

Family First Credit Union Lending Policy Repossession Policy and Procedures

In the event of a borrower's default in the repayment of a loan secured by collateral, it is the responsibility and the right of Family First Credit Union management to repossess and liquidate the collateral. Family First Credit Union will comply with state statutes concerning repossession of collateral.

Repossessing collateral should be considered a last resort to protect the credit union. It should happen only when the collector has exhausted all avenues of normal collection, the collateral is in jeopardy, or the loan is not amortizing for an extended period. If a loan is collateralized, repossession should take place prior to charge-off, unless the collateral cannot be found, a skip cannot be filed or the cost of repossession exceeds the value of the collateral.

Outstanding factors influencing a decision to repossess are:

- Loan balance;
- Status of other loans;
- Value and condition of the collateral;
- The member's particular circumstances.

After liquidation of repossessed collateral, members will be given a chance to pay off any deficiency balance prior to charge-off and expulsion, with the exception of non-reaffirmed loans named in bankruptcy.

Repossessed collateral cannot be sold to members of the Board of Directors, Committee Members, or Family First Credit Union employees. This includes members of their immediate families living within their households.

Repossession Guidelines

A member solutions representative will, normally, start repossession only if: the loan is 90 or more days delinquent without satisfactory payment arrangements, all normal collection techniques have been exhausted, the collateral is in jeopardy, or the loan is no longer amortizing.

A collector has exhausted all avenues of collection only after:

- Speaking with the member via telephone, if possible
- Mailing letters including a final demand
- Asking the member to come to the Credit Union to speak face to face
- The member repeatedly breaks promises

The collateral is considered in jeopardy if:

- No insurance is in place
- The collateral has been or will be taken out of state without credit union permission
- The collateral has been impounded
- The collateral has been seized by law enforcement
- The collateral value has been significantly reduced
- Insurance claims have been paid but not applied to the collateral

The loan is no longer amortizing (performing) if:

- The due date is three (3) months or more delinquent and there are no arrangements
- Insurance is being added and the loan balance is not decreasing
- The value of the collateral is decreasing faster than the loan balance

Repossession Procedures

After exhausting all means of collection, a repossession order may be placed. We will send the following notices:

- Final demand letter – We will mail a letter to the delinquent member stating that he/she has ten (10) days to bring the loan current or face a repossession.
- After repossession – We will mail a letter notifying the member that he/she has ten (10) days to bring the loan current plus pay all repossession costs or the property will be sold.
- After sales of property – We will mail a letter notifying the member of the remaining balance on their loan after the sale of the repossessed vehicle.
- Repossession release form – We will notify the repossession company of when to release the vehicle with the repossession release form.

If a repossessed vehicle needs repairs, Family First Credit Union will send the repossession to a mechanic or body shop. All vehicles will be inspected and sold in a safe condition. All expenses associated with the repair of the vehicle will be added to the balance of the delinquent loan unless the vehicle has already been reclassified. Then, it would be charged as an expense.