

Family First Credit Union

Investment Policy

Purpose

The investment policy will set forth the processes and parameters for investing surplus funds of Family First Credit Union, as determined and approved by the Board of Directors.

It is the policy of Family First Credit Union to comply with requirements for investment of credit union funds per Chapter 80-2-4 of the Rules and Regulations of the Department of Banking and Finance and Part 703 of the Regulations of the National Credit Union Administration (NCUA).

Investment Objectives

The investment policy has three major objectives:

1. Ensure the investment of excess funds is accomplished in a safe and secure manner, particularly with respect to limiting the exposure of the Credit Union to unnecessary risk.
2. Provide adequate liquidity for members.
3. Structure an investment portfolio that will provide liquidity and competitive yields to members on shares and share certificates consistent with safety and soundness criteria in all investments.

Investment Responsibility and Authority

The Board of Directors and management (President/CEO, EVP/CFO and Operations Manager) will be responsible for formulating the strategy used to accomplish the investment objectives. The Board of Directors will appoint an investment committee, composed of the President/CEO, EVP/CFO and Operations Manager, to authorize investment transactions on behalf of Fulton Teachers' Credit Union, subject to the investment guidelines contained herein. A detailed listing of investments and activity will be provided to the Board of Directors each month. Analysis of investment activity and interest rate risk will be regularly reported to the Board of Directors.

Investment Strategy

Family First Credit Union will adhere to the strategy of matching dollar amounts, maturities and the repricing of sources, and uses of funds to the extent feasible. Specifically, investment maturities and their repricing structure will be dictated by the stability of the source of funds and their repricing structure. Investments will be consistent with the principals and guidelines of the Asset/Liability Management Policy. Safety of principle and interest shall be the primary considerations of all investment decisions. The emphasis of the investment policy is on safety, liquidity, and then yield.

Default Risk

Family First Credit Union shall not assume default risk in an attempt to enhance return. The Credit Union shall comply with state and federal laws and regulations in its investment activities.

Sovereign Risk

The Credit Union shall invest only with financial institutions that are domiciled and regulated in the United States, obligations of the U.S. government, government agencies or domestic corporations.

Exchange Rate Risk

The Credit Union shall invest only in U.S. dollar-denominated assets.

Permissible Investments

Family First Credit Union shall purchase only those investments deemed “legal investments” by state law and further defined in the Rules and Regulations of the Department of Banking and Finance and the NCUA. No more than 10 percent of the Credit Union’s total shares, undivided earnings and reserves may be involved in a single transaction. Maturities will be consistent with the investment strategy. Within those constraints, the Credit Union may invest in:

- Certificates of deposit of federally insured financial institutions (commercial banks, savings & loans, and credit unions). It is the policy of Family First Credit Union to limit investments in certificates of deposit in any one institution to the Standard Maximum Deposit Insurance Amount (“SMDIA”), as defined at 12 U.S.C. 1821(a)(1)(E), or the Standard Maximum Share Insurance Amount (“SMSIA”), as defined at 12 U.S.C. 1787(k)(5), whichever is applicable, each as amended from time to time. (Catalyst Corporate Federal Credit Union is excluded from this limitation.) The maturity range will be between three months and five years. Maturities in excess of five years require approval by the Board of Directors.
- Deposits in Catalyst Corporate FCU, up to 100 percent of the investment portfolio, provided criteria in the credit risk management section of this policy is met.
- Fed funds of federally insured financial institutions conforming to the credit risk management section of this policy and not to exceed 20 percent of the Credit Union’s total shares, undivided earnings, and reserves.
- Loan to, or investments in, other credit unions after a review of the policies, practices, and financial condition of such credit union has been completed.

- U.S. Treasury securities and debt obligations of, or those guaranteed by, the full faith and credit of the U.S. government, maturing in five years or less.
- **Government Sponsored Enterprises (GSEs)**, including real estate mortgage investment conduits issued by FNMA, FHLMC, or GMNA, not to have a weighted average life greater than five years and not to exceed 15 percent of the investment portfolio.
- Participation loans through other financial institutions, which must be supported by participation agreements. Loan participations must conform to all laws and regulations applicable to that category of loan to the same extent as if the Credit Union had originated the loan itself. Collateral documentation requirements, loan to collateral value requirements, loan limitations and other statutory and regulatory requirements must be met. Investments in participation loans must conform to the requirements of Section 80-2-4-.03 of the Rules and Regulations of the Department of Banking and Finance.
- Other legal investments as authorized by the Board of Directors and conforming to the credit risk management section constraints of this policy.

Classification of Investments

In accordance with the provision under the codification 320-15-15 (formerly FASB 115), it is the policy of Family First Credit Union to classify all investment securities as held-to-maturity, unless otherwise designated and approved by the Board of Directors.

Safekeeping

All investment securities will be registered in the name of Family First Credit Union. Securities will be held in safekeeping facilities as approved by the Board of Directors and listed in Attachment C. No marketable securities will be safeguarded by the Credit Union itself.

All securities held in safekeeping will be evidenced by a safekeeping receipt or statement.

Credit Risk Management

Management shall create and maintain, and the Board of Directors shall approve, a list of approved institutions and organizations in whose uninsured deposits Family First Credit Union may invest. This excludes obligations backed by the full faith and credit of the U.S. government, a U.S. government agency or Catalyst Corporate FCU. All recommended additions to, or deletions from, the approved institutions and organizations list must be approved by the Board of Directors.

For Catalyst Corporate FCU, the EVP/CFO will annually review the financial statements, the quality and diversification of the investments, and the investment policies of the

corporate credit union to ensure that investments are made in a manner keeping with the safety and soundness of Family First Credit Union.

Prior to all other investments, the EVP/CFO shall analyze the credit quality of the institution or organization if any part of the investment is not federally insured. Such an analysis shall include the review capital adequacy, earnings performance, asset quality, and liquidity ratios.

Interest Rate Risk

It is the policy of Family First Credit Union to limit the maturities of investments. Investments in certificates of deposit and government securities is limited to five years, unless prior approval of the Board of Directors is obtained. The purpose of these restrictions is to control the risk of loss, realized or unrealized, resulting from a change in the level of interest rates.

The interest rate of the entire portfolio with respect to earnings should be monitored by means of ALM reports. This monitoring should include a periodic analysis of the responsiveness of investment income to changes in interest rates as well as changes in market value, and will be included as part of the overall ALM analysis.

The pre-acquisition analysis related to the government securities will include examining price sensitivity, the contraction/extension risk resulting from unexpected prepayments or the lack thereof and the sensitivity of the yield. The analysis will be conducted under changing interest rate scenarios generally ranging from +/- 100bp to +/- 300bp.

The ALM Committee (ALCO) will also monitor short-term exposure to earnings utilizing a cumulative six-month repriceable gap methodology. Because of the difference between the credit union's interest rate sensitivity and its capacity to change interest rates on assets and liabilities, the rising and falling gap ratios will be considered. The gap ratios measure the risk and movement in gross spread in a rising and/or falling rate environment.

Investments with call options will be analyzed in terms of their call structure. This includes the term of call protection and the spread over the corresponding maturity, yield to maturity and yield to call. To the extent possible, call structures should be diversified.

Brokers/Dealers as Safekeeping Agents

All Family First Credit Union investment activity with brokers/dealers shall only be transacted through the approved brokers/dealers as listed in Attachment B. Additions to, or deletions from, the approved list must be authorized by the Board of Directors.

Investments may be purchased (or sold) only through brokers/dealers that are registered with the Securities and Exchange Commission or a depository institution whose broker/dealer activities are regulated by a federal or state regulatory agency. Investment activity with brokers/dealers shall conform to the requirements of Part 703 of the NCUA Regulations.

All investments will be purchased (and sold) on a “delivery versus payment” basis.

Conflicts of Interest

No director or credit union officer having investment authority shall conduct personal transactions with any of the individual brokers that the credit union does business with. In addition, no director or credit union officer shall receive any compensation or pecuniary consideration in connection with the credit union’s investment activity.

Prohibited Activity

Family First Credit Union shall not engage in prohibited activities, per Part 703 of the NCUA Regulations, which include, but are not limited to:

- Financial derivatives
- Short sales
- Zero coupon securities with maturities over 10 years
- Futures trading
- Dealing in options

Exceptions

In the event an investment is purchased that is outside this policy, it will be reported to the Supervisory Committee immediately upon discovery. The Supervisory Committee, along with management, will evaluate the investment to determine safety and soundness risks, interest rate risk, and the financial impact on FFCU. Once the evaluation is completed, the Committee and management will determine whether to sell/redeem the investment or retain the investment. These results will be reported to the Board of Directors at the next regularly scheduled meeting.

Review

This policy must be reviewed at least annually by the Board of Directors.

Adopted _____ Date _____

Reviewed _____ Date _____

Reviewed _____ Date _____

Reviewed _____ Date _____

Attachment A

Financial Institutions Approved for Deposits in Excess of \$250,000

Catalyst Corporate Federal Central Credit Union
Corporate America Credit Union

Attachment B

List of Approved Brokers/Dealers

Catalyst Corporate Federal Central Credit Union
SimpliCD
Multi-Bank Securities, Inc.
United American Investment Company
Corporate America Credit Union

[CD finders that do not handle Credit Union funds are not considered brokers/dealers and are not subject to the restrictions of this section.]

Attachment C

List of Approved Safe Keeping Facilities

Catalyst Corporate Federal Central Credit Union
SimpliCD
Multi-Bank Securities, Inc.
Federal Reserve Bank of Atlanta