

Regular Meeting of the **Board of Directors**  
 5:00pm on December 18, 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 last meeting 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 nine SARs and twenty-five CTRs so far in 2019. In 2018, we filed eight SARs and twenty-one CTRs. There was no unusual wire activity noted. 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 listing of deposit rates is included with your Packet.

### **E. Phone Polls**

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

Jaelyn Fernandez	2 <sup>nd</sup> Mortgage	\$54,634.00
	2007 Jeep Wrangler	\$ 8,676.83
Cortney Lockman	Kasasa Debt Consolidation	\$15,000.00

No other information is provided on this item.

### **F. Email Poll**

By voting to approve the Consent Agenda, you are voting to ratify the email conducted on December 12, 2019 poll which:

1. Appointed Mary Quast to fill the vacancy left by the resignation of Dr. Salih.
2. Nominated Bruce Curl and Mary Quast for the two open positions in the 2020 election.

No other information is provided on this item.

*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.*

## **Minutes of Board of Directors Meeting – November 20, 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 Liz Luce. Excused was Bruce Curl. Staff present were Jim Yates, Kristi Barrowman and Jaelyn Fernandez.

### **II. Consent Agenda**

Liz Luce moved the Consent Agenda be approved as presented. Matt Hager seconded. Motion carried.

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

Matt Hager gave the highlights of the ERC and entertained questions.

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

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

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

Jim Yates reported on the following topics:

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

**B. Loans & Lending**

**C. Change in Relationship Dollars**

**V. Action Items**

**A. Policy Review**

No motion needed unless there are changes from the board members.

**VI. Discussion Items**

**A. West Edge Collective Action Plan**

Jim Yates reported on this plan.

**B. Middle Class Debt Addiction**

Jim Yates discussed some of the issues involved in this problem.

**VII. General Information & Updates**

**A. CEO Hike the Hill**

Jim Yates reported his lobbying trip to Washington, D.C.

**B. School District Strategic Plan**

Jim served on a committee as part of this planning process.

**VIII. Operational Updates**

Jim shared information on several minor operational topics.

**IX. New Business**

**X. Adjournment**

Chairman Sawyer adjourned the meeting at 5:43 to allow for Director BSA Training.

X \_\_\_\_\_ date \_\_\_\_\_  
Dan Sawyer, Chair

X \_\_\_\_\_ date \_\_\_\_\_  
Jim Landen, Secretary

**Report of the Supervisory Committee Meeting – December 11, 2019**

**I. Board Minutes**

The following information was verified from the Board Minutes of the October and November Meetings:

- 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: (10/3; 10/29)
- Draft balancing (10/4; 10/18)
- ACH (10/9; 10/21)

They were reviewed for:

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

Exceptions: Came into the CU early (12/7) since early board meeting and monthly balancing sheets were not in Laserfiche yet for November. Since I missed last month decided to balance October.

**B. Alloya Corporate accounts**

The reconciliation for Alloya Corporate dated 10/1/19 and 10/25/19 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. (9 total)

Account Number	Reason No Longer on Report	Exception
F01954	Check deposit	NA
F05875	Transfer deposit	Late again as of 11/25/19

\*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.

\*\*Both of these are still on the list.

**IV. Loan Delinquencies**

Loans no longer on the delinquency report were reviewed. (4 Total)

Account Number	Reason No Longer on Report	Exception
F03557	Personal loan to pay off Car loan	NA
F07551	Payment	Late again as of 11/17/19

**V. Dormant Accounts**

Shares no longer on the dormant list were reviewed.

Account Number	Reason No Longer on Report	Exception
F06336	Deposit	NA

**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 12/07/19 for closed accounts.

Exceptions: Both October and November 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: Card 5- Missing receipt for Sam's Club for 29.96.

**X. Check Register**

A random selection of 10 items were reviewed from the check register (10/01/19-10/31/2019)

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

Exceptions: NA

**XI. Insider 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, Committee Assistant

Reviewed by: Betty Squires, Committee Chair

**III. Economic Review Committee Report****A. Financial Summary**

	This Month	Six Months Ago	One Year Ago		
Total Assets	\$63,660,164.09	\$62,297,811.71	\$62,660,684.09		
Net Worth	8.18%	7.89%	7.44%		
	This Month	2018 YTD	Annualized YTD	Last Year	Variance
Net Income	\$38,028.51	\$487,891.97	\$532,245.79	\$447,725.48	15.88%
ROAA*	0.75%			0.59%	

\*Return on Average Assets

**B. Asset Limit Policy Review**

	Current	Policy Limit	
Loans to Assets	37.9%	85%	maximum
Investments to Assets	58.1%	8%	minimum
Core Liquidity to Assets	9.7%	7%	minimum
Borrowings to Assets	0%	5%	maximum

**IV. Member Information and Account Activity**

	Current	*****Opened In*****	
		Last Month	Last 12 Months
Accounts	5043	16	316
Members	5543	11	260
Average Age	48	32	36
with Transaction Acct	78.0%	70.0%	62.4%
with Loan Account	39.1%	40.0%	27.2%

<b>Loans &amp; Lending</b>				
		Number	Amount	B or Better
All Loans	11/30/2019	2448	24,198,890	86.6
New Loans	- this month	49	724,882	69.7
	- last 12 months	565	10,519,574	82.4
New Money	- this month	0	1,226,119	77.4
	- last 12 months	28	18,033,782	85.9
Loans over \$100,000	- this month	0	0	0%
	- last 12 months	8	1,341,965	89.9%
Credit Cards	Balances	1,229	2,673,480	86.0%
	Credit Limits		6,352,741	93.3%

Loan Application Summary			
	Number	Amount	Score Range
Approved	77	796,855	477 to 816
Denied	11	43,545	497 to 668

Reasons for Denial	
Reason	Number
Employment	3
Income	7
Credit Experience	5
Collection Issues	7
Other	0

Loan Delinquency Summary			
	Number	Past Due	Balance
30-59 Days	13	3,310	187,104
60-89 Days	6	3,014	47,846
90-119 Days	2	1,352	13,938
120-365 Days	7	4,989	22,003
1 Year	0	0	0
Total 30+ Days	28	12,665	270,891

Change in Relationship Dollars	*****CHANGE IN*****			
	Current Balance	Last 1 Month	Last 6 Months	Last Year
Shares & Clubs	17,903,109.58	106,388.48	102,937.64	177,964.71
SuperSaver	11,645,878.92	(11,171.73)	(40,510.61)	417,802.28
MoneyMarket	7,690,151.56	(206,209.78)	19,477.19	(153,404.92)
Share Drafts	15,035,968.99	1,659,743.07	1,011,957.37	1,950,091.84
IRA Shares & Certs	1,331,555.60	(36,453.54)	(65,606.69)	(56,200.42)
Share Certificates	4,511,821.55	(5,113.98)	(8,352.72)	(39,887.26)
<b>All Shares</b>	<b>58,118,486.20</b>	<b>1,507,182.52</b>	<b>1,019,902.18</b>	<b>2,296,366.23</b>
Personal Loans	1,880,670.41	13,185.62	206,742.96	476,708.39
Credit Cards/LOCs	1,622,479.72	(21,375.99)	(24,264.49)	(85,309.15)
New Vehicles	3,961,861.70	16,089.53	253,805.11	536,846.99
Used Vehicles	6,502,899.30	67,630.97	225,973.71	454,086.41
First Mortgages	6,460,953.22	(31,371.16)	267,461.20	524,309.82
HELOCs	711,345.69	4,834.82	141,377.03	57,428.20
Other Mortgages	2,550,283.09	75,495.18	377,122.00	335,860.19
All Other Loans	429,537.76	36,601.52	(3,248.59)	58,123.51
<b>All Loans</b>	<b>24,120,030.89</b>	<b>161,090.49</b>	<b>1,444,968.93</b>	<b>2,358,054.36</b>
<b>Total Relationship</b>	<b>82,238,517.09</b>	<b>1,668,273.01</b>	<b>2,464,871.11</b>	<b>4,654,420.59</b>

## V. Action Items

### A. Loan Charge-offs

Management recommends charging off the following loans to Allowance for Loan Losses:

ID	Due Date	Balance	SC	Description	
DS0102	06/01/2019	\$7,665.50	B	Personal Loan	Bankruptcy
VN0100	09/15/2019	8,172.42	B	Personal loan	Bankruptcy
		<b>\$15,837.92</b>			

### B. Loan Rate Changes

Management recommends the following changes, indicated in red, to our lending rates. All other rates are unchanged and are included with your Packet.

<b>Cars, Pickups, General-duty Trucks &amp; Motorcycles</b>						
<b>2019-2020</b>						
	48 Months	60 Months	72 Months	84 Months*	Mileage	LTV
A+	2.49 <b>2.89</b>	2.99 <b>3.39</b>	3.49 <b>3.89</b>	3.99 <b>4.39</b>	Up to 999	110
A	2.99 <b>3.39</b>	3.49 <b>3.89</b>	3.99 <b>4.39</b>	4.49 <b>4.89</b>	Up to 999	110
B	3.99 <b>4.39</b>	4.49 <b>4.89</b>	4.99 <b>5.39</b>	5.49 <b>5.89</b>	Up to 999	110
C	5.99 <b>6.39</b>	6.49 <b>6.89</b>	7.49 <b>7.78</b>		Up to 999	100
D	12.99	13.99			Up to 999	95
E	13.99	14.99			Up to 999	95
<b>2013-2018</b>						
A+	2.99 <b>3.39</b>	3.49 <b>3.89</b>	3.99 <b>4.39</b>	4.49 <b>4.89</b>	Up to 100k	110
A	3.49 <b>3.89</b>	3.99 <b>4.39</b>	4.49 <b>4.89</b>	4.99 <b>5.39</b>	Up to 100k	110
B	4.49 <b>4.89</b>	4.99 <b>5.39</b>	5.49 <b>5.89</b>	5.99 <b>6.39</b>	Up to 100k	110
C	6.49 <b>6.89</b>	6.99 <b>7.39</b>	7.49 <b>7.89</b>		Up to 100k	100
D	13.99	15.99			Up to 100k	95
E	14.99	15.99			Up to 100k	95
<b>2000-2012</b>						
A+	3.99 <b>4.39</b>				Up to 100k	100
A	4.99 <b>5.39</b>				Up to 100k	100
B	5.99 <b>6.39</b>				Up to 100k	100

C	6.99 7.39				Up to 100k	100
D	15.99				Up to 100k	95
E	15.99				Up to 100k	95
Over 100k miles, add .50%						
* Amount financed must exceed \$30,000 to qualify for 84-month term.						

## VI. Discussion Items

### A. Risk Assessments

Included in your Packet are risk assessments on wire transfers, ACH, and physical security. Questions, comments, and concerns will be addressed at the Meeting.

### B. Thanksgiving, Black Friday, and Cyber Monday

The following is a summary of debit and credit card transactions over the five days starting with Thanksgiving and ending with Cyber Monday. Please note that almost 54% of the number of transactions were done in Cheyenne and over 52% of the amount was spent in Wyoming.

Type	Transactions	Amount	Cards	% of Card Type	% of Active Cards*
Debit	11,564	\$567,622.18	2,067	68.6%	87.8%
Platinum	887	60,502.78	259	44.2%	64.8%
Classic	270	11,354.02	92	26.5%	42.8%
<b>Totals</b>	<b>12,721</b>	<b>\$639,478.98</b>	<b>2,418</b>		

\* used within last 30 days

Date	Count	Amount
Thanksgiving	666	\$34,690.75
Black Friday	4,177	\$212,922.49
Saturday	797	\$38,052.52
Sunday	982	\$46,332.37
Cyber Monday	6,099	\$307,480.85
Average Day	2,550	\$110,000.00

Location	Count	Amount	% of ##	% of \$\$
Wyoming	7,345	\$336,154.06	57.8%	52.6%
Cheyenne	6,847	\$313,702.02	53.8%	49.0%

More information is provided in your Packet.

## VII. Updates and General Information

### A. Annual Legislative Appreciation Reception

The Annual Legislative Appreciation Reception sponsored by the Mountain West Credit Union Association will be held on February 11, 2020 from 5pm-7pm in the Sinclair Room at Little America. Please let me know by February 2<sup>nd</sup> if you can attend.

### B. Alloya Corporate FCU's Nonperpetual Capital Shares

Included with your Packet is the required annual disclosure on the Nonperpetual Capital Shares we hold at Alloya Corporate Federal Credit Union. The balance of this account is \$89,355.01.

### C. Recovery Management Group Update

We have been using Recovery Management Group (RMG) for about a year. RMG is a collection agency jointly own by a couple of Colorado credit unions and the Association. In the past year, they have collected a net amount of \$4,286.64 in charged off loans and shares.



## **D. CPA Audit**

Bart Ferrin has completed the field work for our audit. His preliminary findings are fairly minor. We should have the final report shortly after the first of the year.

## **E. Suspect Arrested**

The District Attorney's office notified us on December 10 that a suspect has been arrested for stealing the repossessed truck from our property.

## **F. Spirits of Mardi Gras**

The Credit Union has purchased a sponsor table for Holy Trinity's Spirits of Mardi Gras. The event is January 18<sup>th</sup> at Little America starting at 7:00pm. There are eight tickets available.

## **G. Remote Deposit Capture Lawsuit**

A U.S. District Court jury has awarded USAA \$200 million in a patent infringement lawsuit against Wells Fargo involving remote deposit capture (RDC). USAA filed suit in June 2018 against Wells Fargo alleging that the bank infringed on certain USAA RDC patents, specifically patents related to mobile check capture. Most US banks and credit union offering RDC use similar technology.

CUNA's patent litigation attorney, Mike Rounds of Brownstein Hyatt Farber Schreck LLP, said that USAA is likely to aggressively enforce these patents, which could lead to litigation for credit unions. Multiple credit unions have reported receiving letters from a firm called Epicenter Law which alleged the credit union's remote deposit capture (RDC) technology infringed on patents owned by USAA. Rather than making specific demands, these letters invited credit unions to call the firm to discuss licensing USAA patents. First Education is unaffected by these claims because we do not offer RDC.

## **VIII. Operational Updates**

### **A. Regulatory Compliance**

#### **1. WHOIS Verification for EnCirca.com**

The WHOIS registry information for our .coop domains names have been verified. This is an annual requirement.

#### **2. Annual BSA Training**

The annual BSA training has been completed by all staff, directors and committee members except for one Supervisory Committee member. He has been provided with the training and should complete it before the end of the year.

### **B. Services Management**

#### **1. Employee 401(k) Transfer**

The transfer of the employee 401(k) funds from John Hancock to Mass Mutual is complete. The fees with Mass Mutual are lower than John Hancock and both the institution and employee interfaces are easier to use and present the information in a more understandable way. Representatives of Mass Mutual conducted an orientation for the employees on December 5<sup>th</sup>.

#### **2. Upgrade to Account Alerts Module**

The account alerts module has been updated. There are more alerts available and the wording is more user-friendly. This module will be integrated into NetTeller in the next few weeks.

#### **3. Summary of ACH Origination Activity**

Average Monthly ACH Originations

<b>TC</b>	<b>Transaction</b>	<b>Amount</b>	<b>Count</b>	<b>% of Amount</b>	<b>% of Count</b>
22	Share Withdrawal	\$44,586.21	61	53%	39%
27	Payment Received	33,383.32	84	40%	54%
52	Payment Sent	5,863.90	12	7%	8%
	<b>Total</b>	<b>\$83,833.43</b>	<b>157</b>		

**C. Technology Management**

**1. Technology Road Map**

Management will be meeting with our sales representative from Connecting Point to update our technology road map. This will be presented to the board in the upcoming months.

**D. Risk Management**

**1. Federal Home Loan Bank – Liquidity Risk**

The process to set up our membership with the FHBL-Des Moines is completed. We are now determining which loans we will pledge as collateral. Once the collateral is determined, we will be able to test our access to our line of credit.

We have been given their highest credit rating (lowest risk score). This means if we had the collateral to support it, our line-of-credit could be up to 45% of our assets. If we pledge only our available first mortgages, our credit line will be just under \$3 million.

**E. Facilities Management**

**1. New Cameras and Smoke Detectors**

By the end of the year, we will have new smoke detectors installed throughout the building and replace three more cameras.

**IX. New Business**

Management has no other new business.

**X. 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		

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
<b>A+</b>	Prime	Prime+100 bps	Prime+100bps	5.00
<b>A</b>	Prime	Prime+100 bps	Prime+100bps	5.00
<b>B</b>	Prime+50bps	Prime+150bps	Prime+200bps	5.00
<b>C</b>	Prime+100bps	Prime+200bps	Prime+250bps	6.00
<b>D</b>	Prime+150bps	Prime+250bps	Prime+300bps	7.00
<b>E</b>	Prime+200bps	Prime+300bps	Prime+350bps	8.00

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

*Floor Rate = 5.00*

*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	Rate	APY
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.

## **Alloya Corporate Federal Credit Union NONPERPETUAL CAPITAL SHARES**

### **Annual Notice of Terms and Conditions**

In accordance with NCUA Rules and Regulations Part 704, Alloya Corporate FCU ("Alloya") is required to disclose the terms and conditions of Alloya's Nonperpetual Capital Shares account ("NCA Shares") to all holders of such accounts.

The terms of Alloya's NCA Shares account are provided below.

#### **TERMS AND CONDITIONS OF NCA SHARES**

The following terms and conditions are required by the applicable NCUA rules and regulations.

- (1) NCA Shares are not subject to share insurance coverage by the NCUSIF or other deposit insurer.
- (2) NCA Shares are not releasable due solely to the merger, charter conversion or liquidation of the credit union. In the event of a merger, the NCA Shares transfer to the continuing credit union. In the event of a charter conversion, the NCA Shares transfer to the new institution. In the event of liquidation, the NCA Shares may be released to facilitate the payout of shares with the prior written approval of NCUA.
- (3) A member credit union may withdraw the NCA Shares with a minimum of five years' notice. Alloya may not redeem any NCA Shares prior to the expiration of the notice period, without the prior written approval of the NCUA.
- (4) NCA Shares cannot be used to pledge borrowings.
- (5) NCA Shares are available to cover losses that exceed retained earnings and perpetual contributed capital. Any such losses will be distributed *pro rata* among NCA Shares holders at the time the loss is realized. To the extent that NCA Shares funds are used to cover losses, Alloya is prohibited from restoring or replenishing the affected accounts under any circumstances.
- (6) If Alloya is liquidated, NCA Shares are payable only after satisfaction of all liabilities of the liquidation estate including uninsured obligations to shareholders and the NCUSIF. However, NCA Shares that are used to cover losses in a calendar year previous to the year of liquidation has no claim against the liquidation estate.
- (7) If Alloya is merged into another corporate credit union, NCA Shares will transfer to the continuing corporate credit union. The five-year notice period for withdrawal of the nonperpetual capital account will remain in effect.
- (8) NCA Shares are subject to certain disclosure rules. A credit union must read and understand the terms and conditions of NCA Shares and a credit union must maintain in its files the annual notice of terms and conditions of the NCA Shares. The initial notice form must be signed by either all of the directors of the member credit union or, if authorized by board resolution, the chair and secretary of the board of the credit union. The annual disclosure notice form must be signed by the Alloya Board Chair. The Alloya Board Chair must then sign a statement that certifies that the notice has been sent to member credit unions with NCA Shares accounts. This certification must be maintained in Alloya's files and be available for examiner review.

## Wire Transfer Risk Assessment

10/10/2019

### Policies and Procedures

The Credit Union has written policies for wire transfers addressing:

- Separation of duties between initiators, approvers, and reconcilers
- Identification requirements
- Maximum wire amounts for requests not made in person
- Methods to mitigate risks for members requiring regular wire requests not made in person
- Retention requirements for wire documentation

Policies and procedures are believed to meet all regulatory requirements. There were no findings related to wire transfers on the most recent NCUA exam or CPA audit. There are no known violations of policies or procedures in the last twelve months. There is a written agreement with Alloya Corporate Federal Credit Union addressing wire activity. They are the only party directly involved with the Credit Union in processing wires.

User authorizations are reviewed regularly but not on a set schedule by Management. Authorizations and access levels are set as appropriate for job duties and normal wire activity. All users are assigned unique IDs and provided with a token that cannot be shared and users are not allowed to have more than one ID.

Wire activity is reviewed by the BSA Compliance Officer monthly. Any unusual activity is investigated and review for possible BSA reporting. Wire activity is reconciled to our Corporate account daily. Any offages are investigated immediately. Wire activity is also reviewed by the Supervisory Committee.

Wire transfers are included in the continuity planning and disaster recovery programs of the Credit Union and assigned to the Comptroller.

Wire limits for requests not made in person are:

Via Telephone	\$500.00
Via Fax	\$1,000.00
Via Email	\$1,000.00

Wire transfers to third parties is only allowed if the member is present or arrangements were made with the member prior to the request.

Only collected funds currently in a member's account can be used for a wire transfer and are debited from the member's account prior to the wire being sent.

For these reasons and the fact that there are not planned changes to the wire process or procedures in the next twelve months but considering the dollar amount involved, the overall risk rating for wire transfers is **Medium**.

Prepared 10/10/2019 by James Yates, President

Approved by Kristi Barrowman, Vice President of Member Services & BSA Compliance Officer.

## Automated Clearing House (ACH) Risk Assessment

The Credit Union is both a Receiving Depository Institution (RDFI) and an Originating Depository Institution (ODFI). Alloya Corporate Federal Credit Union acts as the credit union's correspondent and transactions are processed through their core processing system.

Area of Risk	Rating	Risk Factor
<b>Internet Access Security</b>	Low	<ul style="list-style-type: none"> <li>All ACH functions are conducted through the credit union's core processing system (Episys).</li> <li>The credit union has enterprise-wide antimalware protection and overall strong IT controls.</li> </ul>
<b>User Security Settings</b>	Low	<ul style="list-style-type: none"> <li>Access to all ACH functions is handled through the credit union's core processing system.</li> <li>Access is limited to only those employees requiring regular access.</li> </ul>
<b>Compliance Audit</b>	Low	<ul style="list-style-type: none"> <li>Since 2014, the credit union's ACH audit has been performed by an outside party, AffirmX.</li> <li>All findings on the audits are addressed within a reasonable time. None have been critical.</li> </ul>
<b>Policies &amp; Procedures</b>	Low	<ul style="list-style-type: none"> <li>ACH policies and procedures can be found in the credit union's policy manual.</li> <li>ACH Policies and Procedures are reviewed during the annual ACH audit. There were no oversights or inconsistencies discovered during the last annual audit.</li> </ul>
<b>Account Reconciliation</b>	Medium	<ul style="list-style-type: none"> <li>The clearing accounts and corporate accounts are reconciled on a daily basis with all appropriate journal entries also made on a daily basis.</li> <li>Any discrepancies are resolved in a prompt manner.</li> </ul>
<b>Money Laundering Activity</b>	Medium	<ul style="list-style-type: none"> <li>ACH transactions are reviewed on a random basis for large and unusual activity.</li> </ul>
<b>ACH Credits</b>	Low	<ul style="list-style-type: none"> <li>ACH transfers are only performed for members.</li> </ul>
<b>ACH Debits</b>	Low	<ul style="list-style-type: none"> <li>ACH transfers are only performed for members.</li> </ul>
<b>Same Day Transactions</b>	Low	<ul style="list-style-type: none"> <li>Multiple posting times have been established to meet the requirements of Same Day Processing.</li> <li>No Same Day Transactions are currently originated.</li> </ul>
<b>ODFI Activity</b>	Low	<ul style="list-style-type: none"> <li>The credit union only originates ACH entries for members.</li> <li>No payroll origination is done or allowed in the future.</li> </ul>
<b>Recovery Plans</b>	Low	<ul style="list-style-type: none"> <li>The credit union has an established recovery plan for ACH activity.</li> <li>ACH activity is not dependent on the credit union's infrastructure.</li> </ul>

**Overall Rating: Low**



Physical Security Assessment		Yes	No	N/A	Notes
Regular Meeting of the Board of Directors - December 18, 2018					
<b>Is the location</b>					
Target for vandals?			x		
Close to emergency response units?	x				
Not close to rail lines?			x		
Not close to airports?			x		
Not close to manufacturing or chemical plants?	x				
Not close to research facilities with toxic waste?	x				
Not close to landfills?	x				
<b>Security Systems:</b>					
Employees required to wear name tags.	x				
Policy to challenge unfamiliar visitors	x				
Security system tested at least every 12 months	x				
Security system monitored 24 hours/day, 7 days a week	x				
<b>Access Control:</b>					
Authorized vendor service personnel list prepared	x				
Require positive identification of vendor personnel			x		
Vendor service personnel supervised while on premises			x		
Control access to communications facilities	x				
Collect keys and change codes when employees terminate	x				
<b>Housekeeping:</b>					
Flammable materials properly stored	x				
A no smoking policy in the entire building	x				
<b>Fire Control:</b>					
Smoke detectors installed and tested periodically	x				
Heat detectors installed and tested periodically	x				
A/C facilities automatically deactivated by smoke detectors	x				
Adequate fire extinguishers located in office	x				
Fire extinguishers easily accessible, with type and use identified	x				
Fire extinguishers inspected and tested regularly	x				
Established current emergency fire procedures and evacuation plan	x				
Require all employees to read emergency fire procedures	x				
Fire drill conducted on all shifts in the past 12 months			x		
Post fire department's phone number on/near each phone				x	instructed to call 911
Training for all employees in fire prevention			x		
Fire alarms tested every 12 months	x				
Regular fire prevention inspections	x				
Fire exits clearly identified and kept open	x				
Audible and visible alarms	x				
Fire detection system monitored 24 hours/day, 7 days a week	x				
<b>Electrical:</b>					
Reliable electrical power	x				
Power regulators installed to protect against spikes/brownouts	x				
Surge Protectors or line filters used on all desktop systems	x				
Master power shutdown controls for computer			x		servers only
Backup power available with appropriate size UPS	x				
Emergency power available for gradual power-down			x		
<b>Robbery:</b>					
Panic buttons installed and tested periodically	x				
Bait money deployed	x				
Established opening procedures	x				
Require all employees to read and understand opening procedures	x				
Opening procedures tested at least every 12 months	x				
Robbery response packettes at each workstation and in each office	x				
Robbery training for all employees conducted annually	x				
Robbery procedures tested at least every 12 months	x				

<b>Work Environment</b>	Yes	No	N/A
1) Are all work areas clean and orderly?	x		
2) Are all work areas adequately illuminated?	x		

<b>Walking and Working Areas</b>			
3) Are carpet/floor tiles secure?	x		
4) Is carpeting free of tears or trip hazards?	x		
5) Are floors free of water or slippery substances?	x		
6) Are floor mats used at entrances safe from trips?	x		
7) Are materials and cords stored so that they don't interfere with walkways?	x		
8) Are aisles free of boxes, wastebaskets, chairs, and other obstacles that impede egress?	x		
9) Are stairways clear of all obstacles?	x		
10) Are stair treads in good condition?	x		
11) Are handrails installed and in good condition?	x		
12) Are stairways adequately illuminated?	x		
13) Are emergency exits clearly marked and accessible?	x		
14) Is storage secure and stable?	x		
15) Are file drawers closed when not in use?	x		
16) Are file cabinets properly loaded to avoid tipping?	x		
17) Are chairs and furniture free of unsafe defects?	x		
18) Are ceiling tiles secure?	x		
19) Are vents free from obstructions?	x		

<b>Fire Safety and Prevention</b>			
20) Are fire extinguishers mounted, visible, and accessible?	x		
21) Are fire extinguishers fully charged and inspected?	x		
22) Are any extension cords for temporary use only?	x		
23) Are all electrical boxes closed?	x		
24) Are all electrical outlets properly covered?	x		

<b>Other</b>			
25) Is first aid kit accessible and fully stocked?	x		
26) Is paper shredder guarded?			x
27) Are desks clear of customer information when unattended?	x		
28) Is computer screen locked when staff are not at desk?	x		
29) Are bottom teller drawers locked when not in use?	x		
30) Are doors properly locked when scheduled?	x		

If NO was answered to any question corrective action required listed below.


## Card Transactions over Thanksgiving Weekend including Cyber Monday

By Merchant Type & Amount	Transactions	Amount
Grocery Stores, Supermarkets	2,135	\$123,057.71
Eating Places and Restaurants	782	\$30,766.17
<b>Money Transfer including Shared Branching</b>	<b>146</b>	<b>\$24,993.65</b>
Fuel Dispenser, Automated	691	\$24,575.72
Discount Stores	286	\$20,820.10
Computer Network/Information Services	412	\$20,766.28
Fast Food Restaurants	1,268	\$19,221.36
<b>Home Supply Warehouse Stores</b>	<b>222</b>	<b>\$19,013.58</b>
<b>Telecommunication Services</b>	<b>139</b>	<b>\$17,601.35</b>
<b>Department Stores</b>	<b>228</b>	<b>\$16,916.05</b>

By Merchant Type & Transaction Count	Transactions	Amount
Grocery Stores, Supermarkets	2,135	\$123,057.71
Fast Food Restaurants	1,268	\$19,221.36
<b>Service Stations</b>	<b>1,037</b>	<b>\$15,736.94</b>
Eating Places and Restaurants	782	\$30,766.17
Fuel Dispenser, Automated	691	\$24,575.72
Computer Network/Information Services	412	\$20,766.28
<b>Cable, Satellite, and Other Pay Television and Radio Services</b>	<b>337</b>	<b>\$14,542.73</b>
<b>Book Stores</b>	<b>293</b>	<b>\$15,112.05</b>
Discount Stores	286	\$20,820.10
<b>Package Stores—Beer, Wine and Liquor</b>	<b>283</b>	<b>\$7,934.52</b>

By Merchant & Amount	Transactions	Amount	Accounts
WAL-MART	999	\$78,382.62	814
SAMS CLUB	154	\$14,611.80	144
KING SOOPERS	282	\$14,327.52	231
ALBERTSONS	424	\$13,667.07	311
<b>TARGET</b>	<b>151</b>	<b>\$10,677.63</b>	<b>135</b>
LOAF N JUG	467	\$9,626.94	366
<b>MENARDS</b>	<b>119</b>	<b>\$9,200.55</b>	<b>102</b>
<b>SPECTRUM</b>	<b>64</b>	<b>\$9,038.62</b>	<b>60</b>
<b>VENMO*</b>	<b>29</b>	<b>\$8,972.35</b>	<b>22</b>
<b>KOHL'S</b>	<b>89</b>	<b>\$8,773.88</b>	<b>80</b>

By Merchant & Transaction Count	Transactions	Amount	Accounts
WAL-MART	999	\$78,382.62	814
LOAF N JUG	467	\$9,626.94	366
ALBERTSONS	424	\$13,667.07	311
KING SOOPERS	282	\$14,327.52	231
<b>MAVERIK</b>	<b>265</b>	<b>\$6,444.64</b>	<b>204</b>
<b>MCDONALD'S</b>	<b>209</b>	<b>\$2,293.62</b>	<b>183</b>
<b>APPLE.COM</b>	<b>207</b>	<b>\$3,001.58</b>	<b>133</b>
<b>KUM &amp; GO</b>	<b>163</b>	<b>\$3,152.48</b>	<b>130</b>
SAMS CLUB	154	\$14,611.80	144
<b>SAFEWAY</b>	<b>152</b>	<b>\$5,824.34</b>	<b>111</b>