



Hanley
ECONOMIC
Building Society

2021

Credit Committee Terms of Reference

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Credit Committee Terms of Reference

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1 CHANGES SINCE LAST REVIEW

Date of change	Section	Description of change	Author
12/3/2020	2	Removal of Head of Finance & HR Manager.	SB
12/3/2020	3	Change of Title to 'Head of Risk'.	SB
12/3/2020	5	Change of frequency of meetings to quarterly.	SB
12/3/2020	7	Change of reporting from ALCO to Risk Committee.	SB
12/3/2020	8	Insertion of maximum loan size of £1.25m and changes to reflect updated Committee agenda.	SB
21/6/2021	All sections	Full review with each section amended	HoR

2 PURPOSE AND AUTHORITY

1. The Credit Risk Committee (the 'Committee') is a sub-committee of the Risk Committee.
2. The Risk Committee has delegated authority to the Committee to make decisions regarding the management of the Society's Retail Credit Risk and to carry out the functions and powers set out in these Terms of Reference including:
 - o Investigate any activity within its Terms of Reference;
 - o Seek information as required from any employee of the Society that will be expected to co-operate with such a request ; and
 - o Obtain external, independent professional advice.
3. The purpose of the Committee is to provide oversight for:
 - o Compliance with the Society's high level policies on lending, arrears and forbearance by ensuring the mortgage asset stays within the Board approved levels, including reference to the PRA'PRA's Specialist Sourcebook for Building Societies.
 - o Monitoring compliance with the Board approved risk appetite statement and that the execution of the policy within the business is in accordance with the Society's risk appetite statements.
4. To consider under delegated authority:
 - o Applications in excess of £500k; and/or
 - o Where in aggregate a person or group would have borrowings from the Society in excess of £1.25m and if recommended, are referred to the Society's Board of Directors for consideration and approval.

3 COMPOSITION

3.1 MEMBERSHIP

1. The Committee shall comprise of:
 - Head of Risk (Chair)
 - Chief Executive
 - Finance Director
 - Head of Operations
 - Underwriting Manager

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- Customer Services Manager
 - Financial Planning & Analysis Manager
2. Only members of the Committee shall have the right to attend meetings. Membership is personal to the position holder and cannot be delegated except from time to time under limited circumstances. Delegates shall assume the same responsibilities and bring similar expertise to the table as the person they are representing.
 3. Each member of the Committee is appointed because of the position they hold within the Society. It is the responsibility of each Member to bring their expertise and skill to the consideration of matters discussed at meetings of the Committee. It is also their responsibility to prepare thoroughly for meetings by reading the meeting packs and actively participate in constructive debate by raising key areas of concern and providing appropriate challenge where required. This is not limited to matters for which they are directly accountable.

3.2 ATTENDEES

There is an open invitation to Non-Executive Directors and other individual members of staff, who may wish from time to time, to attend meetings.

3.3 CHAIR AND QUORUM

1. The Chair of Committee shall be the Head of Risk. This appointment is reviewed annually in conjunction with the review of the Terms of Reference.
2. In the absence of the Chair, the Committee will elect a Chair of the meeting.
3. A quorum is three, one of which must be the, Chief Executive or Finance Director or Head of Risk.

4 COMMITTEE PROCEDURES

4.1 SECRETARY

The Chair may appoint a secretary of the Committee to help ensure adequacy of the supporting documents, and timely distribution of supporting documents and minutes.

4.2 MEETING FREQUENCY

Meetings to be held quarterly and shall be agreed by the Committee annually in advance of the following year's meetings and additional meetings can be called by the Secretary of the committee at the request of any of its members.

The Chair of the Committee may also convene meetings of the committee if in their judgement, a loan proposal or issue arises that must be sanctioned and addressed before the next scheduled meeting.

4.3 MINUTES

Minutes shall be prepared for every meeting capturing key issues raised, challenges, decisions and approvals made by the Committee. The minutes shall include the names of all those present at the meeting, be submitted to the Committee members and attendees within 10 business days of the meeting taking place and be approved at the next regularly scheduled meeting of the Committee.

Minutes are available to all Directors and Non-Executive Directors.

4.4 ACTION ITEMS

Actions agreed upon by the Committee shall be recorded and followed up in between meetings by the Secretary or Chair. Attendees may be called to update the Committee on progress relating to an action item at the request of the Chair or, by any other Member. Progress on action items is to be monitored until they are complete.

5 REPORTING PROCEDURE

The Chair will, report to Risk Committee any matters of concern within its accountabilities and responsibilities and the minutes of all Committee meetings shall be included in the papers for the subsequent Risk Committee.

The Committee may refer, on an exception only basis, to any other management committee any matter which the Committee considers relevant to that other committee's purpose.

6 RESPONSIBILITIES RESPONSIBILITIES

The role of the Committee is to:

1. To review and agree the Society's Lending Policy for recommendation to the Board for their approval, ensuring that this is aligned with the Society's Risk Appetite Statement.
2. To monitor the Society's mortgage book against the Society's Lending Policy Statement, including SS20/15 Rules and recommend any policy changes deemed necessary or appropriate.
3. To approve and monitor performance of the Society's affordability calculation model.
4. To monitor and review lending decisions made outside of the credit risk appetite limits.
5. To consider the training and competency requirements for underwriters and mortgage sales staff.
6. To review the adequacy of the Society's Mortgage Indemnity Insurance provider.
7. To review the adequacy of controls and arrangements for mortgage intermediaries.
8. To consider the impact of any future regulatory changes that may impact the Society's lending operations.

7 MANAGEMENT INFORMATION

The Committee will receive following reporting to consider and/ or monitor:

- Lending decisions made outside of the Society's Lending Policy and criteria (Discretionary Lending);
- Declined Cases;
- Overall forbearance exposures;
- Overall arrears analysis;
- All cases in arrears for non-residential exposures greater than 3 months or £1,000.
- To monitor the overall performance of self-build mortgage exposures
- Accounts in Possession;
- Lettings Dashboard;
- Interest Only;

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- New loans completed greater than £750,001 - £1.25m.
- Stock and Flow position

8 COMMITTEE REVIEW

The Committee will, at least once a year, review its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and, where appropriate, approve changes.

Any changes that the Committee considers necessary shall be recommended to the Risk Committee members for approval.