

## Loan Recovery Unit (LRU)

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## LOAN RECOVERY UNIT (LRU)

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### BACKGROUND

The Loan Recovery Unit (LRU), formerly the Non-Performing Loan Unit (NPL) was established in September 1998 to centralise the collection and rehabilitation of classified and dormant debt purchased and or, acquired from intervened institutions, by utilising a standardised methodology for debt collection.

The Unit's methodology was established with the assistance of international management consultants, McKinsey & Company, to value and determine the Minimum Expected Recovery (MER) values of its non-performing loan portfolio. With this as a guide, the LRU has in many instances implemented a well-structured workout arrangement with existing borrowers in a scheme that provides for improved payment schedules and more manageable rates of interest.

The Loan Recovery Unit is guided by FINSAC's standard policy for non-performing loans workouts, and its operations are governed by a policy and procedures manual which seeks to promote maximum transparency and equity, in pursuance of its debt recovery mandate.

### ACHIEVEMENTS TO DATE

- Reduction of exposure; steps have been taken to perfect existing security documentation, and wherever necessary, procure additional security.
- Creation and implementation of a Policy & Procedures Manual to ensure uniformity in the treatment of all loans.
- As at 31st August 2001, total loan recovery was \$5.7 Billion. Collection during the fiscal year 2000/2001 was in excess of \$1.46 Billion.

During the fiscal year 2000/2001, loan accounts with a total value of \$838.46 Million have either been rescheduled <sup>1</sup> or restructured <sup>2</sup> at interest rates of between 12% 15% p.a. for loans denominated in United States currency, and 25% 30% on Jamaican dollar loans. The cumulative figure for such loans from inception to 30th June 2001 is \$10.4 Billion.

<sup>1</sup> *Rescheduled: where the existing debt is put on a new repayment timetable based on representations by debtors regarding their ability to repay.*

<sup>2</sup> *Restructured: where the existing debt may be compromised and new terms for repayment agreed, based on the debtor's financial position as determined by FINSAC.*

## **NEXT    Policy for Non-Performing Loans Workout**

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