

# OFFLINE BASIC METHODOLOGY



## 1. Group rules

There are 11 decisions to be taken before starting the group:

- 1.1. Value of each share: We recommend a share value of 10 euros. This facilitates subsequent calculations. Each member can make contributions at any time and with the desired amount. Then, if someone puts 50 euros, she or he will have five shares.
- 1.2. Maximum Credit: initially, we recommend that the maximum credit would be 600 euros. It can be increased afterwards.
- 1.3. Maximum term: initially, we recommend that the credits are paid in a maximum of six months.
- 1.4. Monthly interest: We recommend an initial value of 1% per month. Ie if one borrows 600 euros will have to pay 6 euros each month. If one pays in 3 months, each month would have to bring 206 €.
- 1.5. Shares-credit ratio (Loan capacity): We recommend a ratio of 1:4, ie, if one puts 100 euros in the common fund, can ask a maximum credit of 400 euros.
- 1.6. Guarantees: We recommend that whenever you ask for a credit, there are two people from the group that will endorse your credit. In case you do not return the credit, the group can keep your shares and the ones from the partners that have endorsed you. So the whole group is protected from possible non-payments.
- 1.7. Delay interest: if a person is late in paying a credit then he or she has to pay a fine. We recommend at least twice the normal interest as delay interest. In our example, for the month that has been delayed, one should pay 12 euros instead of 6 euros, until payments have been regularized and match the initial schedule.
- 1.8. Assembly meetings: We recommend to hold at least one meeting a month and to establish the date from the beginning. For example: the second Saturday of the month at 19:00.
- 1.9. Penalty for non-attendance: we recommend a small fine, about 3 euros, if someone does not attend the meeting. That money can be used to pay drinks and snacks for the next meeting.
- 1.10. Management positions: there must be a group leader to convene meetings and take charge of the agenda. Also an accountant for the income and outflow of money (this position can be rotated at each meeting). A cashier that puts the money in the box every time there is a long entry and when a credit is given. There may also be a loan officer to make the monitoring of loans given.
- 1.11. Profit sharing: Once a year the group can divide all the interest earned during the year. This is usually divided depending on the number of shares of each partner. That is, to obtain the benefit per share, the total benefits are divided between the total of shares. Then this ratio has to be multiplied by the shares of each member to know the benefits for him or her.

## 2. Flow of money

- 2.1. In the box above, write down the date of the meeting and the name of the person completing the document sets.
- 2.2. Cash Balance: the money that is in the group's box at the beginning of the meeting should be written down in the box a).
- 2.3. Shares purchase: the persons purchasing shares at the meeting and also the total of shares for each person is noted. That person signs in the last column. At the end of the meeting, the total of shares that are purchased at that meeting is noted in box b).
- 2.4. Credit payment: Here the payment of each quota of the credits given is noted, specifying the quota number (for example, the second payment of a total of 3 payments would be 2/3). The amount of the quota (in our example would be 200 euros) and the interest (in our example would be 6 euros) are written down as well. The total quota + interest (in our example would be 206 euros) is added. At the end of the meeting the members must sign. In the box c) all quotas + interests paid are noted.
- 2.5. Granted credits: the name of the requesting person, their guarantors, the amount requested and the term (number of months) are noted. Signature is added as well. In box d) all loans granted that month are added.
- 2.6. Final balance: totals are added: boxes' amounts a), b), c) d) are added. This means that the money that was in the box plus all revenues are added, and the money given as loans is subtracted. The final number in the box 'Balance' has to match the money that is physically in the box.
- 2.7. Each sheet is filled by a different member each meeting, and that person must sign at the end of the meeting.

## 3. Credits

- 3.1. Each sheet can keep track of 6 credits.
- 3.2. For each credit, the credit number, the borrower's name, the amount requested, the shares possessed and the interest rate that will be applied (in our example, it would be 1%) must be recorded.
- 3.3. Guarantors: write down the name of the people who support the credit, and how many shares each has.
- 3.4. In the box provided below, note the date in which repayment will be made, the quota and interest applied. If one is late in paying, in the box "Delay" what he or she has paid for the delay will be written down (in our example, 6 euros as default). Then the total actually paid that month is noted, as well as the balance or the total still to pay. In the final column (p), write down whether he or she has really paid that month.

#### **4. Shares list**

- 4.1. In the left column, write down all the members' names.
- 4.2. Each month, the number of shares bought by each member is registered. For instance, if in January a member buys 30 € and the price of the share is 10 €, we note that he or she is buying 3 shares.
- 4.3. The total accumulated shares is also noted each month. For instance, if someone buys 5 shares in February, we will note in that month's column those 5 shares, and the sum of his or her shares in the Total column.