

## Family First Credit Union Lending Policy Collection Policy

### **Summary**

Family First Credit Union requires all members to repay their obligations according to the rates, terms, and conditions agreed to at the time the loan agreement is executed. The Credit Union will demonstrate concern for members who are behind in payment and will seek to assist members in meeting their obligations for timely loan payments. We realize, however, there are times when modifications to existing loans are warranted to assist members in financial crisis and to improve the ability to collect. Our philosophy is:

- It is preferable to have an earning asset versus a non-earning asset.
- No unreasonable demands will be made of our members.
- Losses should be recognized as soon as they can be identified and quantified. Gains should not be recognized until collected.

The Credit Union will initiate vigorous collection action when members indicate no intent of fulfilling their contractual obligations on outstanding loan accounts. In the collection of past due debt, the member solutions department will use several methods including correspondence, telephone, and transfer of funds. These procedures are used for the collection of all types of loans issued by the Credit Union.

The member solutions department will be responsible for ensuring that the member complies with all insurance requirements of the loan agreements. The member solutions staff will take proper action to ensure protection of the collateral.

Family First Credit Union will comply with the provisions and spirit of the Consumer Credit Protection Act, the Consumer Fair Debt Collection Practices Act, the Fair Credit Reporting Act, the Uniform Commercial Code, the Federal Bankruptcy Act, the Federal Privacy Act, and any other applicable state and federal laws in regard to collection activity.

All real estate loans will be closely monitored. Factors such as the value of the home, the amount of the first trust or mortgage, the ability to quickly sell the property, and a review of the member's financial status will be considered before foreclosure. Authority to proceed with a foreclosure will be under the president.

If conventional collection methods are not successful and if the member has a verifiable asset to pursue, the account may be referred to the Collection Firm or Attorney.

Charged-off accounts are considered due in full. All recoveries are credited at 100% of the payment made by the charged-off debtor. All fees and percentages charged by the outside agents may be included in the amount owed and are subject to collection. The Credit Union waives no rights to collect a debt due to placing an account in a charge-off status.

### **Goal**

It is the goal of Family First Credit Union, in general, and the collection activity in particular, to protect the assets of the Credit Union and to maximize the return thereon. We will work with our cooperative members in their effort to regain their "member-in-good-standing" status so they may use all of the services offered by Family First Credit Union.

All practices and procedures will be structured to adhere to all applicable laws, rules, and regulations.

Procedures will be in place and updated as necessary. The Collection policy will be reviewed annually by the Board of Directors.

### **Authority**

Authority is expressly given to the President, Chief Financial Officer and Vice President of Lending to make settlements and/or adjustments as to terms, interest, principal, and fees as long as the member exhibits intent and capacity to repay the outstanding debt. They are further authorized to appoint qualified member solutions department staff to act on their behalf.

Settlements regarding principal will be in the form of charged-off loans or reductions in the value of the Credit Union owned assets and will be reported to the Board of Directors on a monthly basis for ratification.

Settlements that affect only terms, interest, or fees will be reported only in those cases where the losses can be projected to be \$10,000 or more over the life of the settlement.

### **Collection Procedures**

#### **Delinquent Loans**

A loan is considered past due after one (1) day from the due date of payment. Generated delinquent notices are sent to members at seven day intervals. In addition, the following procedures will be performed:

- 1 – 30 days                      Calls to the member begins in a friendly manner
- 31 – 60 days                    Calls take on a stronger tone, every effort is taken to preserve the member/credit union relationship
- 61 – 90 days                    Letters and calls are used to make contact and to avoid

stronger collection measures

- 90 and above      The member solutions manager makes phone calls to urge payment and looks at all possible solutions

If there is no response to reminders or phone calls, certified personalized letters are mailed and/or phone calls are continued to be made to the member.

After a loan becomes three (3) months delinquent, with no payment in the past three (3) months, the loan will be recommended to the Board for charge-off. At this point, the loan is given to the Family First Credit Union Collection Firm or Attorney for legal action, unless an acceptable payment schedule can be approved by the president or his designee.

### **Procedure for Collection Firm or Attorney**

- After charge-off, the member solutions manager will determine if charge-off will be sent to a Collection Firm or Attorney. In some cases, a charge-off will not be sent to a Collection Firm or Attorney. (Ex. small balance of \$1,000.00, if a member is deceased, chapter 7 bankruptcy, and chapter 13 bankruptcy)
- Manager will instruct member solutions specialists to send the charge-off to the selected Collection Firm or Attorney with the following information:
  - i. Worksheet providing Collection Firm or Attorney, member name, member number, loan number, social security number, address, date of charge-off, principal amount of charge-off, interest amount, total amount and comments.
  - ii. Copies of loan agreement, loan application and any additional information in folder pertinent to assisting in the collection process.
  - iii. Member solutions specialists will place a notice from the collection attorney that they received the collection request and are proceeding with the collection process.
  - iv. Member solutions specialists will file the folder in the charge-off file cabinet.