

Regular Meeting of the **Board of Directors**  
 5:00pm on October 30, 2019  
 120 West Carlson Street

**Agenda**

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## **I. Call to Order and Comments from the Chair**

### **II. Consent Agenda**

#### **A. Minutes of the Previous Meeting**

By voting to approve the Consent Agenda, you are voting to approve the minutes of the August and September Board Meetings as presented. Corrections may be presented at the time of discussion without removing the item from the Consent Agenda. The Minutes are included with your Packet.

#### **B. Supervisory Committee Report**

By voting to approve the Consent Agenda, you are voting to enter the Report of the Supervisory Committee into the official record of the meeting. The report is included with your Packet.

#### **C. Bank Secrecy Act Update**

We have filed eight SARs and twenty-five CTRs so far in 2019. In 2018, we filed eight SARs and twenty-one CTRs. Wire activity in high risk geographical areas are normal. This item is informational only and is presented to enter it into the official record of the meeting.

#### **D. Deposit Rates**

By voting to approve the Consent Agenda, you are voting to leave deposit rates unchanged from last month. A list of deposit rates is included with your Packet.

#### **E. Lending Rates**

By voting to approve the Consent Agenda, you are voting to leave lending rates unchanged from last month. A list of current lending rates is included with your Packet.

#### **E. Provision for Loan Losses**

By voting to approve the Consent Agenda, you are voting to approve a \$10,000 allocation to Allowance for Loan Losses.

#### **G. Phone Polls**

By voting to approve the Consent Agenda, you are voting to ratify the following phone polls:

Kristi Barrowman	\$71,000 2nd Mortgage
Rudy Flores	\$12,912 auto loan

*Any Board member may request an item be removed from the Consent Agenda. This request should be made at the time the Consent Agenda is presented. This item will then be moved to the Regular Agenda and be the next item discussed. Once an item has been moved to the Regular Agenda, it is open for normal consideration by the Board. Items may be discussed without being removed from the Consent Agenda.*

## **Regular Meeting of the Board of Directors– August 28, 2019**

### **I. Call to Order**

The meeting was called to order by Chair Dan Sawyer at 5:05 pm. Other directors present were Matt Hager, Jim Landen, Craig Williams, and Mo Salih. Excused were Liz Luce and Bruce Curl. Staff present were Jim Yates, Kristi Barrowman, and Jaclyn Fernandez.

### **II. Consent Agenda**

Jim Landen moved the Consent Agenda be approved as presented. Craig Williams seconded. Motion carried.

### **III. Economic Review Committee**

Matt Hager gave a report on the main findings of the ERC. He reported that everything looks good.

#### **A. Financial Summary**

#### **B. Asset Limit Summary**

No motion needed.

### **IV. Member Information & Account Activity**

Jim Yates reported on the following items:

#### **A. Members & Accounts**

#### **B. Loans & Lending**

Jaclyn reported that a few mortgage loans are in process.

#### **C. Change in Relationship Dollars**

No motion needed.

**V. Action Items**

**A. ATM Purchase**

Mohammed Salih moved that management be allowed to spend up to \$46,000 to replace the ATM on Carlson Street. Matt Hager seconded. Motion carried.

**B. Policy Review**

No motion needed unless changes are presented.

**C. New Policy**

Jim Landen moved the Protecting the Elderly and Vulnerable from Fraud policy be approved as presented. Craig Williams seconded. Motion carried.

**D. Policy Changes**

Craig Williams moved the change to the *Interest Rate and Term Limitations* section of the **Lending** policy be approved as presented. Mohammed Salih seconded.

**VI. Discussion Items**

**A. Potential Merger update.**

**B. WestEdge Collection**

**VII. General Information & Updates**

**A. Accounts & Loans by State**

**B. Furniture Replacement**

**VIII. Operational Updates**

Jim Yates gave updates on this.

**A. Technology Management**

**B. Risk Management**

**C. Facilities Management**

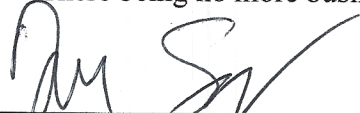
**D. Services Management**

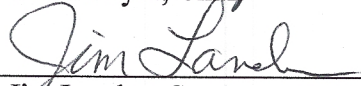
**IX. New Business**

There was none at this meeting.

**X. Adjournment**

There being no more business, the meeting was adjourned at 6:15pm.

X  \_\_\_\_\_ date 10/20/19  
Dan Sawyer, Chair

X  \_\_\_\_\_ date 10/29/19  
Jim Landen, Secretary

**Regular Meeting of the Board of Directors– September 25, 2019**

**I. Call to Order**

The meeting was called to order by Chair Dan Sawyer at 5:00 pm. Other directors present were Jim Landen, Liz Luce, Bruce Curl, and Craig Williams. Excused was Matt Hager. Staff present were Jim Yates, Kristi Barrowman, and Jaclyn Fernandez.

**II. Consent Agenda**

Bruce Curl moved the Consent Agenda be approved as presented. Liz Luce seconded. Motion carried.

**III. Economic Review Committee**

Jim Yates reported on the following items:

**A. Financial Summary**

**B. Asset Limit Summary**

No motion needed.

**VI. Member Information & Account Activity**

Jim Yates reported on the following items:

- A. Members & Accounts**
- B. Loans & Lending**

No motion needed.

**V. Action Items**

**A. Loan Charge-offs**

Liz Luce moved the loans totaling \$46,637.07 be charged-off to allowance for loan losses. Craig Williams seconded. Motion carried.

**B. Policy Review**

No motion needed unless changes are presented.

**C. BSA Policy Changes**

Jim Landen moved the changes to the BSA policy be approved as presented. Bruce Curl seconded. Motion carried.

**VI. Discussion Items**

**A. Meeting with NCUA Regional Director**

This was summarized in the Board Packet.

**VII. General Information & Updates**

- a. St Mary's Catholic School – Holiday Wine Fest—We have a sponsor table for this event on November 1.
- b. Mobile Devices aka Cell Phones—Interesting information was shared in the Board Packet on usage of mobile devices.

**VIII. Operational Updates**

**A. Compliance Management**

- 1. Renewed FinCEN 314(b) Information Sharing Certification
- 2. Accuracy of Domain Name Registration

**B. Services Management**

- 1. Banzai Financial Education Recap—This is being taught in eight schools.
- 2. Card ODT Settings

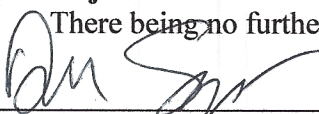
**C. Risk Management**


- 1. Website Security Scan—This was accomplished, and no issues were found.

**IX. New Business**

**X. Adjournment**

There being no further business, the meeting was adjourned at 5:57.

X  date 11/20/19  
Dan Sawyer, Chair

X  date 10/30/19  
Jim Landen, Secretary

**Supervisory Committee Report- October 16, 2019**

**I. Board Minutes**

The following information was verified from the Board Minutes of the September Meeting:

- Interest rates for loans were approved
- Dividend rates for share accounts were approved
- Delinquent loan report matched system report
- Loan charge-offs were charged-off as approved
- Minutes of previous meetings are properly signed.

Exceptions: NA



**II. Reconciliations**

**A. General Ledger Accounts**

The reconciliations of the following account were reviewed:

- CUSC: Shared Branching: (9/5; 9/26)
- Draft balancing (9/3; 9/24)
- ACH (9/10; 9/20)

They were reviewed for:

- Balance matches system generated report
- Mathematical accuracy of the reconciliation
- Reconciling items in excess of 30 days' old

Exceptions: NA

**B. Alloya Corporate accounts**

The reconciliation for Alloya Corporate dated 9/9/19 and 9/27/19 was reviewed for:

- Balance matches system generated report
- Mathematical accuracy of the reconciliation
- Reconciling items in excess of 30 days' old

Exceptions: NA

**III. Overdrafts**

Shares no longer on the overdraft list were reviewed. (12 total)

Account Number	Reason No Longer on Report	Exception
F01656	Cash deposit	NA
F07679	Check deposit	NA

\*F07065 Negative since 2/20/19. Still not charged off. (Note in the account from Jim stating that a check was for a child support lien. Still over the 90 days with no deposit though so should be charged off.

\*F003599 Negative since 6/03/19. Just barely over the 90 days, but should be charged off or looked at since no deposits have been made in 90 days.

**IV. Loan Delinquencies**

Loans no longer on the delinquency report were reviewed. (14 Total)

Account Number	Reason No Longer on Report	Exception
F03049	Payment	Late again as of now
F01816	Payment	NA

**V. Dormant Accounts**

Shares no longer on the dormant list were reviewed.

Account Number	Reason No Longer on Report	Exception
NA	*Didn't find any	

**VI. New Accounts**

A random selection of 5 new accounts were reviewed for the following:

- All signature cards and applications are signed by all owners.
- Proper identification was obtained.

Exceptions: None

**VII. New Loans**

A random selection of 5 new loans were reviewed for the following:

- Proper signatures on all documents
- Proof of insurance is provided, as needed.
- If checks were disbursed, verify they were for the benefit of the member.
- Collateral for the loan has been properly recorded.
- Interest rate, term, etc. in the original loan documentation to the computer system.

Exceptions: NA

**VIII. Closed Accounts**

Verified cards have been prepared to mail to all closed accounts.

- Mailed on 10/12/19 for closed accounts.

Exceptions: Both September and October sent.

**IX. Corporate VISA Statements**

The corporate VISA account was reviewed for unusual transactions and a random selection of 5 receipts were compared to transactions.

Exceptions: NA

**X. Check Register**

A random selection of 10 items were reviewed from the check register (Month of July)

- For member withdrawals, signatures or authorization was verified.
- For payments on credit union bills, amounts were compared to invoices.

Exceptions: Month Long register not printed. Looked at individual days check registers and reviewed from there.

**XI. Internal Accounts**

A random selection of 5 insider accounts were reviewed for unusual and large transactions.

Exceptions: NA

**XII. Wire Transfers**

Review Wire Transfer Activity for compliance with approved procedures and transaction limits.

Exceptions: NA

Prepared by: Chris Martinez

Approved by: Betty Squires

### III. Economic Review Committee Report

#### A. Financial Summary

Balance Sheet September 30, 2019	This Month	Six Months Ago	Change	One Year Ago	Change
Loans	23,570,312.02	22,350,255.75	5.46%	21,750,351.83	8.37%
Allowance for Loan Losses	-69,310.59	-71,575.41	-3.16%	-76,567.36	-9.48%
Other Receivables	244.75	3,102.76	-	998.03	-
Cash & Equivalents	1,220,063.40	1,703,911.83	-28.40%	1,543,350.73	-20.95%
Investments	36,019,910.97	37,386,071.05	-3.65%	36,553,195.42	-1.46%
Prepaid Expenses	92,932.91	103,661.39	-10.35%	81,320.83	14.28%
Fixed Assets	481,565.58	480,252.90	0.27%	507,293.36	-5.07%
Accrued Income	117,419.31	137,514.54	-14.61%	121,621.47	-3.46%
Other Assets	531,069.17	521,468.81	1.84%	521,319.71	1.87%
<b>Total Assets</b>	<b>61,964,207.52</b>	<b>62,614,663.62</b>	<b>-1.04%</b>	<b>61,002,884.02</b>	<b>1.58%</b>
Accounts Payable	205,484.19	191,281.85	7.42%	198,312.81	3.62%
Notes & Interest Payable	0.00	0.00	-	0.00	-
Dividends Payable	2.92	1.11	-	0.62	-
Interest Refunds Payable	53,912.25	49,410.53	9.11%	36,826.25	46.40%
Taxes Payable	6,967.50	3,683.34	89.16%	6,556.45	6.27%
Accrued Expenses	23,114.22	14,069.98	64.28%	18,483.96	25.05%
Clearing Accounts	19,622.07	9,354.62	109.76%	32,558.04	-39.73%
Shares & Deposits	56,523,579.94	57,553,158.21	-1.79%	56,133,516.90	0.69%
Member Equity	5,131,524.43	4,793,703.98	7.05%	4,576,628.99	12.12%
<b>Total Liabilities &amp; Equity</b>	<b>61,964,207.52</b>	<b>62,614,663.62</b>	<b>-1.04%</b>	<b>61,002,884.02</b>	<b>1.58%</b>
Total Loans to Total Shares	41.70%	38.83%		38.75%	
Net Worth Ratio	8.28%	7.66%		7.50%	
<b>Income Statement -September 2019</b>	<b>Month to Date</b>	<b>Year to Date</b>	<b>Last Year</b>	<b>YTD Annualized</b>	<b>Variance</b>
Loan Income	103,327.50	912,838.61	1,147,928.58	1,217,118.15	5.68%
Investment Income	58,657.33	535,493.43	612,243.57	713,991.24	14.25%
Fees & Charges	20,994.73	195,988.78	247,950.00	261,318.37	5.12%
Miscellaneous Operating Income	45,112.92	403,921.92	552,267.32	538,562.56	-2.54%
<b>Gross Revenue</b>	<b>228,092.48</b>	<b>2,048,242.74</b>	<b>2,560,389.47</b>	<b>2,730,990.32</b>	<b>-25.00%</b>
Compensation & Benefits	64,706.36	654,330.17	866,670.18	872,440.23	0.66%
Office Occupancy Expense	14,549.28	150,217.39	205,167.43	200,289.85	-2.44%
Office Operations Expense	51,731.24	547,377.45	703,755.26	729,836.60	3.57%
Loan Servicing Expenses	6,738.12	67,603.73	87,701.00	90,138.31	2.70%
Professional & Outside Services	7,014.95	66,144.38	88,760.31	88,192.51	-0.64%
Provision for Loan Losses	10,000.00	70,000.00	45,000.00	93,333.33	0.00%
Interest on Borrowed Funds	0.00	0.00	0.00	-	0.00%
Misc Operating Expenses	1,644.12	18,063.79	29,648.54	24,085.05	-23.10%
Dividends & Interest	7,095.86	63,539.77	85,961.27	84,719.69	-1.47%
Gain on Sale of Assets	0.00	0.00	0.00	-	0.00%
<b>Total Expenses</b>	<b>163,479.93</b>	<b>1,637,276.68</b>	<b>2,112,663.99</b>	<b>2,183,035.57</b>	<b>3.22%</b>
<b>Net Income</b>	<b>64,612.55</b>	<b>410,966.06</b>	<b>447,725.48</b>	<b>547,954.75</b>	<b>18.29%</b>
Loans to Assets	38.0%	35.7%		35.7%	
Investments to Assets	58.1%	59.7%		59.9%	

## B. Asset Limit Summary

	Current	Policy Limit	
Loans to Assets	38.0%	85%	maximum
Investments to Assets	58.1%	8%	minimum
Core Liquidity to Assets	7.9%	7%	minimum
Borrowings to Assets	0%	5%	maximum

## IV. Member Information and Account Activity

	*****Opened In*****		
	Current	Last Month	Last 12 Months
Accounts	5,103	22	321
Members	5592	20	270
Average Age	48	26	35
with Transaction Acct	78%	79%	63%
with Loan Account	39%	29%	22%

Loans & Lending				
		Number	Amount	B or Better
All Loans	09/30/2019	2,426	23,653,932	87.1
New Loans	- this month	49	989,301	76.8
	- last 12 months	555	10,088,031	83.7
New Money	- this month	1	1,567,723	82.3
	- last 12 months	28	17,607,398	87.2
Kasasa Loans	- this month	1	11,125	100.0%
	- last 12 months	28	592,746	84.6
Loans over \$100,000	- this month	1	210,777	100.0%
	- last 12 months	9	1,535,965	91.2%
Credit Cards	Balances	1,228	2,542,153	88.7%
	Credit Limits		6,188,091	94.4%

Loan Delinquency Summary			
	Number	Past Due	Balance
30-59 Days	15	2,773	44,002
60-89 Days	5	3,975	30,028
90-119 Days	6	3,832	27,928
120-365 Days	2	833	7,734
1 Year	0	0	0
Total 30+ Days	28	11,414	109,692



<b>Loan Application Summary</b>			
	<b>Number</b>	<b>Amount</b>	<b>Score Range</b>
Approved	81	1,140,482	499 to 850
Denied	15	126,424	466 to 735

<b>Reasons for Denial</b>	
<b>Reason</b>	<b>Number</b>
Employment	1
Income	11
Credit Experience	5
Collection Issues	7
Other	0

<b>Change in Relationship Dollars</b>				
		<b>*****CHANGE IN*****</b>		
	<b>Current Balance</b>	<b>Last 1 Month</b>	<b>Last 6 Months</b>	<b>Last Year</b>
Shares & Clubs	17,963,982.51	(68,541.68)	119,978.11	272,265.33
SuperSaver	11,574,230.73	244,623.23	194,180.77	107,395.45
MoneyMarket	7,738,674.48	77,911.07	(40,355.68)	(431,827.24)
Share Drafts	13,298,015.57	(440,416.02)	(1,282,278.50)	674,566.67
IRA Shares & Certs	1,370,179.10	(5,043.67)	(30,809.04)	(33,474.88)
Share Certificates	4,578,497.55	(46,259.09)	9,706.07	(45,248.03)
<b>All Shares</b>	<b>56,523,579.94</b>	<b>(237,726.16)</b>	<b>(1,029,578.27)</b>	<b>543,677.30</b>
Personal Loans	1,812,243.39	84,485.45	199,345.04	369,316.93
Credit Cards/LOCs	1,659,936.02	6,357.85	44,186.08	(53,213.87)
New Vehicles	3,778,454.48	(72,934.35)	244,170.30	136,985.35
Used Vehicles	6,390,027.55	(18,452.15)	109,762.22	462,455.43
First Mortgages	6,480,068.53	197,658.33	306,284.97	475,890.24
HELOCs	565,756.59	14,558.05	23,819.76	(78,760.60)
Other Mortgages	2,472,159.31	30,255.39	295,634.73	305,453.77
All Other Loans	411,666.15	11,906.14	(3,146.83)	85,536.16
<b>All Loans</b>	<b>23,570,312.02</b>	<b>253,834.71</b>	<b>1,220,056.27</b>	<b>1,703,663.41</b>
<b>Total Relationship</b>	<b>80,093,891.96</b>	<b>16,108.55</b>	<b>190,478.00</b>	<b>2,247,340.71</b>

## V. Action Items

### A. Holiday Loan Special

Management recommends the following loan special be approved for personal loans through January 31, 2020:

A+	6.99%
A	7.99%
B	8.99%
C	9.99%
D/E	12.99%

For A+, A and B borrowers, this is a 200bps reduction in the rate. For C, D and E borrowers, the reduction is 400bps. However, the maximum term is 12 months and the maximum amount is \$,5000. All normal underwriting qualifications apply.

### B. Policy Review

Included with your Packet are the Automated Clearing House (ACH) & Vendor Oversight. Management recommends no changes to these policies.

### C. New Policy

Management recommends approval of the Bond & Insurance Coverage and Audits policies. The policies are new and included with your Packet.

### D. Director Resignation

Included with your Packet is a Corporate Resolution to approve the resignation of Mohamed S Salih.

## VI. General Information & Updates

### A. BSA Training

The required BSA training for 2019 will be conducted during the November Meeting with the Supervisory Committee. If you are unable to make this meeting, you will be required to do the online training.

### B. Financial Education Class at South High

The staff conducted two financial education classes at South High in September. More information on this will be provided at the Meeting.

### C. Membership is Important

As part of our membership in the National Credit Union – Information Sharing and Analysis Organization (NCU-ISA), we have access to the data collected by the International Association of Certified ISAs (IACI). This data can be historical summaries of fraud statistics or information specific to our credit union. Here is a sample of some of the information:

#### Fraud Related Cards Observed Year by Year Comparison

	2015	2016	2017	2018	2019*
Total number of unique cards seen for year	217,781	336,129	577,319	564,456	654,028
Average number of cards observed per day	597	921	1,582	1,546	1,771
Visa Branded Cards	55.63%	55.04%	47.73%	52.21%	46.21%
Mastercard Branded Cards	42.80%	37.72%	43.82%	31.24%	35.41%
American Express Branded Cards	0.89%	6.06%	7.76%	13.27%	12.96%
Discover Branded Cards	0.67%	1.17%	0.65%	3.27%	4.94%
Other Types of Cards	0.00%	0.00%	0.04%	0.01%	0.48%

\* annualized

**TOOL: IACINet IP Address Checker**

IP ADDRESS QUERIED: 69.144.146.173

IP Address Checked.: 69.144.146.173  
 Resolved Hostname.: host-69-144-146-173.static.bresnan.net  
 Blacklists.....: IP appears on 0 of 117 blacklists checked  
 IP is a Tor Exit...: No  
 IP in VT datasets...: No  
 ISP.....: Spectrum  
 ASN.....: AS33588 Charter Communications  
 Hosting.....: Charter Communications

IP ADDRESS QUERIED: 205.169.195.186

IP Address Checked.: 205.169.195.186  
 Resolved Hostname.: 205-169-195-186.dia.static.qwest.net  
 Blacklists.....: IP appears on 0 of 117 blacklists checked  
 IP is a Tor Exit...: No  
 IP in VT datasets...: No  
 ISP.....: CenturyLink Communications, LLC  
 ASN.....: AS209 CenturyLink Communications, LLC  
 Hosting.....: CenturyLink Communications, LLC

This tool checks to see if the static IP address we use are listed in any of the various blacklists. If it is listed, it would limit our ability to access some legitimate websites. Neither of the IP addresses we regularly use are listed.

**TOOL: IACINet Email Domain Checker**

EMAIL DOMAIN QUERIED: FIRSTEDFCU.COM

[+] Number of unique email addresses observed with this Email domain.: 0  
 [+] Total number of times this Email domain has been observed.....: 0  
 [+] This Email domain was first observed on.....: Never  
 [+] This Email domain was last observed on.....: Never

This tool checks to see if any email address from our domain is listed on any of the exchanges on the Dark Web.

**TOOL: IACINet BIN Checker**

[+] Requested BIN/IIN: 460754  
 Total unique cards observed with this BIN/IIN: 4  
 Total times cards with this BIN/IIN observed: 11

Times BIN/IIN seen in the last:

[-] Day.....: 0  
 [-] Week.....: 0  
 [-] Month.....: 1  
 [-] Six Months.....: 1  
 [-] Year.....: 1

The following 2 BIN/IINs are also potentially related to FIRST EDUCATION FCU - 460754:

The requested BIN/IIN, 475817, HAS NOT been observed by IACI sensors.  
 The requested BIN/IIN, 424638, HAS NOT been observed by IACI sensors.

This tool checks to see if any cards with our BINs are listed on any of the exchanges on the Dark web. This report shows that four cards with our debit card BIN have been seen eleven times on the Dark Web and this has happened once in the last month. This card was already blocked when we received the report. We do not have information on the other cards since the observation was over a year ago.

The BIN Checker and the Email Domain Checker are being automatically run daily. We are notified immediately if there is a 'hit'. If there are no hits in a week, we receive notification of that on Friday.

## **VII. Operational Updates**

### **A. Technology Management**

#### **1. Migration of Nearline Server**

Our Nearline (backup/testing) server has been transferred to the new EASE datacenter in Allen, TX.

#### **2. EASE SYMs Removed**

The following unneeded SYMs were removed from our Nearline server:

SYM 950 - SEDB Testing A

SYM 953 - RB.OFAC Recovery

### **B. Risk Management**

#### **1. Office 365 Security**

To verify the security of our Office 365 account, the following items were checked:

Inbound messages protected with TLS 1.2	100%
Outbound messages protected with TLS 1.2	100%
No users are authenticating with SMTP Auth	100%
No users set to auto-forward messages	100%
No excessive non-deliverable messages	one in last seven days
Reviewed malware and phishing protection reports	
Verified no unneeded users	

These items will be checked periodically in the future.

#### **2. Email Domain Monitoring**

We have registered for the NCU-ISA0's email domain monitoring service. This service is describe under Discussion Items.

#### **3. Robbery and Conflict De-escalation Training**

On 10/9/2019, we held an all staff meeting with Det. Donny Heiduck. The training included conflict management and robbery preparedness and prevention. Det. Heiduck was highly complementary of some of the enhancements we made to our security programs over the past year. There were additional enhancements recommended that Management is currently evaluating.

#### **3. Management Review of Camera & Security System**

Between 10/7/2019 and 10/10/2019, Management reviewed the settings and configuration of the Credit Union's security system. On camera was identified as not connected to the DVR. Our service company has been notified.

#### **3. DHS Cyber Hygiene Notifications**

Starting on October 16<sup>th</sup>, we will receive notification from DHS on any newly detected critical and high-risk vulnerabilities within 24-hours of detection. Currently we would only be notified of the vulnerability in our regularly scheduled weekly report.

## **VIII. New Business**

Management has no other new business.

## **IX. Adjournment**

## Lending Rates

FICO 08 Score	Credit Grade	Personal Loans				VISA Credit Cards	
		36 months	48 months	60 months	Line of Credit	Classic	Platinum
750-850	A+	8.99	9.99	10.99	8.99	10.99	8.99
680-749	A	9.99	10.99	11.99	9.99	11.99	9.99
640-679	B	10.99	11.99	12.99	10.99	12.99	10.99
600-639	C	13.99	14.99	15.99	13.99	14.99	13.99
550-599	D	16.99			16.99	15.99	15.99
300-549	E	16.99			16.99	16.99	16.99

Debt Consolidation			
\$10,000 or more			
	60 Months	72 Months	84 Months
A+	9.99	10.99	11.99
A	10.99	11.99	12.99
B	11.99	12.99	13.99
C	14.99	15.99	16.99
D	16.99		
E	16.99		

Cars, Pickups, General-duty Trucks & Motorcycles						
<i>Not Previously Titled (New)</i>						
	48 Months	60 Months	72 Months	84 Months	Mileage	LTV
A+	2.49	2.99	3.49	3.99	Up to 999	110
A	2.99	3.49	3.99	4.49	Up to 999	110
B	3.99	4.49	4.99	5.49	Up to 999	110
C	5.99	6.49	7.49		Up to 999	100
D	12.99	13.99			Up to 999	95
E	13.99	14.99			Up to 999	95
<i>Five Years Old or Newer</i>						
A+	2.99	3.49	3.99	4.49	Up to 100k	110
A	3.49	3.99	4.49	4.99	Up to 100k	110
B	4.49	4.99	5.49	5.99	Up to 100k	110
C	6.49	6.99	7.49		Up to 100k	100
D	13.99	14.99			Up to 100k	95
E	14.99	15.99			Up to 100k	95
<i>Six Years to Seven Years Old</i>						
A+	3.99				Up to 100k	110
A	4.99				Up to 100k	110
B	5.99				Up to 100k	110
C	6.99				Up to 100k	100
D	15.99				Up to 100k	95
E	15.99				Up to 100k	95
Over Seven Years Old - Add 1.00 and Maximum LTV is 85%						
Over 100k Miles - Add 0.50 and Maximum LTV is 85%						



Motorhomes, Pull Campers, Camper Shells & Boats						ATVs, Watercraft, Trailers & Other Vehicles			
Not Previously Titled (New)						Not Previously Titled (New)			
	48 Months	60 months	96 months	120 Months	LTV	36 months	48 months	60 months	LTV
A+	3.99	4.49	4.99	5.49	110	3.99	4.49	4.99	110
A	4.49	4.99	5.49	5.99	110	4.49	4.99	5.49	110
B	4.99	5.49	5.99	6.49	110	4.99	5.49	5.99	100
C	6.99	7.49	7.99	8.49	100	6.99	7.49	7.99	90
D	14.99	15.49			95	14.99	15.49		90
E	15.99	16.49			95	15.99	16.49		90

Eight Years Old or Newer						Five Years Old or Newer			
A+	4.49	4.99	5.49	5.99	110	4.99	5.49	5.99	110
A	4.99	5.49	5.99	6.49	110	5.49	5.99	6.49	110
B	5.99	6.49	6.99	7.49	110	5.99	6.49	6.99	100
C	7.99	8.49	8.99		100	7.99	8.49	8.99	90
D	15.99	16.49			95	15.99			90
E	16.49	16.99			95	16.99			90
Nine Years Old to Fifteen Years Old						Six Years Old to Seven Years Old			
A+	5.99	6.99			90	5.99	6.49		110
A	6.99	7.99			90	6.49	6.99		110
B	7.99	8.99			90	6.99	7.49		100
C	8.99	9.99			90	7.49	7.99		90
D	16.99	16.99			80	16.99			90
E	16.99	16.99			80	16.99			90

*Over Seven Years Old - Add 1.00 and Maximum LTV is 85%*

Share Secured		
Shares	Rate Earned + 2.00	Up to 180 months
Certificates	Rate Earned + 2.00	Up to Certificate Maturity

Home Equity Lines of Credit				
	80 LTV	85 LTV	90 LTV	Floor
A+	Prime	Prime+100-50 bps	Prime+150-100bps	4.00
A	Prime	Prime+100 bps	Prime+150bps	4.00
B	Prime+50bps	Prime+150bps	Prime+200bps	4.00
C	Prime+100bps	Prime+200bps	Prime+250bps	4.00
D	Prime+150bps	Prime+250bps	Prime+300bps	4.00
E	Prime+200bps	Prime+300bps	Prime+350bps	4.00

Fixed Rate Mortgages			
Type	Rate	Term (months)	LTV
First Mortgage	SM+25bps	60	90
	SM+75bps*	61-120	90
	SM+100bps*	121-180	90
Fixed Second Mortgage	SM+25bps	60	75
	SM+100bps*	180	75
	SM+150bps*	180	80
	SM+200bps*	180	90

*Floor Rate = 4.00*  
*Mortgages on undeveloped land are limited to 75% LTV*  
*SM - Secondary Market Rate*

## Dividend Rates

Dividends are earned on the Average Daily Balance (ADB) for the dividend period and paid on the last day of the dividend period. Some rates are based on a split-rate tiered method. On these accounts, you earn a different Annual Percentage Yield (APY) on different segments of your Average Daily Balance. Closure of an account will result in the forfeiture of all unpaid dividends. All rates are declared by the Board of Directors and subject to change without notice.

### Share/Savings Accounts

The dividend period for Share Accounts is a calendar quarter.

Regular Shares	Rate	APY
\$ 0.01 to \$ 1,999.99	0.100%	0.100%
\$ 2,000.00 to \$ 9,999.99	0.050%	0.050%
\$ 10,000.00 and over	0.010%	0.010%

An Average Daily Balance of \$50 is required to earn a dividend. A \$5 balance is required to keep the account open.

Education Shares	Rate	APY
\$ 0.01 to \$ 9,999.99	0.250%	0.250%
\$ 10,000.00 and over	0.100%	0.100%

Club Shares	Rate	APY
\$0.01 and over	0.100%	0.100%

IRA Shares	Rate	APY
\$0.01 and over	0.500%	0.501%

We offer Traditional, Roth and Coverdell IRA accounts.

### Draft/Checking Accounts

The dividend period for Draft Accounts is a calendar month.

Choice Checking	Rate	APY
\$ 0.01 to \$ 9,999.99	0.050%	0.050%
\$ 10,000.00 and over	0.010%	0.010%

An ADB of \$1,000 is required to earn a dividend.

Premium Checking	Rate	APY
\$ 0.01 to \$ 9,999.99	0.100%	0.100%
\$ 10,000.00 and over	0.010%	0.010%

An Average Daily Balance of at least \$2,500 is required to earn a dividend and to avoid the \$5 per month fee.

Free Checking
No dividends are paid on this account.

### Change is Good Certificate

#### Only Available with Debit Card Round-up

	Rate	APY
\$ 0.01 to \$ 2,000.00	2.000%	2.018%
\$ 2,000.01 and over	0.100%	0.100%

Only deposits made through the Change is Good Debit Card Round-up Program are allowed and no withdrawals are allowed during the term of the certificate. Early closure will result in the forfeiture of all unpaid dividends and a penalty equal to twelve months dividends, paid or not.

### Premium Share Accounts

The dividend period for Premium Shares is a calendar month.

SuperSaver Shares	Rate	APY
\$ 0.01 to \$ 4,999.99	0.150%	0.150%
\$ 5,000.00 to \$ 9,999.99	0.200%	0.200%
\$ 10,000.00 to \$ 24,999.99	0.250%	0.250%
\$ 25,000.00 and over	0.001%	0.001%

An Average Daily Balance of at least \$1,500 is required to earn a dividend. A \$1,500 minimum balance is required to keep the account open without a fee.

MoneyMarket Shares	Rate	APY
\$ 0.01 to \$ 49,999.99	0.250%	0.250%
\$ 50,000.00 to \$ 99,999.99	0.300%	0.300%
\$ 100,000.00 and over	0.001%	0.001%

An Average Daily Balance of at least \$25,000 is required to earn a dividend. A \$25,000 minimum balance is required to keep the account open without a fee.

### Share Certificates

The dividend period for Certificates is a calendar quarter.

Regular Certificates	Rate	APY
12 Month Term	0.250%	0.250%
18 Month Term	0.250%	0.250%
24 Month Term	0.500%	0.501%
36 Month Term	0.750%	0.752%
48 Month Term	1.000%	1.004%
60 Month Term	1.500%	1.510%

No deposits or withdrawals are allowed during the term of the certificate. Early closure of a certificate will result in the forfeiture of all unpaid dividends and a penalty equal to twelve months dividends, paid or not.

IRA Certificates	Rate	APY
1 Year Term	0.250%	0.250%
2 Year Term	0.500%	0.501%
3 Year Term	0.750%	0.752%
4 Year Term	1.000%	1.004%
5 Year Term	1.500%	1.510%

We offer Traditional, Roth and Coverdell IRA accounts.

No deposits or withdrawals are allowed during the term of the certificate. Early closure of a certificate will result in the forfeiture of all unpaid dividends and a penalty equal to twelve months dividends, paid or not.

Required Minimum Disbursements (RMDs) are not subject to forfeiture of dividends or penalties.

## Automated Clearing House (ACH)

### ACH OPERATING POLICY

#### OVERVIEW

The purpose of this document is to set forth the written policy adopted by the Credit Union regarding Automated Clearing House (ACH) services.

#### AUTHORIZED ACTIVITIES

The Credit Union is authorized to perform both Originating Depository Financial Institution (ODFI) and Receiving Depository Financial Institution (RDFI) activities within the following restrictions:

- ODFI activities will be limited to:
- Originating Prearranged Payment and Deposits (PPD) transactions for members for consumer purposes;
- Creating transactions to facilitate the return of items received through RDFI activities; and
- Will not include originating payroll transactions for business members.

RDFI activities will allow the processing of the following transactions:

- ARC Accounts Receivable Entry. A consumer check converted to a one-time ACH debit;
- DNE Death Notification Entry. Issued by the federal government;
- POP Point-of-Purchase. A check presented in-person to a merchant for purchase is presented as an ACH entry instead of a physical check.
- POS Point-of-Sale. A debit at an electronic terminal initiated by use of a plastic card.
- PPD Prearranged Payment and Deposits. Used to credit or debit a consumer account.
- RCK Represented Check Entries. A physical check that was presented but returned because of insufficient funds;
- TEL Telephone Initiated-Entry. Verbal authorization by telephone to issue an ACH entry such as checks by phone;
- WEB Web Initiated-Entry. Electronic authorization through the Internet to create an ACH entry; and
- XCK Destroyed Check Entry. A physical check that was destroyed because of a disaster.

RDFI activities ensure these transactions are handled as exceptions and subjected to additional review, as noted for each transaction type, before posting occurs:

- IAT International ACH Transaction. These are cross-border payment traffic and require additional review per OFAC regulations.
- Review all incoming IAT debits for OFAC compliance;
- Post clean transactions normally;
- Investigate any suspect IAT debits:
  - For a suspect transaction cleared by an investigation, post normally;
  - For a suspect transaction confirmed as an OFAC hit – contact OFAC directly.

RDFI activities will not process the following transactions mainly used for business to business transactions:

- CCD Corporate Cash Disbursement
- CTX Corporate Trade Exchange.

#### AUTHORIZED PERSONNEL

Management will ensure only personnel with a legitimate, business need have access to ACH processes, both software and hardware based, within our core data processing system, corporate credit union or any other third-party systems. Furthermore, types and levels of access will be limited based on specific need and job duties based on these guidelines:

- The President and Executive Vice-President will be the only administrators and the only personnel allowed to authorize access to the systems;

- The Accountant will have inquiry capability and approval authority only;
- Personnel who regularly process ACH transactions will have inquiry and transaction authority with limits appropriate for their job duties;
- Personnel who regularly process ACH transactions will not have creation or approval authority for member ACH originations and
- All other personnel may have inquiry capability as appropriate for their job duties.

Access levels will be reviewed at least annually and more often as changes in staffing and job duties dictate.

#### RISK MANAGEMENT

Recognizing the inherent risk involved in all funds transfer systems, including ACH activities, and the limitations on individual controls, Management will establish other risk mitigation tools including but not limited to:

- Establishing and reviewing, at least annually, overall exposure limits for ODFI file sizes not to exceed \$15,000;
- Establishing and monitor internal controls requiring dual authorization and supervisory override to setup an ODFI transaction exceeding \$600.00;
- Ensure ACH settlement for both ODFI and RDFI activities are reconciled daily and any discrepancies are resolved in a timely manner;
- Ensure all personnel involved in ACH activities receive on-going training as appropriate for their job duties; and
- Ensure access to all ACH activity through the Business Continuity Plan.

#### MONITORING AND REVIEW

Management will periodically review ACH activity reports and provide summary reports to the Board. The Board will receive a copy of the annual ACH Audit to ensure compliance with Policies and Regulations and provide for prompt resolutions of any issues or deficiencies identified in the audit.

#### ACH AUDIT POLICY

##### OVERVIEW

The purpose of this document is to set forth the written audit policy adopted by the Credit Union regarding Automated Clearing House (ACH) services.

##### IMPLEMENTATION AND FREQUENCY

The Credit Union will conduct an audit of ACH activities and procedures in accordance with generally accepted auditing principles and procedures. This audit shall be performed under the direction of the President of the Credit Union. The first audit shall be conducted by December 31, 2000 and not less frequently than each year thereafter.

##### SCOPE

The Credit Union will conduct an ACH audit in accordance with the minimum ACH audit requirements of Appendix Eight of the ACH Operating Rules.

In addition, the Credit Union will audit for compliance with ACH requirements and obligations taken from the following sources:

- Code of Federal Regulations (the Green Book)
- Federal Regulation E
- Uniform Commercial Code Article 4A (UCC 4A)
- Financial Institution ACH Policies
- A review of potential changes in the ACH Rules, the Green Book, Federal Regulation E and any other pertinent reference shall be conducted to:
  - Ensure continued compliance; and



- Identify new requirements that may demand additional training and communication with internal staff, data processing and originating companies/consumers.

## DESCRIPTION OF AUDIT FUNCTIONS

### **In Regard to Receiving ACH Entries:**

Verification that prenotifications received are for valid accounts and that when a prenotification is not processable or is erroneous, the prenotification is rejected on a timely basis through the use of return entry procedures or that changes are requested through the Notification of Change procedure.

Verification that, subject to the RDFI's right of return, all types of ACH entries and prenotifications are accepted.

Verification of records and procedures to ensure that the amount of consumer credit entries is made available for cash withdrawal no later than the date of settlement or at the opening of business when such entries are made available to the RDFI by 5:00 p.m. local time on the banking day prior to the settlement date and that debit entries are not posted prior to settlement date.

Verification that account statements are sent or made available which identify, as part of the account statement for consumer customers, the contents of the Company Name and Company Entry Description field with respect to each debit or credit entry.

Verification of records and procedures to determine that returned entries, including rejected prenotifications, are received by the RDFI's ACH Operator by its deposit deadline for the return entry to be made available to the ODFI no later than the opening of business on the second banking day following the settlement date of the original entry. For purposes of the preceding sentence, the term second banking day shall refer to the second banking day of the RDFI's ACH Operator, and the term settlement date of the original entry shall refer to the settlement date of the original entry that is being returned. Review records and procedures to ensure that dishonored return entries received by the RDFI are handled appropriately and that contested dishonored return entries and corrected returns are initiated in a timely manner.

Verification of internal procedures and customer agreements to ensure compliance with requirements of Uniform Commercial Code Article 4A (UCC 4A).

Review records and procedures to ensure that signed affidavits are obtained from consumers for all returns bearing Return Reason Codes R07 and R10; and that the adjustment entry is available to the ODFI by the sixty-first calendar day after settlement.

Verify that NOCs are transmitted within two banking days of the settlement date of the prenote or entry to which they relate.

Ensure that all payment-related information that is transmitted with a CCD, CTX or CIE entry is made available to the Receiver within two banking days of settlement date of the payment, when requested by the Receiver.

Verify that represented check entries are returned in a timely manner as to be sent to the ACH Operator by midnight of the second banking day following the banking day of the presentment notice. For those entries that the consumer determines 1) no notice was provided, 2) the item is not eligible, 3) the signatures on the item are not genuine, or 4) the item has been altered; verify that a signed affidavit has been obtained and that the return is made available to the ODFI within 60 days of the settlement date of the represented check entry. Verify that for each represented check entry for which a stop payment has been placed on the item to which the represented entry relates, the adjustment entry is received by the ODFI no later than the banking day following the sixtieth calendar day following the settlement date of the original entry.

### **Regarding Originating ACH Entries:**

Verification that agreements have been made with all Originators (corporate customers), which bind the Originator to the ACH Rules and acknowledge compliance with U.S. law.



Verification of internal procedures to determine that Originators are kept informed of their obligations on a continuing basis, including requirements that:

- If Originators send prenotifications, those prenotes are sent as required by the ACH Rules;
- Entries returned as R07-Authorization Revoked by Customer, R08-Payment Stopped, or R10-Customer Advises Not Authorized are not reinitiated unless subsequent authorization of their customer has been obtained;
- Upon receipt of Returns relating to prenotifications indicating that the RDFI cannot accept such entries, such entries are not initiated;
- Upon receipt of Notifications of Change, requested changes should be made within six banking days or prior to the initiation of the next entry.

Reversing files or entries are transmitted and available to the RDFI within five banking days following the settlement date of the erroneous entry or file.

Verification of internal procedures and customer agreements to ensure compliance with the requirements of Uniform Commercial Code Article 4A (UCC 4A).

Verification that exposure limits are established for each corporate Originator and that these procedures provide for the periodic review of exposure limits and for the monitoring of entries initiated by these Originators relative to the set exposure limits across multiple settlement dates.

Verify that information relating to NOCs and Corrected NOCs is provided to the Originator within two banking days of settlement date of the NOC or Corrected NOC.

Verify that when the ODFI agrees to accept a permissible return (for a CCD or CTX debit), that the return is accepted.

The Credit Union will conduct an audit of compliance with Green Book requirements regarding federal government ACH entries as follows:

- Review of enrollment procedures for direct deposit of Social Security and other federal benefit payments utilizing form SF 1199A, automated enrollment procedures (ENR) or alternative simplified enrollment methods;
- Verification that all federal government benefit and/or salary payments are made available to the customer at the opening of business on settlement date at all facilities, including ATM's which are accessible for cash withdrawal;
- Review of required procedures for the processing of government payment trace requests;
- Verification that federal government payments are returned in accordance with regular ACH Return procedures in the event of (1) the death of the beneficiary or account holder, (2) the death or incapacity of the Representative Payee, (3) a closed account, or (4) the financial institution is unable to post for any reason;
- Review of procedures and regularity with which changes and/or corrections to account information are submitted to federal government agencies through the Notification of Change process;
- Review of required procedures for handling reclamations of federal government benefit payments in order to limit financial institution liability;
- Review of required procedures for assisting customers in completing Vendor Express enrollment forms, and compliance with disclosed reporting methods for Vendor Express payments received; and
- Review of all required procedures for enrollment, origination and receipt of payments related to the Electronic Federal Tax Payment System (EFTPS).

The Credit Union will conduct an audit of compliance with Federal Regulation E in regard to the receipt of consumer ACH entries as follows:

- Review of procedures for providing initial Regulation E disclosures to see that they are provided to all consumer customers in a time and manner that they are received when the electronic funds transfer service is contracted or before the first transfer is made;
- Verification that the required periodic disclosures which detail transaction activity are provided monthly unless no transfer has occurred, then at least quarterly;
- Verification that the required disclosure of error resolution procedures are provided to consumers at least annually; and
- Review of customer service policies and practices to ensure that consumers' accounts are recredited for erroneous or unauthorized debit entries, when they are properly reported by the consumer within time frames detailed in error resolution disclosures.

#### PROCEDURES

Verification of compliance will be performed through (1) interviews of key personnel regarding knowledge of required procedures, (2) reviews of the timing and content of required disclosures and, where applicable, (3) tests of specific transaction activities to identify possible compliance exceptions.

#### MANAGEMENT REVIEW METHOD

Completed audit results will be reported to the Supervisory Committee and the Board of Directors. Exceptions will be noted along with recommended action for correction or corrective action already taken or in process.

## Vendor Oversight

#### NEEDS ASSESSMENT

Prior to engaging in a proposed activity, the Credit Union will determine whether the relationship compliments the Credit Union's overall mission and philosophy. Management will document how the relationship corresponds with the Credit Union's Strategic Plan, considering long-term goals, objectives and resource allocation requirements. Consistent with the Credit Union's Strategic Plan, management will design action plans to achieve objectives in support of strategic planning for new third-party arrangements. Management will also clearly define the nature and scope of the Credit Union's needs, which needs will be met by the third party, and to what extent the third party will be responsible for the desired results. If the Board does not believe the proposed activity would complement the strategic vision for the Credit Union, the third-party relationship will not be pursued.

#### RISK ASSESSMENT

Once the need has been determined but prior to a specific vendor being chosen, the Credit Union will perform a risk assessment on the service to be outsourced. Management will determine whether the proposed activities, related costs, product and services standards, and third-party involvement, are consistent with the credit union's risk tolerances.

Categories of risk to be assessed include: loss of capital if the venture fails; loss of member confidence if the program, product or service fails to meet member expectations; costs associated with attracting or training personnel and investing in required infrastructure; and whether the potential benefit of the arrangement outweighs the potential risks or costs.

The risk assessment will take place in advance in the decision to offer new products and services and will be conducted periodically if the product or service is offered. The risk assessment will be shared with the Board.

#### FINANCIAL PROJECTIONS

In evaluating the cost-benefit or risk-reward of the third-party relationship, the Credit Union will develop financial projections outlining the range of expected and possible financial outcomes. The Credit Union will project a return on its investment, considering expected revenues, direct costs and indirect costs. Financial

projections will be in line with the context of the Credit Union's Strategic Plan and asset-liability management (ALM) framework.

#### INSURANCE REVIEW

Third-party relationships can result in increased liabilities. Therefore, Credit Union will maintain an adequate review of the Credit Union's insurance coverage, including the fidelity bond and policies covering such matters as errors and omissions, property and casualty losses, and fraud and dishonesty. When appropriate, the Credit Union will ensure that it is the beneficiary on all insurance policies and will review all insurance contracts to ensure full coverage.

#### EXIT STRATEGY

The Credit Union will investigate and determine whether there is a reasonable way out of the relationship if it becomes necessary to change course in the future, along with whether there are any other providers that can perform critical services.

#### VENDOR REVIEW

Where practical, the Credit Union will research and/or interview several prospective organizations to determine which is best qualified to meet the Credit Union's needs. The Credit Union will review and consider any lawsuits or legal proceedings involving the third party and/or its principals. The Credit Union will also ensure that the third party and/or its agent(s) have all the required licenses or certifications, and that they remain current for the duration of the relationship.

Before entering into a third-party relationship, the Credit Union will investigate and understand the third party's business model – the conceptual architecture or business logic employed to provide services to its clients. If the third party's business and marketing plans are available, the Credit Union will review them. Management will understand and can explain the third party's role in the proposed arrangement and any processes for which the third party is responsible. The Credit Union will also understand the third party's sources of income and expense, considering any conflicts of interest that may exist between the third party and the Credit Union. The Credit Union will also identify any vendor-related parties (subsidiaries, affiliates or sub-contractors) involved with the proposed arrangement, understanding the purpose and function of each. When these parties are to play a critical role in the relationship, the Credit Union will perform its due diligence on these vendor-related parties.

The Credit Union will understand how cash flows move between all the parties in the third-party relationship. Management will be able to explain how cash flows (both incoming and outgoing) move between the Credit Union, the third party and the Credit Union's members. The Credit Union will also independently verify the source of these cash flows and match them to related individual accounts.

Contracts will be reviewed by the Credit Union's legal counsel when appropriate. At a minimum, third party contracts should address the following:

- Scope of arrangement, services offered, and activities authorized;
- Responsibilities of all parties (including subcontractor oversight);
- Service level agreements addressing performance standards and measures;
- Performance reports and frequency of reporting;
- Penalties for lack of performance;
- Ownership, control, maintenance and access to financial and operating records;
- Ownership of servicing rights;
- Audit rights and requirements (including responsibility for payment);
- Data security and member confidentiality (including testing and audit);
- Business resumption or contingency planning;
- Insurance;

- Member complaints and member service;
- Compliance with regulatory requirements (i.e., Privacy, BSA, etc.);
- Dispute resolution; and
- Default, termination and escape clauses.

Financial statements of the third party and its closely-related affiliates will be reviewed to determine the strength of the institution. These financial statements should demonstrate an ability to fulfill the contractual commitments proposed, and will be considered with regard to outstanding commitments, capital strength, liquidity and operating results. Undercapitalized companies or those exhibiting weak earnings may not be able to continue as ongoing concerns. This could lead to disruptions in member service, uncollected payments, and potential losses if the third party fails to remit funds due the Credit Union. A licensed CPA will be consulted when necessary.

## CONTROLS

Once the Credit Union has entered into a third-party arrangement, the Credit Union will employ controls to ensure that the relationship is meeting expectations and the third party is meeting its responsibilities.

Depending on the nature of the relationship, the Credit Union will establish limitations on the risk of exposure until the third-party's performance is measured, or the level of the respective risk(s) becomes significant.

Management will routinely conduct sensitivity analyses; project its expected revenue, expenses, and net income on its investment; and recognize how each of these factors may change under different economic conditions. This analysis will be conducted internally by someone with the requisite knowledge, or using an outside consultant. Data and other benchmarks, including yield and profit projections generated by the third party will be verified with the underlying assumptions fully understood by the Credit Union, and compared with Credit Union's own data. Services that are not directly income generating, such as infrastructure, will be subjected to a cost-benefit analysis.

Management will designate the staff that is to be responsible for monitoring the performance of each outsourced program. Duties will include comparing the actual results of each program to projections, and reviewing each of the third party's performance to determine compliance with expectations and contracts.

Staff responsible for third party relationship monitoring will submit regular reports to the Credit Union's senior officials and the Board. The reports will include appropriate information to provide the officials and the Board the opportunity to make informed decisions and take timely corrective action.

Management will maintain a list of all third-party providers, along with the scope of services provided by each.

## Bond & Insurance Coverage

### GENERAL POLICY STATEMENT:

The Board recognizes the risks associated with doing business in today's financial industry and acknowledges its responsibility to protect the assets the Credit Union. It is the policy of this Credit Union to regularly review the risks, analyze the potential for loss, and provide insurance coverage that appropriately covers the risk of financial loss. Such insurance coverage will meet the minimum regulatory requirements applicable to the Credit Union.

### GUIDELINES:

#### RESPONSIBILITY

The Board of Directors is responsible for the following:

- Review and approve the insurance coverage at least annually.
- Review all applications for purchase or renewal of its fidelity bond coverage.
- After review, pass a resolution to approve the purchase or renewal.
- Delegate one member of the Board (not an employee of the credit union) to sign the purchase or renewal agreement and all attachments.
- Rotate signatories every year so that no Board member is a signatory on consecutive purchase or renewal agreements for the same fidelity bond coverage policy.

#### COVERAGES

The type and amount of specific coverage will be determined by the Board as a result of its annual insurance review and will meet the minimum regulatory requirements applicable to the Credit Union. While additional coverage may be approved by the Board, it is the policy of the Credit Union to provide coverage in at least the following areas:

**Bond Coverage.** The Credit Union will provide bond coverage, including fraud and dishonesty coverage, for all operational areas where significant loss potential exists. The bond will cover the performance of all employees and all officers having custody of or handling Credit Union funds. The specific coverage and amounts will be determined annually based on current operations and risks. The coverage will include:

- An option for the liquidating agent to purchase coverage in the event of an involuntary liquidation that extends the discovery period for a covered loss for at least one year after liquidation; and
- For voluntary liquidations, provide that the discovery period remains in effect or is extended for at least four months after the final distribution of assets.

**Director, Volunteer & Employee Coverage.** The Credit Union will provide insurance to protect employees and volunteers from liability in the performance of their Credit Union duties.

**Employment Practices Liability Coverage.** The Credit Union will provide coverage against claims arising from its employment practices.

**Casualty Coverage.** Where the cost of the premium is appropriate for the coverage provided, the Credit Union will provide insurance to protect the assets of the Credit Union. Such assets will include loan collateral, physical facilities, equipment, etc.

**Business Continuity Coverage.** The Credit Union will estimate the expenses of continuing operations in the event its primary facilities and equipment are lost. It will obtain insurance to cover these expenses.

**Workers' Compensation Insurance.** The Credit Union will provide workers' compensation insurance in accordance with the law.

#### DOCUMENTATION

The Credit Union will establish a method for recording the content and results of its insurance review. All documentation will be retained until all audits and regulatory examinations have been completed for the period in which the insurance review was valid, or longer if deemed appropriate by management.



## BOND FORMS

The Credit Union will use a bond form that has been approved by the NCUA and available on their website. If the Credit Union uses a bond form that is amended or changed since the NCUA approved or has any rider, endorsement, renewal or document that limits coverage of the approved bond form, it will seek prior approval from the NCUA. The Credit Union understands that all bond forms expire after 10 years and will ensure forms are updated accordingly.

## REGULATORY COMPLIANCE

The Credit Union will work with all appropriate regulatory agencies to ensure that the bond insurance coverages meet the minimum regulatory requirements.

## Audits

The Supervisory Committee is responsible for ensuring the accuracy and fairness of the Credit Union's financial statements and the safety of the members' assets. To this end, the Supervisory Committee will make or cause to be made an annual audit; will cause the members' accounts to be verified at least once every two years; and will determine whether proper internal controls are being maintained.

The Board of Directors is responsible for ensuring the accuracy, security, and soundness of the Credit Union's Information Technology (IT) framework. To this end, the Board of Directors shall obtain an annual IT Audit and Assessment.

## GUIDELINES:

### ANNUAL AUDIT

**Auditing Standards.** The person or persons who perform the annual audit must:

1. Have adequate training and experience as an auditor, taking into account the size and complexity of the Credit Union.
2. Exercise reasonable care in performing the audit and preparing the audit report.
3. Adequately plan the audit. If assistants are used, they must be properly supervised.
4. Obtain sufficient evidence for the items under audit.

**Auditing Scope.** The person or persons performing the annual audit should:

- Understand the Credit Union's internal control structure.
- Assess the level of control risk.

### WAYS TO SATISFY THE AUDITING REQUIREMENT

**Contract with an independent, licensed CPA to perform specified procedures.** The arrangement must be an "agreed-upon procedures engagement."

The specified procedures must, either by themselves or in combination with procedures performed by the Supervisory Committee, meet the auditing scope stated above.

If the specified procedures are concerned with the items listed below, the scope of the audit also must satisfy GAAS for expressing an opinion on the financial statements taken as a whole:

- Internal controls,
- Cash,
- Loans,
- Investments,
- Borrowings,
- Related party transactions

### REPORT

The CPA must prepare the report and deliver it directly to the Supervisory Committee. The Supervisory Committee will provide the audit report to the Board of Directors.

#### ENGAGEMENT LETTER

The CPA must sign an engagement letter. At a minimum, the engagement letter must:

- Specify the terms, conditions, and objectives of the engagement.
- Identify the basis of the accounting to be used (for example, Generally Accepted Accounting Principles (GAAP)).
- Include an appendix setting forth the procedures to be performed.
- Specify the rate of, or total, compensation to be paid for the audit.
- Provide that the CPA shall, upon completion of the engagement, deliver to the Supervisory Committee a written report of the audit. The report must include:
  - Any internal control reportable conditions and
  - Any irregularities or illegal acts
  - Which come to the auditor's attention during the normal course of the audit.
- Specify a target date for delivery of the written report so that such target date will enable the credit union to meet its annual audit requirements.
- Certify that the NCUA staff will be provided unconditional access to the auditor's complete set of original working papers at the Credit Union.
- Acknowledge that the auditor will retain the working papers for at least three years after the auditor's written report.

#### VERIFICATION OF MEMBERS' ACCOUNTS

At least once every two years, the Supervisory Committee will cause to be verified, under controlled conditions, all passbooks and members' accounts against the records of the Credit Union's treasurer. The verification shall be made using any of the following methods:

- A controlled verification of 100% of members' share and loan accounts.
- A random sampling of members' accounts.
  - The method used should provide a sample that represents the population from which the sample was selected. It should also provide each dollar in the population an equal chance of being selected.
  - The size of the sample should be sufficiently large in both number and scope to provide assurance that the General Ledger Accounts are fairly stated in relation to the financial statements taken as a whole.
  - If the evidence provided by confirmations alone is not sufficient, additional procedures should be performed.
- If the auditor is an independent, licensed CPA, then the auditor may use non-statistical sampling methods consistent with applicable GAAS.
  - The sample size should be sufficiently large in both number and scope to provide assurance that the General Ledger Accounts are fairly stated in relation to the financial statements taken as a whole.
  - If the evidence provided by confirmations alone is not sufficient, additional procedures should be performed.
  - The auditor must document the sampling procedures and provide evidence to NCUA, if requested, that the method used is consistent with applicable generally accepted auditing standards.

The Supervisory Committee will retain the records of each verification until it completes the next verification of members' passbooks and accounts.

#### MONTHLY VAULT COUNTS

Management must oversee at least one vault cash count each month. The cash count must be completed under dual control by the Vice President of Member Services or Member Service Supervisor and another Credit Union employee. A different employee should be selected each month to perform the audit with Vice President of Member Services or Member Service Supervisor.

#### SURPRISE CASH COUNTS

The Supervisory Committee will direct management to perform regular surprise cash counts of all teller and vault cash supplies to ensure proper control, determine compliance with Board policies on excess cash and bait money, and detect any missing funds.

#### SUPERVISORY COMMITTEE EXAMINATIONS

The Supervisory Committee will oversee periodic examinations of the Credit Union's operations to ensure safety and soundness of policies, procedures, and practices, including:

- Board of Directors minutes to determine whether there are any material changes to the Credit Union's activities or condition that are relevant to the areas to be review the audit
- Test and confirm material asset and liability accounts including, at a minimum:
  - Loans
  - Cash on deposit
  - Investments
  - Shares
  - Borrowings
  - Test material equity, income, and expense accounts
  - Test for unrecorded liabilities
- Review key internal controls including, at a minimum:
  - Bank reconciliation procedures
  - Cash controls
  - Dormant account controls
  - Wire and ACH transfer controls
  - Loan approval and disbursement procedures
  - Controls over accounts of employees and officials
  - Other real estate owned
  - Foreclosed and repossessed assets
- Test the mathematical accuracy of the allowance for loan and lease loss account and ensure the methodology is properly applied
- Test loan delinquency and charge-offs

#### INFORMATION TECHNOLOGY (IT) AUDIT

**Audit Scope.** The person or persons conducting the audit should:

- Understand the Credit Union's IT structure and goals; and
- Assess the levels of control, risk, vulnerability, and compliance with laws, regulations and IT standards.

**Audit Responsibility.** The Board of Directors is responsible for approving changes to the audit scope and schedule. This responsibility may be delegated to Management.

## Corporate Resolution on Resignation of Director

I, the undersigned, Secretary of First Education Federal Credit Union, a Federal Credit Union, duly organized and existing under the laws of the United States of America Federal Credit Union Act having its principal place of business in Cheyenne, Wyoming.

WHEREAS, Mohamed S Salih stated his intention to resign his position as a Director of First Education Federal Credit Union.

WHEREAS, such statement was made during the regular board meeting held on August 28, 2019 and witnessed thereof by those present,


NOW, THEREFORE, BE IT RESOLVED, such resignation of Mohamed S Salih from the Board of Directors of First Education Federal Credit Union be and is hereby approved and taken on record of said Corporation.

FURTHER RESOLVED, that valuable services were rendered by Dr. Salih during his tenure as a Director of First Education Federal Credit Union and expresses its deep sense of appreciation and gratitude for the same.

I CERTIFY this Resolution was approved unanimously by the Directors present at the regularly scheduled meeting of the Board of Directors of First Education Federal Credit Union held on October 30, 2019.

Secretary of the Board

X

  
James L Landen