land, the Board of Directors, Credit Committee, Management and staff members of the Loans Department shall confirm that the appraiser has been approved by the Board of Directors.

6. Commencement

These Guidelines shall come into effect as of the 1st day of January 2019.

