



Simplifying lives digitally

EEF

EEF Digital Loan Product Manual

VERSION 1.0

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Revision History

Version Number	Review Date	Revision Author	Brief Description of changes
1.0	19/02/2025	Everlyn Mbula	Prepared initial draft

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Summary

The business strategy is to increase the market share by x% in the next three years by doubling the loan book. One of the ways to achieve this is by issuing short-term digital loans via the mobile and USSD platforms.

This product enables both new and existing clients to apply for short-term loans online through mobile and USSD applications.

Target Market

This loan product is designed for:

- Salaried employees
- Self-employed individuals
- Small business owners
- Entrepreneurs in need of working capital
- Individuals requiring emergency funds

Minimum Requirements

To qualify for the loan, the applicant must meet the following criteria:

- Be at least **18 years old**.
- Be a **permanent resident** of the country.
- Have a **valid national identification document**.
- Have an **active mobile wallet account**.
- Maintain **consistent financial transactions** within the mobile wallet.
- Have a **good credit history** with no adverse records in the internal or external credit reference bureau (CRB).

Product Features

- Product Name: EEF Digital Loan
- Loan Tenure: 1 month (30 days)
- A customer can only have one (1) active loan at a time.
- Loan Amount Limits:
 - Minimum: XAF 15,000
 - Maximum: XAF 300,000
- Interest Rate: 1.16% per month
- Processing/Service Fee: 5% of the loan amount (deducted upfront)
- Excise Duty Tax: 20% of the processing fee
- Penalty Interest Rate: 5% per month on overdue amounts
- Rollover Fee: 3% of the outstanding arrears (if the loan is extended)
- Maximum Bank Exposure: XAF 200M
- Loan Limit Growth: Customer loan limits increase based on timely repayments and borrowing frequency.
- Blacklisting Policy: Customers who default repeatedly will be blacklisted and restricted from accessing further loans.
- Loan Repayment Reminder Notifications: SMS alerts will be sent 7 days, 3 days, 1 day before, and on the due date to remind customers of repayment obligations.

Product Rules and Eligibility Criteria

The following checks will be performed before loan approval:

Check	Yes	No
Is the client over 18 years old?	Proceed with loan appraisal and verify other eligibility criteria.	Decline application and notify client: " Loan application was not successful. Kindly contact customer care for further details. "
Is the client a permanent resident of the country?	Proceed with loan appraisal and verify other eligibility criteria.	Decline application and notify client: " Loan application was not successful. Kindly contact customer care for further details. "
Does the client have an existing loan?	Decline application and notify client: "You already have a running loan. Please settle the existing loan before applying for a new one."	Proceed with loan appraisal and verify other eligibility criteria.
Is the client's CRB score within the approved threshold?	Proceed with loan appraisal and verify other eligibility criteria.	Decline application and notify client: " Loan application was not successful due to an insufficient credit score. Kindly contact customer care for further details. "
Is the client adversely listed in our blacklist?	Decline application and notify client: "Loan application was not successful due to an adverse credit record. Kindly contact customer care for further details."	Proceed with loan appraisal and verify other eligibility criteria.
Is the client's mobile number registered and active for at least 6 months?	Proceed with loan appraisal and verify other eligibility criteria.	Decline application and notify the client: " Loan application unsuccessful. Your mobile number must be active for at least 6 months to qualify for a loan. "
Has the client's account been flagged for fraudulent activity?	Decline application and notify the client: " Loan application rejected due to suspicious activity. Contact customer care for further details. "	Proceed with loan appraisal and verify other eligibility criteria.
Does the client have sufficient transaction history in their mobile wallet?	Proceed with loan appraisal and verify other eligibility criteria.	Decline application and notify the client: " Loan application unsuccessful. You must have an active transaction history in your mobile wallet to qualify. "
Has the client applied for multiple loans within a short period? (Loan stacking prevention)	Decline application and notify the client: " Loan application unsuccessful. Too many loan applications detected within a short period. Please wait before reapplying. "	Proceed with loan appraisal and verify other eligibility criteria.
Does the client have a history of loan rollovers?	Flag the customer for risk assessment before approval.	Proceed with loan appraisal and verify other eligibility criteria.

Credit Scoring and Risk Rating

The creditworthiness of a borrower is assessed using weighted parameters.

Risk Component Weighting

Risk Component	Considerations	Weighting (%)
CRB Check	External credit score from CRB	25%
Account Age	Age of account since it was opened	13%
Average Account Balance	Average account balance per month (last 3 months)	10%
Loan Repayment Behaviour	Number of previous loans and repayment history	10%
Average Loan Amount	Average amount for previous loans taken	10%
Average Deposits (CR Count & Amount)	Number and amount of deposit transactions (last 3 months)	9%
Average Withdrawals (DR Count & Amount)	Number and amount of withdrawal transactions (last 3 months)	7%
Internal Loan Count	Total number of loans taken on MoneyPhone	10%

Risk Rating Scale

Score	Risk Rating	Description
81- 100	Undoubted	No risk, outstanding credit history, strong CRB score, high account balance, excellent repayment behaviour
61- 80	Low	Minimal risk, good CRB score, moderate account activity, consistent repayments
41- 60	Moderate	Average CRB score, some irregularities in account activity, fair repayment history
21- 40	Cautionary	Low CRB score, frequent late repayments, low account balances
11- 20	Unsatisfactory	Poor CRB score, high number of defaults, overdue loan history
Below 10	Unacceptable	High risk, bankruptcy, fraud detected, no repayment history

Loan Repayment

- The loan must be **fully repaid within 30 days**.
- Repayment options include:
 - **Daily, weekly, bi-weekly, or full monthly payments.**
 - Payments can be made via the MoneyPhone App (Android, iOS) or USSD platform.
- **Automatic Loan Recovery Process:**
 - If the loan is unpaid by the due date, the system attempts automatic recovery from the **customer's mobile wallet**.
 - If the wallet has insufficient funds, recovery will be attempted from the **linked core banking account**.
 - If funds are unavailable in both accounts, the loan is marked **in arrears**, and penalty interest applies.
 - If not settled within 5 days after due date, the loan will be **rolled over (with an additional fee) for another 30 days**.
 - Continuous recovery attempts will be made until the loan is fully repaid.

Portfolio Management

- **Maximum Exposure:** **XAF 200M** - This means that the **total outstanding loan amount** for all customers under this digital loan product **cannot exceed 200 million XAF** at any given time. This is a risk management measure to **limit the bank's exposure** and ensure it does not lend beyond a certain financial threshold, which could increase the risk of defaults and liquidity issues.
- **Triggers:** **Maximum PAR of 0%**, beyond which the product is suspended.
 - **PAR (Portfolio at Risk)** is a key financial indicator that measures the percentage of the total loan portfolio that is overdue or at risk of default.
 - A **PAR of 0%** means that **there should be no outstanding overdue loans** under this product.
 - If even a single loan **goes into arrears**, the bank will suspend issuing new loans under this product **until corrective actions are taken** (e.g., loan recovery efforts or a policy review).
 - This strict rule helps maintain a **healthy loan portfolio**, ensuring the bank only lends to **low-risk customers** and avoids accumulating bad debt.
- **Delinquency Management**
 - Loans overdue by **more than 60 days** will be flagged for **collections intervention**.
 - Loans overdue by **more than 90 days** will be classified as **Non-Performing Loans (NPLs)** and escalated for legal action.

- **Refinancing and Loan Restructuring**
 - Customers who have rolled over their loans more than twice will not be eligible for further refinancing until at least 100% of their outstanding balance is repaid.
- **Repayment Due Date Alerts:** SMS/Email reminders sent 7, 3, 1 day(s) before and on the due date.
- **Event of Default Actions:**
 - **1 day past due:** SMS reminder
 - **3 days past due:** Call and warn customer of pending action
 - **7 days past due:** Pre-listing notice
 - **30 days past due:** CRB listing and loan write-off

Accounting Entries

These are draft entries that should be refined:

Transaction Sets	Accounting entries passed in E-Wallet	Core Banking System Entries
Loan Disbursement	Loan Principal - DR E-wallet Loan Disburse GL - CR Customer E-Wallet Account Commission - DR Customer E-Wallet Account - CR Income E-Wallet Account Excise Duty Tax - DR Customer E-Wallet Account - CR Excise Duty E-Wallet Account Interest Income - DR Customer E-Wallet Account - CR Interest Income E-Wallet GL Insurance Premium - DR Customer E-Wallet Account - CR Insurance company Account	- DR Loan GL - CR Float Account Commission - DR Float Account - CR Loan Comm PL Excise Duty Tax - DR Float Account - CR Excise Duty GL Interest Income - DR Float Account - CR Int Income GL Insurance Premium - DR Float Account - CR Insurance company Account
Loan Repayment	- DR Customer E-Wallet Account - CR E-wallet Loan Disburse GL	- DR Float Account - CR Loan GL

Loan Provisioning	<ul style="list-style-type: none"> - DR Bad Debts Expense GL - CR Provision for E-Wallet Loans Account 	<ul style="list-style-type: none"> - DR Bad Debts Expense GL - CR Provision for Loans Account
Loan Write Off	<ul style="list-style-type: none"> - DR Provision for E-Wallet Loans Account - CR E-wallet Loan Disburse GL 	<ul style="list-style-type: none"> - DR Provision for Loans Account - CR Loan GL
Loan Write Back	<ul style="list-style-type: none"> - DR Customer E-Wallet Account - CR Bad Debts Expense GL 	<ul style="list-style-type: none"> - DR Provision for Loans Account - CR Bad Debts Expense GL

Stakeholder Approval for EEF Digital Loan

Name	Department/Unit	Signature	Date



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