

MISSOURI ELECTRIC COOPERATIVES  
EMPLOYEES' CREDIT UNION  
PO BOX 1586  
JEFFERSON CITY, MO 65102

# POLICY MANUAL

Prepared by the Security & Policy Committee

# MISSOURI ELECTRIC COOPERATIVES EMPLOYEES' CREDIT UNION

## POLICY MANUAL

### FOREWORD

The Board of Directors of the Missouri Electric Cooperatives Employees' Credit Union is responsible for establishing Credit Union policy. This policy manual is designed to provide written statements of policy (1) to establish and implement the objectives of members as interpreted by the Board and (2) to govern the operation of the Credit Union. The policy manual includes statements of policy and not detailed procedures.

Each year at the organizational meeting of the new Board of Directors, the policy manual in its entirety is presented and will be adopted by a Board resolution at the following scheduled Board meeting and incorporated as a part of the meeting minutes. It thus becomes the policy of the new Board. The purpose of the annual review is to:

1. Provide information to new Board members on existing policy and the opportunity to question and understand the reasons for policy as it exists.
2. Commit each Board member to existing policy.
3. Assure a systematic review and evaluation of policies at least once each year.
4. Reaffirm policy guidelines for the management and staff.

The Security and Policy Committee is responsible for the initial study, development, and recommendation of new and revised policies to the Board of Directors. Additions, deletions, or changes to the policy manual are made by reference to specific parts and sections of the policy manual and become operative when adopted by the Board of Directors.

**MISSION STATEMENT – “Personalized financial services provided by a dedicated staff with successful results.”**

# TABLE OF CONTENTS

1. Organization
  2. Board and Management Relations
  3. Personnel
  4. Compliance and Loans
  5. Budgetary and Financial Control
  6. Cash and Investment Control
  7. Earnings and Reserves
  8. Marketing
  9. Delinquent Loan Control
  10. Insurance and Risk Management
  11. Facilities
  12. Electronic Data
  13. Savings
  14. Asset Liability Management Program
  15. Safety and Loss Prevention Plan
  16. Consumer Data Protection Policy
- Appendix A – Job Descriptions
- Appendix B – Disaster Recovery Plan

# MISSOURI ELECTRIC COOPERATIVES EMPLOYEES' CREDIT UNION

## POLICY MANUAL

### PART I: ORGANIZATION

#### **Section A - Governing Rules and Regulations**

- 1) Missouri Electric Cooperatives Employees' Credit Union will be governed by the laws of the State of Missouri relating to credit, its articles of incorporation, bylaws adopted by the Board and approved by the Credit Union Commission.
- 2) Nothing included in this manual is to be in conflict with the rules and regulations as identified in Section A, Number 1.
- 3) The policy of the Missouri Electric Cooperatives Employees' Credit Union shall be to emphasize it as a membership organization. Its policy shall be to provide maximum communications to members and openness within the constraints of the law.

#### **Section B - Board of Directors, Officers, and Management**

Provisions of the bylaws relating to the Board of Directors, Officers, and Management are supplemented as follows: The President/Manager shall not be a member of the Board of Directors.

#### **Section C - Organization Structure**

- 1) The organization structure of the Missouri Electric Cooperatives Employees' Credit Union: Please see the organizational chart at the end of this section.
- 2) Each year immediately after the organization meeting elections, the Board Chairman shall appoint standing committees for the year that follows.
- 3) The Board Chairman and President/Manager shall be ex officio members of all committees except those on which they are regular members.
- 4) Committees
  - a) Nominating Committee
    - i) The committee will consist of three Credit Union Board Members that are appointed by the Board Chairman prior to the annual meeting. One of the three committee members will be appointed to serve as Chairman.
    - ii) The committee responsibilities shall include:
      1. Selecting qualified candidates for the Board and committees.
      2. Ascertaining the willingness and desire of candidates to serve.
      3. Placing names in nomination.
  - b) Executive Committee
    - i) The committee will consist of the Board Chairman, Vice-Chairman and Secretary/Treasurer.
    - ii) The committee responsibilities shall include:
      1. Providing written annual review of the President/Manager.
      2. Meeting at their discretion to discuss items not presented to the Board.
  - c) ALM Committee
    - i) The committee will be appointed by the Board Chairman.
    - ii) The committee will meet on a quarterly basis.
    - iii) The committee responsibilities shall be to review the Credit Union's:
      1. Net worth
      2. Earnings
      3. Deposit Rates
      4. Loan Rates
      5. Liquidity
      6. Financial performance ratios
    - iv) Upon review of the previously listed factors, the ALM committee will be responsible to make recommendations to the Board.
    - v) The committee will record minutes at each meeting.

- d) Security & Policy Committee
  - i) The committee will be appointed by the Board Chairman.
  - ii) The committee responsibilities shall be to meet regularly to review and update the policy manual and ensure it remains in compliance.
- e) Other committees as needed will be appointed by the Board Chairman.

#### **Section D - Credit Union Representatives**

- 1) The Credit Union will work with the Rural Electric Cooperatives to establish Credit Union representation within each Rural Electric Cooperative.
- 2) The Credit Union will be responsible to provide information to the representatives about new and previously installed Credit Union services, along with general Credit Union updates.
- 3) Communication will be enhanced by:
  - a) Annual District Representative Meetings
  - b) Annual Representative Conference

#### **Section E - Electric Cooperative Relations**

- 1) Missouri Electric Cooperatives Employees' Credit Union will coordinate its operation with the Rural Electric Cooperatives so as to keep key electric cooperative administrators informed of policy issues and decisions.
- 2) It is the mission of Missouri Electric Cooperatives Employees' Credit Union to operate at such a high level that it is viewed by its membership as a benefit to their employment.

#### **Section F - Relations to Credit Union Organizations and Associations**

- 1) It is the policy of the Missouri Electric Cooperatives Employees' Credit Union to take advantage of all possible assistance from credit union organizations and associations. Participation in chapter, league, and other association affairs are encouraged to enhance the efficiency of the Credit Union.
- 2) The Board of Directors' prime responsibility is to its members, not to any other group.
- 3) The Board, as part of the annual budget function, shall review and approve association dues.

#### **Section G - Compensation - Job Classifications**

- 1) Management and Staff
  - a) Salary ranges for management and staff shall be established and reviewed annually or as recommended by the Board of Directors. The annual compensation of a staff member shall be reviewed and approved annually at the time the budget is adopted for the ensuing year. Interim raises may be granted following the completion of a probationary period or upon transference to another job classification which offers a higher pay schedule.
  - b) Salary Schedule will be reviewed by the Executive Committee and approved by the Board of Directors annually (Please see the salary plan at the end of this section).
  - c) Job Descriptions
 

The President/Manager prepares job descriptions with the executive committee. Such descriptions become the operational procedure of the Credit Union and not part of the organizational or personnel policy. Such descriptions shall be exhibited in Appendix A of the policy manual (see Personnel Policy on job descriptions).
- 2) Officers, Directors, and Committees
 

It is the general policy that Officers, Directors, and Committee Members shall not be paid for their services. These positions are volunteer positions to help serve the members of the Missouri Electric Cooperative Employees' Credit Union.

#### **Section H - Authorization**

The authorizations included in this section are to be adopted each year by the Board of Directors at the annual organization meeting as a part of the total policy manual.

- 1) Bank
  - a) Central Bank in Jefferson City, Missouri is designated as the primary depository bank. Management control of cash in the checking account is through the Millennium Corporate Credit Union at a level required to meet daily

- needs.
- b) The President/Manager may authorize Credit Union employees to sign checks. These employees will complete the required authorization form and their signatures will be kept on file at Millennium Corporate Credit Union.
  - 2) Attorney  
The President/Manager shall be authorized to evaluate and select a law firm to represent the Credit Union.
  - 3) Garnishment Agent  
The President/Manager is authorized to appoint the garnishment agent on behalf of the Missouri Electric Cooperatives Employees' Credit Union as is required by the small claims court.
  - 4) Borrowing  
Borrowing from an established line of credit at Millennium Corporate Credit Union and the Federal Home Loan Bank is authorized and will be reviewed monthly with the financials at the Board meeting.
  - 5) Bond  
The Board shall approve and direct the maintenance of the blanket bond coverage for the current and future years which shall be set within the limits required by the National Credit Union Administration.
  - 6) Purchase or Sale of Investments  
The President/Manager may buy or sell investments from time to time which have been approved for credit unions by the Missouri Division of Credit Unions that is consistent with the investment policy.
  - 7) Legal Papers - Signatures
    - a) The President/Manager and Loan Officers shall be authorized to sign and release real estate mortgage documents on behalf of the Credit Union.
    - b) The President/Manager, Loan Officers, or Office Manager may sign financial statements, security agreements, and all forms required under the Uniform Commercial Code. Credit Union employees may sign release of titles.
  - 8) Representatives  
The President/Manager or Board Chairman shall have the authority to vote on matters of interest to the Credit Union at Credit Union National Association, CUNA Mutual, Chapter, and other meetings. Further, the Chairman has the authority to designate any member of the Board of Directors, committee members, management, employees, or their spouses to represent the Credit Union that includes instructions on how to vote. Any action taken under this provision shall be reported to the Board.
  - 9) Notary Service  
The Credit Union shall have a minimum of one notary public on staff to notarize Credit Union documents. There will be no charge for this service to members of Missouri Electric Cooperatives Employees' Credit Union. The expenses of bonds and seals shall be paid by the Credit Union.
  - 10) Field of Membership
    - a) An employee shall be assigned to maintain the membership reports as permitted under the membership guidelines listed in our bylaws (see Exhibit A at the end of this section).
    - b) The Board of Directors defines immediate family for this Credit Union as: spouse, grandparents, parents, children, grandchildren, siblings and spouses of the aforementioned children, grandchildren and siblings. Additionally: the spouse's immediate family as defined above is also eligible for membership at this Credit Union.
  - 11) Secured Party  
Designated loan officers may sign loan documents as a secured party on behalf of the Credit Union.
  - 12) Notices  
Notices, other than approved advertising materials, shall not be posted on the Credit Union premises unless expressly authorized by the Board of Directors.
  - 13) Service Charges  
Management shall be authorized to charge a reasonable charge for services to members (telephone, record duplication, etc.) related to Credit Union transactions but not part of normal business.
  - 14) Receipts  
Receipts for loan payments or deposits received by mail shall not normally be sent to members. The canceled check shall be the receipt, unless otherwise requested by the member.
  - 15) Correspondent  
Management is authorized to contract with other credit unions for correspondent relationships subject to the guidelines set forth by the regulatory agency.
  - 16) Credit Bureau  
Management is authorized to contract with a credit bureau reporting company for credit information. Such contract shall be subject to the Fair Credit Reporting Act and rules of the commissioner of credit unions.

- 17) Visa Card  
Management is authorized to participate in the Visa Card program.
- 18) Equipment Purchases  
The President/Manager shall be authorized to purchase equipment, fixtures or replacement equipment within the current budget.
- 19) Transfers Under Regulation D  
No more than six transfers by telephone, preauthorized order, or automatic transfer to another account of the member or to a third party will be permitted from any savings account per month, except for share draft accounts under provisions of Regulation D of the Federal Reserve.
- 20) Endorsements  
It is the policy of the Missouri Electric Cooperatives Employees' Credit Union not to provide endorsements of non-credit union products or services available from others. From time to time, the Board of Directors and Management may select products and services to be made available to members. Such selection is based on careful evaluation of benefits to be provided to the members. The final decision to use the service or select the product rests with the member. Availability does not constitute an endorsement. Notice of this statement of policy shall normally accompany the release of a new service to members.
- 21) Gifts to Charities, Funds or Foundations
- a) It shall be the policy of Missouri Electric Cooperatives Employees' Credit Union to refrain from contributing to charities, funds or foundations based on the fact that the Credit Union is a non-profit entity that utilizes member funds to operate. Giving on behalf of the member and using member monies would be deemed inappropriate.
  - b) Contributions or gifts not covered by the policy shall require special action of the Board of Directors.
- 22) Political Contributions  
It shall be the policy of the Missouri Electric Cooperatives Employees' Credit Union not to contribute to political campaigns as covered under Federal law.

#### **Section I - Regular and Special Meeting of the Board**

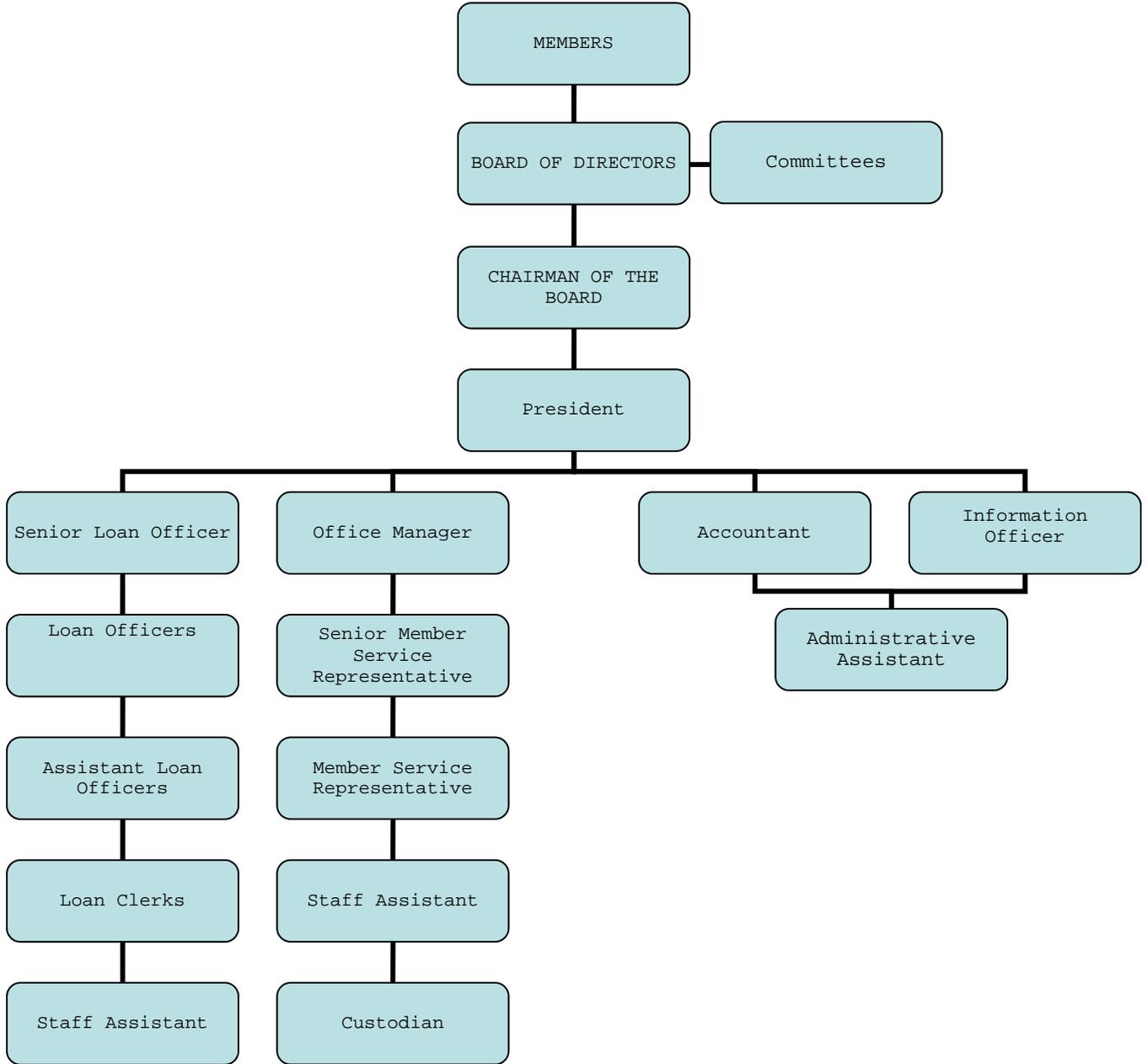
- 1) Preparation and Distribution of Agenda
  - a) It shall be the joint responsibility of the Board Chairman and the President/Manager of the Credit Union to prepare the agenda for distribution in advance of all meetings.
  - b) The President/Manager and staff of the Credit Union shall prepare the necessary reports, exhibits, and supporting documents for each meeting for distribution with the agenda.
- 2) Notification of Board and Supervisory Committee Members
  - a) It shall be the responsibility of the President/Manager of the Credit Union to provide written notice at least seven days in advance of any regular Board Meeting.
  - b) Special meetings will normally be preceded by written or verbal notice at least three days in advance. Where notice of three days is given, the majority of a quorum of the Board shall be adequate to take action. In the event of an emergency, the Board Chairman can call a special meeting without notice. An effort shall be made to contact each Board Member. The vote of at least five of the nine members of the Board shall be necessary to take action at such an emergency meeting.

**Exhibit A****MISSOURI ELECTRIC COOPERATIVES EMPLOYEES' CREDIT UNION**

**SECTION 4.1** - Membership shall be limited to: employees of Missouri electric cooperatives; employees of societies, associations, organizations, corporations and other employee groups owned, controlled or operated by and for the benefit of the Association of Missouri Electric Cooperatives, its employees and the employees of the Missouri electric cooperatives; employees of this Credit Union; immediate family members of the above named active, retired or deceased employees who are members of this Credit Union. Immediate family shall cease to be qualified to join this Credit Union upon the employee's termination with the cooperative affiliation. Memberships, which have been approved prior to termination, shall continue until terminated under the provisions of these bylaws.

**SECTION 4.5** - The societies, associations, organizations, corporations, and other employee groups are eligible for membership in this Credit Union may be admitted to membership in the same manner and under the same conditions as individual members provided that such entity is represented by one natural person authorized to transact business with the Credit Union.

### ORGANIZATIONAL CHART OF MISSOURI ELECTRIC COOPERATIVES EMPLOYEES' CREDIT UNION



**MECE Credit Union 2021 Salary Ranges (Effective 10-1-2020)**

Senior Loan Officer-	\$79,000 - \$151,000
Accountant-	\$84,000 - \$150,000
Office Manager-	\$58,000 - \$103,000
Information Officer-	\$62,000 - \$97,000
Loan Officer-	\$48,000 - \$88,000
Assistant Loan Officer-	\$35,000 - \$50,000
Loan Clerk-	\$32,000 - \$46,000
Administrative Assistant-	\$40,000 - \$65,000
Senior Member Service Rep.-	\$40,000 - \$59,000
Member Service Rep.-	\$30,000 - \$42,000
Staff Assistant-	\$10.00 per hour - \$16.00 per hour
Custodian-	\$12.00 per hour

# MISSOURI ELECTRIC COOPERATIVES EMPLOYEES' CREDIT UNION

## POLICY MANUAL

### PART II: BOARD AND MANAGEMENT RELATIONS

#### Section A - The Board of Directors

- 1) The Board of Directors is ultimately responsible for the overall operations and functions of the Credit Union. To ensure this duty is achieved, the Board must:
  - a) Establish clear policy.
  - b) Select competent management.
  - c) Assure that management is performing properly.
- 2) A Director of the Credit Union is to have an independent vote and shall not be subject to direction by the President/Manager, the chairman of any committee, or other interested parties.
- 3) Some responsibilities of directors are as follows:
  - a) Meet on a monthly basis, additionally if needed.
  - b) Approve new member accounts.
  - c) Provide input and approve an annual budget which includes capital ratios.
  - d) Compare budgeted goals with actual performance.
  - e) Review earnings, spread ratios, and financial statements on a monthly basis.
  - f) Establish interest rates and approve expenditures.
  - g) Authorize necessary bond coverage, investments, and depositories for funds.
  - h) Declare dividends and establish reserves.
  - i) Fill vacancies on the board and committees between annual meetings.
  - j) Review and act on delinquent loans.
  - k) Maintain working relationship with Credit Union management and committees.
  - l) Receive and take appropriate action on the reports of the supervisory authorities and examining committee.
  - m) Review progress of Credit Union in serving member needs.
  - n) Plan for the long-term development and needs of the Credit Union.
  - o) Participate in relevant programs and training.
- 4) References:
  - a) Division of Credit Unions
  - b) Credit Union Bylaws, Article 8
  - c) National Credit Union Administration (NCUA)
  - d) CUNA
  - e) Heartland Credit Union Association (HCUA)
- 5) Conflict of Interest
  - a) When matters pertaining to the specific personal interest of a Board Member are discussed, the affected Board Member or Members shall not engage in the discussion nor shall they participate in the vote. The minutes shall state this fact. If more than one Board Member is involved in matters involving a conflict of interest and a vote is called, the number voting must exceed the quorum requirements for the meeting or a unanimous action is required by the voting Board Members.
  - b) Examples of conflict of interest situations would be action to reduce interest on the obligation of a relative, purchase land for the purpose of erecting a credit union office where the land is owned by a Director, or sell casualty insurance through the Credit Union when a Board Member is an agent.
  - c) Any Credit Union employee, Director, officer, or spouse who is associated with, or holds a material ownership interest in another financial institution, trade association or related business shall file an annual disclosure statement with the President or Board Chairman within 30 days of: January 1, the start of employment, or taking office. A material ownership interest is defined as \$5,000.00 or more. The President or Board Chairman and the individual will resolve any apparent conflict of interest disclosed by the statement. The reporting of said interest shall follow the line of succession:
    - i) Employees will report to the President/Manager.
    - ii) Management will report to the Chairman.

- iii) All others to the Secretary/Treasurer of the Board.

### **Section B – The President/Manager**

- 1) The President/Manager shall be the principal operating officer of the Credit Union, but shall not be a member of the Board of Directors. The President/Manager is responsible for the implementation of the policy of the Board of Directors. This person shall be best informed on the operation of the Credit Union and those matters that should come to the attention of the Board of Directors. Keeping the Board of Directors properly informed is among the major duties and responsibilities.
- 2) The job description for the position of President/Manager is set forth in Appendix A of this manual.
- 3) The President/Manager shall operate the Credit Union in accordance with the regulatory agency, bylaws, and Board policy.
- 4) The President/Manager shall communicate with the Board directly at its regular meeting and between meetings, normally through the Board Chairman and/or the Executive Committee.
- 5) The President/Manager shall cooperate with the supervisory authorities and keep the Board informed if differences exist.
- 6) The President/Manager shall work to build a favorable image for the Credit Union within the Rural Electric Cooperatives.
- 7) The President/Manager shall represent the Credit Union and participate actively in appropriate chapter and league programs.
- 8) The President/Manager shall report to the Board monthly all relevant events occurring since the prior meeting that are not otherwise reported, and when appropriate, make specific recommendations to the Board for their action.
- 9) The President/Manager shall serve as a liaison to the Board or committees to provide specific data and otherwise relevant information pertaining to credit union business. This will ensure that the Board or committees are adequately informed so they may make informed judgments and take appropriate actions.
- 10) The President/Manager can expect the Board to provide authorizations and policy as necessary, to implement or clarify operational procedures.
  - a) Communications. The President/Manager shall have the opportunity to express himself/herself on all matters of policy and be in regular attendance at Board and committee meetings.
  - b) Personal Development. The President/Manager shall be given the opportunity to attend credit union and managerial-type schools and conferences for the express purpose of increasing his/her ability to manage the Credit Union more efficiently.
  - c) Personnel. The President/Manager shall have the right to hire staff and handle all personnel problems in accordance with the personnel policy. The President/Manager shall direct the activities of staff personnel in the best interest of the Credit Union. The Board or committees can make recommendations related to personnel to the President/Manager.
  - d) Performance Appraisal. The President/Manager shall be entitled to an annual appraisal of performance and review of salary.
  - e) Request for Examination. The President/Manager shall be entitled to have the Board of Director's request an examination by the regulatory agency immediately following his/her termination.

### **Section C – The Board and the President/Manager**

- 1) The Board and President/Manager must communicate efficiently to assure continuity within the Credit Union. Regular monthly board meetings will be in place to ensure issues of central importance to the Credit Union and its membership are understood and dealt with in a timely manner.
- 2) It is the decision of the Board of Directors that the Board meetings are closed to member participation for the protection of the members' interest due to the confidentiality of the deliberations (consistent with the ruling of the regulatory agency).
- 3) A meeting will be held annually devoted to the planning and coordination of the credit union. This meeting will be conducted according to the following agenda:
  - a) Statement on "State of the Credit Union" by the President/Manager.
  - b) Discussion of key issues as they relate to the coming year(s).

**Section D – Absence of the President/Manager**

The order of acting authority will be:

- 1) Office Manager
- 2) Senior Loan Officer

# MISSOURI ELECTRIC COOPERATIVES EMPLOYEES' CREDIT UNION

## POLICY MANUAL

### PART III – PERSONNEL

#### **Section A – Philosophy**

The Missouri Electric Cooperatives Employees' Credit Union considers its personnel to include two groups: President/Manager and staff. The general intent is to encourage staff to train for advancement within the Credit Union. The Credit Union shall reference the community, other credit unions, other local financial institutions, and member cooperatives for guidance in establishing credit union policies. The policies of MECECU are subject to change at any time, without notice, at the sole discretion of the Board of Directors.

#### **Section B – Non-discrimination**

All policies shall prohibit discrimination in recruiting, hiring, assignment, promotion, wages, transfer, training, vacation, fringe benefits, and other terms and conditions of employment on the basis of sex, class, age, race, color, religion, handicap, marital status, military status, ancestry, national origin, economic status or political belief (in accordance with Title VII of the Civil Rights Act of 1964).

#### **Section C – Executive Committee**

The Executive Committee shall be responsible for the administration and integration of personnel policies and procedures and will recommend the amount to be budgeted for staff salaries.

#### **Section D – Employment**

- 1) The Board of Directors is responsible for hiring and terminating the President/Manager.
- 2) The President/Manager is responsible for hiring, terminating, and supervising staff in accordance with the policy of the Board of Directors and within budgetary guidelines and limitations.
- 3) The employment of spouses/cohabitants can cause various problems including, but not limited to; charges of favoritism, conflicts of interest, family discord, and scheduling conflicts which may cause hardships on the Credit Union and its employees. For this purpose, a spouse or cohabitant (involved in a romantic relationship) of an employee will not be allowed to be hired/employed at the Credit Union. If two Credit Union employees choose to marry or cohabitate (involved in a romantic relationship), then one would be required to resign as of the date of their marriage or cohabitation. If the two affected employees cannot decide between them which will resign the least senior employee will be required to resign.
- 4) All employees are at-will employees under Missouri law. As such, either the Credit Union or the employee may terminate the employment relationship at any time, for any reason, or for no reason.
- 5) Parallel moves/Transfers/Advancements
  - a) A probationary period of 6 months shall apply with a salary increase awarded upon satisfactory completion.
  - b) The President/Manager will address the pay scale of a position with an employee in the case of a transfer or parallel move.
  - c) Advancement may be made after:
    - i) Opening is posted
    - ii) Fulfillment of the minimum requirements are met
    - iii) Satisfactory achievement based on the criteria for evaluation as determined by management for the position is met

#### **Section E – Wage and Salary Administration**

- 1) A salary range will be established for each job classification. The salary of each employee will be based on the established range.
- 2) The President/Manager will meet with the Executive Committee to discuss staff salary compensation.

Approved by MECE Credit Union Board of Directors on November 13, 2020

- 3) The President/Manager will recommend staff salary ranges and budgeted increases for the salary plan as discussed with the Executive Committee.
- 4) Staff salary recommendations will be effective the first pay-period in October and registered with NRECA benefits compensation prior to their deadline.
- 5) The Executive Committee less the President/Manager will recommend the President/Manager's salary.
- 6) The President/Manager's salary will be reviewed annually by the Board of Directors.
- 7) Salary Guidelines – Staff
  - a) Merit and cost of living increases will be effective the first pay period of October of each year and will reflect annual budget considerations. This date may be subject to change to coincide with NRECA benefit time constraints.
  - b) The CUNA salary survey will be used each year to gather documentation for salary ranges. The “top end” of the salary range will never decrease from the previous year.
  - c) In the event an employee reaches the top tier of their salary range, they may receive a 1% salary increase each year to offset inflation which could result in their salary being higher than their range. The employee is also eligible for a 2% merit bonus on an annual basis that would be paid in one lump sum with the first pay period in January.
  - d) In the event of a job change, promotion to a vacant position, or a newly created position, an employee's salary will be immediately adjusted to the established salary range.
  - e) Employee transfers within the Credit Union shall not result in pay decreases except when the pay decrease is voluntary or as a result of a demotion.
  - f) Part time employees shall be paid at an hourly rate consistent with the responsibilities given. The part time position will hold the title of Staff Assistant and will not receive fringe benefits. The Staff Assistant position will not exceed 1,000 hours each calendar year.
  - g) Payment of the payroll shall be made at the conclusion of the two-week period worked.
- 8) Overtime Work
  - a) Overtime work
    - i) Defined as work in excess of forty hours per week.
    - ii) All overtime work must be authorized in advance by the President/Manager.
    - iii) Authorized overtime must be paid on the next payroll and may not be accumulated.
  - b) Overtime shall be discouraged by the Credit Union.
- 9) Employee suggestions for cost-saving ideas, new services, or other improvements shall be recognized with an appropriate written notice in the personnel folder, an office memo, or at a staff meeting. No monetary awards shall be granted unless offered through an employee incentive program.
- 10) The President/Manager may approve flexible work schedules or shared-time positions upon request of an employee provided the employee(s) submit a complete work schedule that is satisfactory for the operation of the Credit Union.
- 11) Deferred Compensation Plan
  - a) A deferred compensation plan may be adopted by the management of the Credit Union.
  - b) The Executive Committee may recommend this plan for Board approval annually.
  - c) The Credit Union shall utilize the Association of Missouri Electric Cooperatives and National Rural Electric Cooperative Association as references to develop the plan.

### **Section F – Paid Time Off (PTO)**

Paid Time Off (PTO) shall be provided for continuation of wages and salary during time away from work including: vacations, personal leave, medical appointments, illness, family obligations, and general wellness of all Credit Union employees. It shall be the policy of MECE Credit Union to grant annual Paid Time Off (PTO) with pay to full-time employees in accordance with the guidelines set forth below:

#### 1) Accrual

PTO shall be accrued monthly and posted the first pay period of each month based on the employee's length of service. Full-time employees will accrue PTO according to the following schedule:

<u>Service Period</u>	<u>Monthly Accrual</u>	<u>Annual Accrual</u>
Date of hire – End of 2 <sup>nd</sup> year	8 hours	12 days
Years 3-5	12 hours	18 days
Years 6-10	14 hours	21 days
Years 11-15	16 hours	24 days
Years 16-Retirement	18 hours	27 days

- 2) Administration
  - a) PTO pay for full-time employees will consist of the employee's regular rate of pay for the PTO period.
  - b) Scheduling PTO
    - i) Paid time off must be requested and approved in advance unless it is used for personal or family sickness, whereby the employee must notify the Credit Union immediately.
    - ii) Management shall have the right to approve the scheduling of all PTO requests.
    - iii) Employees should make their PTO requests as early in the year as possible so that management may plan work schedules accordingly.
    - iv) In the event of PTO scheduling conflicts, management shall, when feasible, resolve PTO scheduling conflicts based on seniority.
    - v) Each calendar year, employees with 3 to 5 years of service will be required to take a minimum of 40 PTO hours. Employees with 6 years of service or longer will be required to take a minimum of 80 PTO hours each calendar year.
    - vi) Employees may carry forward unused hours of accrued PTO into the subsequent years.
    - vii) PTO may be charged and used in one hour increments.
  - c) Employees are required to use all PTO before taking leave without pay, unless their PTO remaining balance falls below 50 hours and the cause is due to approved medical leave. If any employee has exhausted all available PTO and needs to request additional time off, then the employee must go on leave without pay only if approved by the President/Manager.
  - d) Extended leave
    - i) Employees who have an extended illness which creates a scheduling conflict, may be required to submit a statement from a licensed physician stating the reason for, and the duration of, any claimed disability, illness, injury, pregnancy or recovery from giving birth; over a 5 day period.
    - ii) Employees who become disabled and do not have enough remaining PTO to reach long-term disability will be placed on leave without pay until they reach the point they are eligible for long-term disability, or they return to work.
    - iii) Employees who have reduced earnings due to leave without pay will continue to earn their monthly PTO accrual, as long as they average 40 hours of paid service during each 80 hour pay period.
    - iv) During extended leave, employees shall continue to receive all other employee benefits that were provided prior to the extended leave at the normal benefit cost for a maximum of 3 months, which would make them eligible for long-term disability.
  - e) PTO limits
    - i) Any PTO hours accrued over 640 will be paid to the employee on the last pay period of each year.
    - ii) All hours in excess of 640 will be paid based on the employee's salary, less any legally required deductions, including withholdings for federal and state taxes.
  - f) Retirement hours
    - i) At retirement, a payment shall be made to the retiree for all unused PTO.
    - ii) The lump sum payment made at the time of retirement shall be based upon the employee's salary on the last day worked, less any legally required deductions, including withholdings for federal and state taxes.
  - g) Employees whose employment is terminated for any reason or who are laid off will receive payment for any unused PTO at the time of termination or lay off based upon the employee's salary on the last day worked. If an employee dies, pay for unused PTO will be paid in a lump sum to the employee's beneficiary.
  - h) Staff Assistants that transition to full-time employment at the Credit Union will have their PTO service period accrual based on their total hours worked as a Staff Assistant divided by 2,080 hours in order to determine a "Credit Union start date" for PTO accrual.
  - i) The President/Manager or his designee shall be responsible for the implementation of this policy.

### **Section G -- Holidays**

- 1) The following days are recognized as holidays and the Credit Union shall be closed:
  - a) New Year's Day
  - b) Martin Luther King Day (floating)
  - c) President's Day
  - d) Harry Truman's Birthday (floating)
  - e) Memorial Day
  - f) Independence Day
  - g) Labor Day

Approved by MECE Credit Union Board of Directors on November 13, 2020

- h) Veteran's Day
  - i) Thanksgiving
  - j) Day after Thanksgiving
  - k) Christmas
  - l) Employee's birthday (floating)
- 2) Floating holidays may be used with management approval at the employee's discretion on or after the date of the holiday. Floating holidays may not be carried over to the following year, with the exception of an employee's birthday that is in December.
- Management will work with the employee to make sure the birthday holiday is used during the next 2 months. Employees must be employed on the date of the floating holiday in order to be eligible to receive this benefit.
- 3) When a holiday falls on Saturday, the holiday will be observed on the previous Friday.
  - 4) When a holiday falls on a Sunday, the holiday will be observed on the following Monday.
  - 5) When a holiday falls in an employee's day of absence, it will not be counted as a day of paid time off.
  - 6) On holidays observed by Missouri Electric Cooperatives Employees' Credit Union, each full-time employee will receive 8 hours of regular pay.
  - 7) New employees that are hired full time will receive 2 floating holidays to be used within the first 12 months of their employment.

### **Section H – Authorized Leave**

- 1) The following leave shall be with pay and may be authorized by the President/Manager as deemed appropriate:
  - a) Up to 3 days time off, with pay and without regard to earned paid time off, may be granted to employees at the discretion of the President for attendance at funerals and illness of members of the employee's immediate family, or the immediate family of his or her spouse. Immediate family is defined as children, parents, grandparents, and siblings.
  - b) For attendance at funeral of close relatives, other than immediate family, time off may be granted to the extent of not more than one working day.
  - c) When an employee attends a funeral in which they are a pallbearer, time off may be granted to the extent of not more than one working day.
  - d) An employee who is required to take leave to serve as a juror or other mandatory court duty will be excused from work for the required period of time. Verification of the service performed will be required and kept in the employee's file.
  - e) Release time for required service (not normally to exceed two weeks) in the National Guard or Regular Reserve encampments shall be approved by management. In the event the employee's salary exceeds the pay from the National Guard, the difference shall be granted by the Credit Union. The employee will report back to work when not actually engaged in performing the duties described above.
  - f) Employees who are granted authorized leave will not be required to use PTO.
- 2) Leave without pay
  - a) Leave without pay must be requested in writing with the reasons for the leave documented. The request must then be approved by the President/Manager.
  - b) Leave of absence without pay due to medical emergency shall not be granted for more than 3 months. Employee benefits will not be effected during this time provided that the employee continues to pay their portion of the benefit expense.
  - c) Leave without pay that does not pertain to a medical emergency will not be granted for more than 2 weeks each calendar year. Employee benefits will not be affected during this time.
  - d) The employee may, upon written application and with the approval of the President/Manager, return to active duty before the expiration of a leave of absence.
  - e) An employee's failure to report back to work within three working days after the expiration of a leave of absence shall be treated as an absence without leave.
  - f) The employee, upon written application and with the approval of the President/Manager, does not have to exhaust all earned paid time off during a leave of absence without pay once their PTO remaining balance falls below 50 hours if the leave is approved due to medical reasons.
- 3) Absence Without Leave
  - a) An employee absence from duty without prior authorization and under conditions which are not subsequently found to justify the granting of leave, depending upon the reason for and length of the absence, may be subject to appropriate discipline, up to and including dismissal.
  - b) If an employee requests a leave of absence without pay under this policy and the President/Manager denies the request, continuing absence without leave requires dismissal of the employee.

- 4) Employees shall not be guaranteed reinstatement to the same position for a leave of absence without pay that exceeds 3 months.

### **Section I – Paid Parental Leave**

#### 1) Purpose/Objective

MECE Credit Union will provide up to 3 weeks of Paid Parental Leave (PPL) to eligible employees following the birth of an employee's child, the birth through a surrogate mother, or the placement of a child with an employee in connection with adoption. The purpose of PPL is to enable the employee to care for and bond with a newborn or a newly adopted child.

#### 2) Eligibility

##### a) Eligible employees must meet the following criteria:

- i) Have been employed with the Credit Union for at least 12 months and have worked at least 1,250 hours during the 12 consecutive months immediately preceding the date the leave would begin.
- ii) Currently are a full-time, regular employee (part-time, temporary employees and interns are not eligible).
- iii) An employee must be designated, for purposes of this policy, as a primary or secondary caregiver following the birth or adoption of the employee's child.
  1. Primary Caregiver: An employee who has primary responsibility for the personal care and attention of the employee's child following the birth or adoption of such child.
  2. Secondary Caregiver: An employee who supports the primary caregiving responsibility and has secondary responsibility for the personal care and attention of the employee's child following the birth or adoption of such child.
- iv) PPL may be taken in advance of formal placement of the employee's child if an absence from work is required for the adoption to proceed;
- v) Placement of a foster child with an employee would be a qualifying event for PPL under this policy. This benefit for foster children would be limited to 1 paid parental leave during a 48 month period.

##### b) In addition, employees must meet one of the following criteria:

- i) Have given birth to a child or had a surrogate give birth.
- ii) Be a spouse of a woman who has given birth to a child or used a surrogate to give birth.
- iii) Have adopted a child (age 17 or younger). The adoption of a new spouse's child is excluded from this policy.

#### 3) Guidelines

- a) An eligible employee who is the primary caregiver may receive up to 3 weeks of PPL per birth or adoption of a child/children.
- b) An eligible employee who is the secondary caregiver may receive up to 1 week of PPL per birth or adoption of a child/children.
- c) The fact that a multiple birth or adoption occurs (e.g., the birth of twins or adoption of siblings) does not increase the 3 weeks total amount of PPL granted for that event. In addition, in no case will an employee receive more than 3 weeks of PPL in a rolling 12-month period, regardless of whether more than one birth or adoption event occurs within that 12-month time frame.
- d) Approved PPL may be taken at any time during the first 2 months immediately following the birth or adoption of a child. PPL may not be used or extended beyond this 2-month time frame. Any unused PPL will be forfeited at the end of the 2-month time frame.
- e) Upon termination of the individual's employment at the company, he or she will not be paid for any unused PPL for which he or she was eligible.

#### 4) Coordination with Other Policies

- a) The Credit Union will maintain all benefits for employees during the PPL period just as if they were taking any other company paid leave such as paid time off regardless of length of service. PPL is not charged to the employee's accrued leave balances, compensatory time, or to holiday compensation
- b) An employee on PPL will continue to accumulate paid time off at the employee's normal accrual rate.
- c) PPL may not be donated or carried over to future years.
- d) Any situation not addressed by this policy will be considered on a case-by-case basis.

#### 5) Employee Responsibility

- a) The employee will provide his or her supervisor with notice of the request for leave at least 30 days prior to the proposed date of the leave (or if the leave was not foreseeable, as soon as possible).
- b) The employee is responsible for providing documentation or information requested by MECE Credit Union for the purpose of implementing this policy.

### **Section J – Employee Benefits**

- 1) All full-time employees are eligible for the provisions of this policy.
- 2) Insurance and Retirement Programs of Missouri Electric Cooperatives Employees' Credit Union will be administered by NRECA.
- 3) Benefits offered under this policy provision:
  - a) NRECA Medical High Deductible PPO Plan with Prescription Drug Benefits
    - i) Employees and their immediate families will be eligible to participate.
    - ii) The Credit Union will pay 90% of the premium costs, and the employee will be responsible for the remaining 10%.
  - b) Health Savings Accounts (HSAs)
    - i) The Medical High Deductible PPO Plan will be compliant with HSA regulations, allowing employees the option to maintain HSA accounts for qualified expenses.
    - ii) In January of each year, the Credit Union will provide an annual contribution to an employee Health Savings account of \$900.00 to all full-time employees enrolled in the individual high deductible health plan and \$1,800.00 to all full-time employees enrolled and classified as a family plan in the high deductible health plan in order to offset employee costs.
    - iii) New employees that enroll in the high deductible health plan will receive a prorated employer contribution based on the set HSA contribution amounts for full-time employees. This prorated amount will be calculated using the number of months left in the calendar year.
    - iv) The use of HSA accounts should encourage healthy employee behaviors and result in premium cost savings to the Medical Plan.
  - c) Group Term Life and AD&D
    - i) Available to all full-time Credit Union employees. The Credit Union will pay 100% of the premiums.
    - ii) The benefit is equal to 4 times the employee's base annual salary at the time of death payable to the designated beneficiary.
    - iii) If the employee terminates employment with the Credit Union, the Term Life Policy may be converted to a personal policy, where the employee is responsible for 100% of the premium.
  - d) Supplemental Life and AD&D Insurance Plan
 

Optional Supplemental Life and AD&D is available to the employee. The employee will be responsible to pay 100% of the premiums.
  - e) Spouse Life and Child Life
    - i) The Credit Union will provide a \$10,000.00 life insurance benefit for the employee's spouse and each qualifying child. The Credit Union will pay 100% of the premiums.
    - ii) The employee will have an option to elect to purchase additional Spouse and Child Life Insurance. The employee will be responsible to pay 100% of the premium cost of the additional insurance.
  - f) Business Travel and Accident Insurance
 

The Credit Union will provide a business travel and accident insurance package through NRECA for management and employees. The Credit Union will pay 100% of the premium cost.
  - g) Disability Insurance
 

Employees are eligible to participate in a disability income protection plan through NRECA. The plan provides income protection after a 13 week waiting period for the employee at 66- 2/3% of an employee's monthly earnings. The Credit Union will pay 50% of the cost of the premium and the employee will be responsible for the remaining 50%.
  - h) Defined Benefit Retirement Pension Plan
    - i) The Credit Union will provide a Defined Benefit Retirement Pension Plan for employees at a benefit level of 1.8% of the participant's final average effective salary of each of his/hers years of benefit service.
    - ii) Employees prior to August 1, 2008 will have a normal retirement date of age 62 or 30 years of benefit service.
    - iii) Employees hired after July 31, 2008 will have a normal retirement date of age 62.
    - iv) Eligibility waiting period for the Defined Benefit Retirement Pension Plan is one year.
  - i) 401(k) Pension Plan

- i) The Credit Union will offer a Cash or Deferred Arrangement (CODA) or 401(k) plan.
- ii) The Credit Union will match employee contributions from 1% to 4% of the employee's base salary.
- iii) The Credit Union's matching contribution is 100% of the amount of employee contributions.
- iv) Employees will have the option to make additional contributions above 4% of their base salary (either before or after tax) to the 401(k) subject to the limitations of the adoption agreement.
- v) Each employee will be responsible to decide how they want their funds (including employee contributions) invested.
- vi) Eligibility waiting period for employee and employer contributions is one year.
- j) Cancer Insurance  
The Credit Union will offer cancer insurance to employees at a 100% cost of premium to the employee.
- k) Accident Insurance  
The Credit Union will offer accident insurance to employees at a 100% cost of premium to the employee.
- l) Short-term Disability Insurance  
The Credit Union will offer short-term disability insurance to employees at a 100% cost of premium to the employee.
- m) Critical Illness Insurance  
The Credit Union will offer critical illness insurance to employees at a 100% cost of premium to the employee.
- n) Hospital Confinement Insurance  
The Credit Union will offer hospital confinement insurance to employees at a 100% cost of premium to the employee.
- o) Vision Insurance  
The Credit Union will offer vision insurance to employees at a 100% cost of premium to the employee.
- p) Section 125 Cafeteria Plan  
The Credit Union will offer the option of participating in the NRECA Section 125 Cafeteria Plan Dependent Care Assistance or Limited Use Health Flexible Spending Account.
- q) Dental Plan
  - i) The Credit Union will offer the option of participating in the NRECA dental plan or the Colonial Life dental plan as long as the monthly premiums are lower.
  - ii) The Credit Union will pay 90% of the premium costs, leaving the employee to pay the remaining 10% of premium cost for the employee plan.
  - iii) If the employee elects to participate in any of the other dental plans offered by the Credit Union, the Credit Union will pay 50% of the total premiums, and the employee will be responsible for the remaining 50% of premium cost.
- r) Health Program Benefit  
To promote a healthy lifestyle and awareness the Credit Union will offer 50% reimbursement to any employee who has an annual enrollment in an offsite fitness or exercise program; quarterly or monthly enrollment will be reimbursed at 25% of the enrollment cost.
- 4) Staff Assistants are eligible to purchase Colonial Life Insurance products as long as they pay 100% of the premium cost.
- 5) For additional information pertaining to employee benefits, the Summary Plan Descriptions may be reviewed.

### **Section K - HIPAA Compliance**

- 1) Objective  
To establish a policy to assure the Credit Union's compliance with the privacy requirements set forth in the Health Insurance Portability and Accountability Act of 1996 as it applies to the Section 125 Cafeteria Plan.
- 2) Content
  - a) The Credit Union as the plan sponsor of the Section 125 Cafeteria Plan, is required by law to protect the private health information of the Section 125 plan participants.
  - b) The Credit Union will appoint a Privacy Officer to administer this policy. The Privacy Officer will be responsible for training, supervising, and monitoring compliance of HIPAA policies by the employees of the Credit Union permitted to have access to protected health information of plan participants.
  - c) The Credit Union will issue to all plan participants a "Notice of Privacy Practices" by April 21, 2006, and thereafter to all new participants. All covered participants will receive a new notice within 60 days of a material revision to the notice.
  - d) The Credit Union will establish administrative, physical and technical safeguards to protect the private health information of plan participants.

- e) Credit Union employees permitted to have access to protected health information are expected to fully comply with all safeguards. The Credit Union will investigate all complaints of improper disclosure of protected health information and administer discipline if appropriate.

### **Section L – Managerial and Staff Development**

The policy of the Board is to provide opportunities for the Board, committees, management, and staff to attend meetings, conferences, and other educational sessions that provide desired training, depth of understanding in technical areas, or helpful ideas for the development or operation of the Credit Union.

- 1) Training sessions and conferences where expenses are not payable by the Credit Union shall be clearly defined.
- 2) The Credit Union will normally pay the necessary training costs and provide managerial and staff training time.
- 3) The President/Manager shall review and approve all staff travel expenses for training.
- 4) The Chairman of the Board shall review and approve all travel expenses for the President/Manager.
- 5) Credit Union staff shall be encouraged by management to continue to train and develop professionally.
- 6) Educational Assistance
  - a) Based on the need to develop knowledgeable personnel, the Credit Union will reimburse an employee for the cost of in-state tuition, books, or fees for course of instruction directly related to Credit Union operations (accounting, data processing, credit management, etc.) taken at schools approved by the President/Manager. Courses considered for reimbursement must be approved in advance by the President/Manager in order that they are considered for reimbursement upon completion. An employee must be employed at the Credit Union for six months as a salaried employee before educational assistance can be received. A satisfactory job review must also be achieved to be eligible for educational assistance. The employee will be notified in writing if they are ineligible for educational assistance due to poor performance.
  - b) The employee will be reimbursed for such expenses upon satisfactory completion of the course as evidenced by a grade report or certificate. The employee will be reimbursed 100% for an “A” or “B”, and 75% for a “C”. There will be no reimbursement for any grade below a “C”.
- 7) Service Clubs and Professional Organizations
 

The Credit Union shall not pay membership dues or fees for service clubs and professional organizations such as Rotary, Kiwanis, and Society for Advancement of Management (SAM), American Management Association, or others, unless specifically approved by the Board of Directors.
- 8) Employee Manual
  - a) Each employee shall be furnished with an employee (procedures) manual which shall normally include:
    - i) Job description, organizational chart and career ladder
    - ii) Personnel policies
    - iii) Disciplinary procedures and penalties for employees
    - iv) Descriptions of training programs
    - v) Policies relating to cost-of-living and merit increases
    - vi) Brief history of the credit union movement
    - vii) Brief history of the Missouri Electric Cooperatives Employees' Credit Union
    - viii) Procedures for the performance of the designated position
  - b) The employee manual and the procedures and policies contained therein may be changed by the Credit Union at any time, without prior notice.
- 9) Staff Outings
 

The President/Manager will have the authority to schedule staff outings, such as employee appreciation events, seasonal events, retreats, etc. These will be included in annual budget expense preparation.
- 10) Staff Luncheons
 

For the purpose of business, the President/Manager may purchase lunch for the Credit Union staff at his/her discretion.
- 11) Staff Incentives
 

The President/Manager will have the authority to initiate incentive plans for the staff for:

  - a) Measurable Credit Union goals
  - b) The MECE Credit Union wellness plan

These funds will be included in the annual budget expense preparation.

### **Section M – Employee Travel and Out-of-Pocket Expenses**

The Board of Directors of Missouri Electric Cooperatives Employees' Credit Union has recognized a need to establish a policy governing the payment of travel and out-of-pocket expenses incurred by employees while involved

Approved by MECE Credit Union Board of Directors on November 13, 2020

in official duties or while in attendance at authorized meetings.

- 1) Reimbursement for out-of-pocket expenses
  - a) Employees shall be reimbursed for all business related expenses incurred in the performance of official duties or for attendance at authorized meetings upon submission of a detailed expense account, with receipts attached as appropriate, and upon approval of the appropriate supervisor.
    - i) Lodging
      1. The employee is expected to select reasonable accommodations.
      2. Itemized hotel bills for lodging must be submitted with the employee's expense report.
      3. Charges appearing on the itemized hotel bill are to be distributed by appropriate category (i.e. room, meals, and telephone calls) on a daily basis. Charges of a personal nature (i.e. green or court fees, alcoholic beverages, entertainment, etc.) on the hotel bill are personal expenses of the employee and will be considered non-reimbursable.
    - ii) Meals
      1. Meals are considered a proper Credit Union expense when the purpose of the meeting, trip, etc., can be said to further the overall objective of the Credit Union. When an employee is required to remain away from home overnight, all meals are properly chargeable as travel expenses from the time of departure until the time of return. Meals are also chargeable when the employee is required to be in travel status and away from his/her duty point during the normal meal time hours.
      2. Meal and gratuity charges should reflect good judgment by the employee incurring such charges. Meal and gratuity charges, which appear to be excessive, or which appear to be estimates or averages are subject to audit. It will be the responsibility of the employee to justify any charges, which are audited. Charges, which are determined to be unreasonable, will be disallowed.
  - b) MECECU will not reimburse any travel expenses of an employee's spouse unless authorized in advance by the Board of Directors with exception of the annual Planning Session.
- 2) Employee Travel
  - a) Employees who use personal cars for official business shall accept reimbursement for mileage at the current IRS approved mileage reimbursement rate as coverage for any and all expenses. Reimbursement for the use of personal vehicles must be reported on a daily basis on the "Auto" section of the travel expense report showing the date and location to and from for which the mileage claim relates.
  - b) Rental cars can be used when an employee is on official business outside the Jefferson City area.
    - i) Employees are expected to rent compact, mid-sized or intermediate-sized cars. If an employee prefers a full-sized premium, or luxury vehicle of a particular make or model, MECECU will pay only the rental cost up to that which would have been incurred had the employee rented an intermediate-sized vehicle. The remaining difference in the rental charge will be considered a personal expense.
    - ii) All employees' will "decline" coverage on the "Collision Damage Waiver" (CDW) and "Personal Accident Insurance" (PAI). This additional coverage will be provided through CUNA insurance.
    - iii) When personal automobiles are driven to the departure site for public transportation, employees are permitted a reimbursement from their home to the departure site and return at the prevailing rate per mile as established by the Board of Directors.
  - c) Travel by commercial plane must be by coach or standard class, unless the Board of Directors grants specific approval. All airline tickets purchased by the Credit Union must be shown as a "Company Charge" and as a portion of total expenses on the travel expense report. A copy of the travel agency's passenger itinerary and the passenger's copy of the actual airline ticket must be attached to the travel expense report when submitted.
- 3) Submitting Travel Expense Reports
  - a) It is the responsibility of each employee to provide a complete and factual accounting of funds entrusted to them through the travel expense report. Failure to properly complete the travel expense report will result in the report being returned to the employee for proper completion. All travel expense reports must be submitted to the President/Manager.
  - b) Receipts must be attached for all lodging (actual hotel bill), transportation charges (car rentals, parking, airfare, etc.), Credit Union credit card charges and any other expenditure of \$5.00 or more regardless of type. Failure to include the required receipts to support expenditures as shown on the travel expense report will result in the expenditure being disallowed.
  - c) Expenditures for which reimbursement is requested should be listed on the travel expense report on a daily basis not on a per trip basis in the case where a trip is longer than one day's duration.
  - d) Amounts required in the "Miscellaneous" column of the travel expense report must be fully explained as to the business purpose of the expenditure. Failure to provide the required explanation will result in the expenditure being disallowed.
  - e) Gratuities should reflect good judgment by the employee and should not exceed acceptable and customary

practices.

- f) All travel expense reports must explain any charges reported on the expense report, which do not relate solely to the employee. Such explanation must show the names of guests or other Credit Union employees, location of expenditure and business purpose of such expenditure. In all cases the travel expense report must show the names of all individuals for whom expenditures were incurred.

#### **Section N – Company Credit Cards**

- 1) The Credit Union President/Manager will sign an authorization form for each employee who has been given access to a company credit card. The President/Manager will have the authority to approve the issuance of company credit cards.
- 2) The President/Manager will determine and set credit limits for company credit cards.
- 3) Company credit cards will be issued for the purpose of conducting MECECU business. Business is defined as authorized charges such as travel expense, CU office supplies, promotions, CU meetings, etc. Any business expense used for the purpose of the Credit Union and approved by the Manager.
- 4) Personal expenses are not to be charged directly to MECECU company credit cards. In the event that a personal expense is identified and appears on the credit card statement, it will be immediately reimbursed by the employee.
- 5) The employee will be required to provide documentation on all charges in the form of receipts or invoices and will accompany the monthly statement. These documents will be reviewed on a monthly basis by the President/Manager.
- 6) The President/Manager will review and approve all company credit card statements. The Chairman of the Board of Directors will review the President/Manager's company credit card and the Supervisory Committee will review the company credit card statements on a periodic basis for internal audit purposes.
- 7) Company credit cards will be paid in full on a monthly basis prior to its due date.

#### **Section O – Staff and Office Hours**

- 1) The staffing and office hours will be instituted to meet the primary objective of meeting the Credit Union member's needs.
- 2) The Missouri Electric Cooperatives Employees' Credit Union will be open from 8:00 a.m. to 4:30 p.m. Monday through Friday unless there is a holiday observed.
- 3) Employees of MECE Credit Union will be allotted a 10-minute break in the morning and a 10-minute break in the afternoon. The lunch period will regularly be thirty minutes.

#### **Section P – Personnel Records**

- 1) The President/Manager of the Credit Union shall keep a complete personnel file maintained on each employee.
- 2) The personnel files shall contain all employee records relating to performance evaluations, promotions, grievances, disciplinary actions, and record of training offered to or completed by the employee.
- 3) Upon written request, an employee shall have the opportunity to review his/her personnel file and make any submissions. This review shall normally take place within one working day of the submission of the request. A supervisor shall be present during the review.
- 4) A copy of any material placed in an employee's file that may affect his job performance evaluation shall be immediately presented to the employee involved. The signature of the employee shall acknowledge such receipt or review of such material.
- 5) Accurate employee records of PTO, leave without pay, overtime work and compensation time will be kept by the Administration Department. The President/Manager on an annual basis will review these records.
- 6) In the event a city, state or federal regulatory agency examines the personnel records, the employee shall be notified.

#### **Section O – Outside Employment**

- 1) Management  
The President/Manager shall not normally be employed in work outside the Credit Union since management is considered a full-time occupation. From time to time, opportunities for additional compensation (consultations, lecturing, etc.) related or unrelated to Credit Union management may occur. When such opportunities occur, management personnel shall advise the Chairman of the Executive Committee of such outside employment.

## 2) Staff

Any staff member may have outside employment as long as it is not incompatible with and does not interfere with the regular job duties at the Credit Union.

**Section R – Harassment**

## 1) Sexual Harassment

- a) The definition of sexual harassment is: any unwanted sexual gesture, physical contact, or sexually suggestive statement, which a reasonable person would find offensive, humiliating or interference with his/her, required tasks or career opportunities at the Credit Union.
- b) The policy of the Credit Union is as stated: MECE Credit Union will not tolerate sexual harassment of employees and will take appropriate disciplinary action when such harassment is discovered. The employees must be free of sexual harassment in their work.
- c) The President/Manager will investigate every complaint of a sexual harassment report.
- d) Any employee who has been subjected to or who has witnessed sexual harassment by or of any employee, customer or co-tenant of the Credit Union's office building shall immediately report such incident to his/her supervisor. If said supervisor is the perpetrator of the harassment, the incident shall be reported to the President/Manager. If the President/Manager is the perpetrator, the incident shall be reported to the Chairman of the Board of Directors.

## 2) Electronic Harassment

- a) Electronic harassment is a form of harassment where electronic devices are used to harass such as e-mails, telephone texts, instant messages, voicemail, internet. Examples of harassment are:
  - i) Distribution of inappropriate or suggestive e-mails
  - ii) Threats
  - iii) Degradation of character.
- b) The policy of the Credit Union is as stated: MECE Credit Union will not tolerate electronic harassment of employees and will take appropriate disciplinary action when such harassment is discovered. The employees must be free of electronic harassment in their work.
- c) Upon receipt of a complaint of electronic harassment, the devices owned by MECE Credit Union may be seized by the President/Manager to investigate the claim.

**Section S – Internet Usage**

## 1) Internet access

- a) Employees that are entrusted with internet usage will be expected to use it in a responsible manner that is productive for the Credit Union.
- b) Internet usage may be monitored by management to ensure that the usage is for business purposes.
- c) If it is found that an employee is using the internet excessively for personal use, management may find it necessary to limit the accessibility of internet web-sites to that employee.
- d) If it is found that an employee is using the internet access for such things as gambling, electronic harassment, or viewing pornographic material, the President/Manager will take appropriate disciplinary action.

## 2) Social Networking

- a) Employees that post on social networking sites such as Twitter, Facebook, Myspace, will refrain from posting information, opinions, or comments detrimental to the image of the Credit Union.
- b) It is the responsibility of the employees to report detrimental posts about the Credit Union to their immediate supervisor.
- c) If a posting by an employee has been found to be detrimental to the image of the Credit Union, the President/Manager will take appropriate disciplinary action.

**Section T – Discharge of Discipline**

## 1) Expectations of MECE Credit Union employees are as follows:

- a) Be ready to work during the Credit Union's hours of operation
- b) Strive for perfect attendance
- c) Concentrate their efforts toward fulfilling their job duties
- d) Employees shall not engage in conduct that inhibits the orderly conduct of business, which compromises the safety of employees or equipment or is in any way detrimental to the Credit Union fulfilling its member services mission.

- 2) The President/Manager shall have sole discretion in determining when disciplinary action is needed and what disciplinary action shall be taken.
- 3) The President/Manager will inform the employee what is expected of them in their job and how their performance is progressing at that time.
- 4) When performance is not meeting expectations, counseling and corrective actions will be taken up to and including the possibility of termination.
  - a) The objective of corrective action is to help improve performance and assist the employee in reaching an acceptable performance level. The corrective action procedure may vary based upon the type of job, the nature of the problem, employee tenure, and past performance. Under most conditions, corrective actions are taken progressively as follows:
    - i) Counsel  
Identify the problem and required improvements.
    - ii) Written warning  
Identify the problem and required improvements within a specified timeframe in a written document that the employee signs. The written warning will be kept in the employee's personnel file. This occurs when, after continued counseling has occurred, the problem still exists with less than satisfactory improvements noted.
    - iii) Probationary period  
Probation occurs when, after continued counseling and a written warning, the problem still exists with less than satisfactory improvements noted. The President/Manager will set the expectations with the employee during their probationary period covering the following items:
      1. Identify areas requiring improvement
      2. Define expected levels of performance
      3. Set specific timeframes
      4. Possible further disciplinary action is explained to the employee including the possibility of termination if performance does not improve.
- 5) When disciplinary measures are taken, at the sole discretion of the President/Manager any of the following actions may be taken:
  - a) Discharge from employment
  - b) Suspension from work without pay
  - c) Demotion
  - d) Decrease in pay
  - e) Warning notice (oral or written)
  - f) Any other disciplinary action the President/Manager deems appropriate.

#### **Section U – CUNA, Heartland Credit Union Association, and Central Missouri Chapter of Credit Unions**

- 1) It is recognized that active participation in the Credit Union movement by the management and staff is valuable to the growth of the Missouri Electric Cooperatives Employees' Credit Union.
- 2) The Board of Directors will provide time for official meetings, with pay, for the President/Manager or other employees who are serving as directors or officers of the Credit Union National Association (CUNA), Heartland Credit Union Association, or the Central Missouri Chapter of Credit Unions.

#### **Section V – Public Office**

The President/Manager or other employees may seek public office such as board of education member as long as such office will not interfere or be in conflict with the regular duties of the Credit Union position. Such decisions to seek office should be given to the Chairman of the Board of Directors in writing.

#### **Section W – Oath or Affirmation of Office**

All employees are required to sign an oath or affirmation of office in which they agree to perform honestly and diligently the duties assigned to them, and specifically they agree to keep confidential all affairs of the Credit Union. This oath or affirmation will be signed at the time of initial hiring and thereafter, on a yearly basis.

#### **Section X – Job descriptions**

- 1) Job descriptions shall be:
  - a) Reviewed annually in conjunction with the annual performance review.

Approved by MECE Credit Union Board of Directors on November 13, 2020

- b) Reviewed by the employee at the time of employment and signed by the employee to reflect understanding of duties.
- c) Made part of the employee personnel file and employee manual.
- d) Reviewed with the employee as new services are added or as operational changes take place.
- e) Prepared by management subject to the review of the Executive Committee.
- f) Subject to change at any time without notice, as is deemed appropriate at the sole discretion of the Credit Union.

### **Section Y – Vacancies and Advancements**

- 1) Vacancies and advancements shall be:
  - a) Posted on appropriate staff bulletin boards for at least three days prior to requiring applications. Positions posted after one month of vacancy will be considered a new position. A department supervisor's request for such an opening should be submitted in writing and subject to management approval.
  - b) Filled by present employees wherever and whenever practical.
  - c) Based on evaluation of:
    - i) Work record
    - ii) Performance evaluations
    - iii) Recommendations of supervisor or management
    - iv) Training record
  - d) Based on qualifications required for the position as outlined in the job description.
  - e) Determined by written and oral examinations as required for the position.
  - f) Outlined to show the normal order of progression within departments.
  - g) Replaced with qualified personnel as soon as possible following notice of the termination of an employee. When feasible, management shall give the new employee an opportunity to work closely with the terminating employee in order to provide continuous service to members.
  - h) Board of Directors and management staff shall follow the following procedures in the event a change should take place in the management level positions. A succession plan is in the best interest of the Credit Union, to provide continuity of leadership for the Board and staff. This policy should not be perceived as anticipated change, but rather as preparation for change if it becomes necessary.
    - i) If management positions become available, job descriptions must be reviewed to determine if any change is to be made in the vacant position before a search is conducted.
    - ii) The Chairman of the Board of Directors will be notified immediately if the position of the President/Manager should become vacant. The Executive Committee will meet and an interim President/Manager will be appointed within one week.
    - iii) The Board of Directors will form a Search Committee within 30 days from the date the President/Manager position was vacated.
      - 1. Responsibilities of the Search Committee
        - a. Publish available position in Jefferson City and Columbia newspapers for a minimum of two weeks.
        - b. Contact the Heartland Credit Union Association and have them advertise the available position.
        - c. Review the qualifications of those applying for the position. At a minimum, applications will be accepted for 1 month from the date the Credit Union advertised the available position.
        - d. Interview at least three of the most qualified candidates within 8 weeks of the time the position was advertised.
        - e. Research will be performed on interviewed candidates.
          - i. Search Committee will contact minimum of two references and last employer for recommendations on perspective applicants.
          - ii. Credit Union will run a full employment, credit, and criminal background check on interviewed applicants.
        - f. Recommend at least two candidates to the Board of Directors for their consideration and review.
      - 2. Qualifications to be considered by the Search Committee
        - a. Credit Union or other financial institution experience
        - b. Management skills
        - c. Communication skills
        - d. Financial skills (budgeting, investments)
        - e. Lending skills
        - f. Technical skills

- g. Credit union philosophy
  - h. Educational background
  - i. Salary and contract requirements
- iv) Interviewed candidates will be presented to the Board of Directors at the next scheduled monthly Board meeting for final decision.
- v) This search must be performed whenever the Board of Directors is attempting to fill the President's position, unless the Board votes to waive the search requirement, and obtains the concurrence of the Director of the Division of Credit Unions.

#### **Section Z – Performance Evaluations**

Performance evaluations will be conducted on an annual basis by an immediate supervisor or the President/Manager. The Board will conduct an annual performance evaluation of the President/Manager.

## MISSOURI ELECTRIC COOPERATIVES EMPLOYEES' CREDIT UNION

### POLICY MANUAL

#### PART IV: COMPLIANCE/LOANS

It is declared policy of this Credit Union to comply with the letter and intent of all applicable laws of the United States and of the State of Missouri and all regulations promulgated there under. This policy is specifically intended to include all facets of the granting of credit and making loans, the handling and information concerning interest rates, credit terms and costs, earnings and penalties on shares and all other requirements of the Federal Consumer Credit Protection Act and associated regulations.

As required by law, membership in this Credit Union is open only to individuals who are included in the field of membership, as it is defined in the Credit Union Charter. No member will be denied any service of the Credit Union due to discrimination because of race, color, religion, national origin, sex, marital status, or age (provided that the applicant has the capacity to enter into a binding contract), the fact that all or part of the applicant's income derives from any public assistance program, or the fact that the applicant has, in good faith, exercised any right under the Consumer Protection Act or any similar state law.

The Board of Directors may designate certain staff members as Loan Officers to exercise discretionary power that will expedite loan granting without undue waiting for the disbursement of loans to members on amounts not to exceed certain limits as determined from time to time by loan policy. The Assistant Loan Officers will have authority to approve loans at the discretion of the President/Manager.

#### **Section A - Loan Officer Duties**

Loan officers have the responsibility of granting all types of loans subject only to the restrictions as set forth from time to time by the Board of Directors of MECE Credit Union, by the bylaws, and Missouri Division of Credit Unions which govern the operation of credit unions. All loans shall be based on the following:

- 1) The member applying for a loan is the primary member and in good standing with the Credit Union.
- 2) The applicant must be 18 years of age or have a co-maker 18 years of age or older.
- 3) A loan application is completed in accordance to the type of loan requested.
- 4) All loans are made for a meaningful purpose.
- 5) The member in question has the ability to repay the loan within the terms of the note.
- 6) Collateral will be required as regulated by the directors, the bylaws, and the statutes that govern this aspect of a credit union's service.
- 7) Loans not approved by loan officers shall be referred to the Senior Loan Officer or President for second review and consideration. Denials will be noted.
- 8) The exchange of credit information among credit grantors is a normal trade practice. Credit information about member accounts shall normally be provided to the credit bureau and its affiliates; however, the exchange of credit information with other credit grantors is not a violation of the oath of office taken by directors, committee members, and employees of the Credit Union. The provisions of the Fair Credit Reporting Act and the regulations of the Office of the Commissioner of Credit Unions shall apply.
- 9) Conditions of Loan
  - a) The Loan Officer may require repayment of up to 50% of the original amount borrowed or have the equivalent in shares that have not been pledged, before issuing a new loan or second loan.
  - b) The Loan Officer may require that loan payments be in the form of an automatic payment.
  - c) Co-Makers
    - i) The Loan Officer may require a co-maker on any loan.
    - ii) The co-maker need not be a member of the Credit Union.
    - iii) A co-maker may be accepted as security for a loan but must qualify using the same guidelines as an applicant.
    - iv) A notary or credit union representative may witness the signature of the co-maker. However, the President/Manager or Senior Loan Officer may waive the notary requirement if the signature is determined to be genuine through other means.

- d) The Loan Officer may require that a member be employed by his/her current employer for at least 6 months before approving a loan.
- e) The Loan Officer may contact the member's employer to obtain information as to employment data. If the member is self-employed a copy of the previous year's tax returns may be required.
- f) The Loan Officer will run an updated credit bureau if the current one is older than one year.
  - i) This requirement is optional for share secured/CD loans
- g) Loan Exceptions and Management Approvals
  - i) Loan Exceptions
    - 1. Debt ratios over 55% will be considered a loan exception.
    - 2. Collateral loans excluding mortgage with loan to value ratios exceeding 100% on purchase transactions (excluding GAP insurance and extended warranties) and 125% on the rate/term refinances will be considered a loan exception (consumer non-mortgage).
    - 3. Other exceptions may be given to the Board if deemed necessary by the Credit Union President/Manager or Senior Loan Officer.
  - ii) Management Approval
    - 1. The President/Manager or Senior Loan Officer may, at his/her discretion, approve loans for the loan officers that do not meet the guidelines established by the Board of Directors which will be considered management approval.
    - 2. Debt ratios over 36% but less than 55% will be considered management approval and would need to be approved by the President/Manager or Senior Loan Officer.
    - 3. Collateral loans excluding mortgage with loan to value ratios over the 90% policy limits but less than 100% on purchase transactions (excluding GAP insurance and extended warranties) and less than 125% on rate/term refinances will be considered a management approval and would need to be approved by the President/Manager or Senior Loan Officer (consumer non-mortgage).
  - iii) The Supervisory Committee will receive the loan register which will include all loan exceptions and loans that required management approval.
  - iv) The Board will receive a monthly summary of the total number of management approvals and loan exceptions compared to the total number of loans. The Board will also receive a summary of loans denied.
  - v) The Loan Officer will note the reasons for any management approval or exceptions made on loan requests.

### **Section B - Underwriting Guidelines**

The following are underwriting guidelines set forth for each type of loan that the Board of Directors of Missouri Electric Cooperatives Employees' Credit Union has approved for the benefit of each member.

- 1) Debt Ratio
  - a) A debt ratio will be used to assist the Loan Officer in making a loan decision.
  - b) The applicant's total monthly payments, including the proposed payment, shall not exceed 36% of their gross monthly income.
  - c) A debt ratio will not be required if the collateral of the loan is a certificate of deposit (CD) or a member share.
- 2) Repayment Terms
 

The Credit Union will allow members to extend consumer loans past the interest rate term of the loan to allow for the cost of credit life and disability insurance protection.
- 3) Dollar Amount Loaned
  - a) The loan limit guideline on new titled vehicles is 90% of sticker price.
  - b) The loan limit guideline on used vehicles not to exceed 90% of NADA book value
- 4) Credit Rating
  - a) If the applicant's credit bureau is 570 or lower, the loan request must be reviewed by the Senior Loan Officer or the President/Manager.
  - b) Credit discounts will be awarded based on the highest credit bureau score of all applicants listed on the loan application.
- 5) Personal Loans

- a) Line of Credit loans, Platinum Personal loans, Overdraft Protection, Personal loans, and Visa loans can have a combined limit of no more than \$50,000 per household.
- b) Line of Credit loans will be figured on an approximate 24 month pay-back time.
- c) A minimum of \$500.00 must be available before a Line of Credit will be processed.
- d) Personal loans that do not have a credit limit will have a maximum pay-back time up to 60 months.
- 6) Unsecured Revolving Debt: The applicant's unsecured revolving debt must not exceed 30% of their yearly gross income.
- 7) Insurance:
  - a) It is the responsibility of the member to keep insurance coverage current and to provide proof of coverage to the Credit Union.
  - b) Mortgage Loans
    - i) The applicant must carry homeowner's insurance in an amount that would protect the security interest of the Credit Union. This amount must be equal to or greater than the replacement cost of the home and/or the sum of all mortgage liens.
  - c) Collateral Loans
    - i) All titled property that has a loan balance of \$2,500 or more, must be covered by an insurance policy with a deductible of \$1,000 or less on the collision and comprehensive coverage.
    - ii) Missouri Electric Cooperatives Employees' Credit Union will be shown on the insurance policy as loss payee.
    - iii) The member will be notified if verification of insurance from their insurance company is not in compliance and will be given a date to have insurance coverage in compliance.
    - iv) If the member does not satisfy the insurance requirements then MECE Credit Union will purchase collateral protection insurance to protect the Credit Union's interest and will add the cost of the premium to the balance of the member's loan. The member will not be considered in good standing at this time.
- 8) Tax Requirements
  - a) It will be the responsibility of the member to keep all taxes current.
- 9) Loan Concentration Limits
  - a) No member household shall exceed an aggregate debt of \$1,000,000.00 (this amount will exclude any loan balances that are intended to be sold on the secondary market).
  - b) No member household shall exceed \$50,000.00 in unsecured debt.

### **Section C - Rates of Interest**

In conformance with the Credit Disclosure Act (Truth-in-Lending), the Missouri Electric Cooperatives Employees' Credit Union shall calculate interest on the unpaid balance for loans on the number of days the principal was used incorporating the Julian calendar as approved by the Division of Credit Unions for credit unions using data processing services. First mortgages loans are calculated using a 30/360 method.

### **Section D - Types of Loans**

All loans must follow underwriting guidelines set forth in Section B. Specific underwriting guidelines pertaining to a specific type of loan will be duly noted under the description of the loan type. This Credit Union will make the following types of loans available to its members for any provident or productive purpose:

- 1) Conventional Line/Overdraft Protection
  - a) The Loan Officer or President/Manager shall review the line of credit privilege as loan requests are made.
  - b) Granting up to \$8,000 shall be authorized under the same provisions of the personal loan policies with the term of the loan to have an approximate pay-back time of 24 months.
- 2) Short Term
  - a) There shall be a maximum limit of \$5,000 and will carry an approximate pay-back time of 18 months at a rate established by the Board of Directors according to current market conditions.
- 3) Personal
  - a) Personal loans are granted at a rate determined by the Board of Directors.
  - b) Personal Loans can have an approximate pay-back time of 60 months

- 4) Platinum Personal  
The rate will be established by the Board of Directors according to current market conditions.  
Guidelines are as follows:
- a) Credit Rating
    - i) A current credit bureau beacon score of 650 or higher is required.
    - b) Pay Back: The balance of the loan may be amortized for the maximum of 60 months.
- 5) Home Improvement Loan
- a) There shall be a maximum limit of \$10,000 and will carry an approximate pay-back time of 60 months at a rate established by the Board of Directors according to current market conditions.
  - b) The member must provide an estimate of cost for the home improvements to qualify for this type of loan.
- 6) Classic Visa Cards
- a) Credit Limits  
A limit will be given to the member based on credit history with a minimum limit of \$500 and a maximum limit not to exceed \$50,000.
  - b) Pay Back: The monthly minimum payment would be based on 2.5% of the balance owed.
  - d) Suspension  
May be applied based on following criteria:
    - i) Two months or more delinquent or at the discretion of the President/ Manager or Senior Loan Officer.
    - ii) At the discretion of the Credit Union for any reason(s) deemed appropriate. Each applicant must be judged individually according to their overall financial condition. The above criterion is simply a basis for evaluating an applicant and determining the risks involved in granting a specific line of credit.
- 5) Platinum Visa Cards  
The Board of Directors will establish the interest rate for Platinum Visa Cards according to the current market conditions. When applying for a Platinum Visa the member must meet all criteria for the Classic Visa Card and in addition, meet the following requirements:
- a) Credit Rating
    - i) A current credit bureau score of 650 or higher.
  - b) Credit Limit
    - i) The \$50,000 limit would also include the member's current unsecured loans with the Credit Union.
    - ii) A limit will be given to the member based on credit history with a minimum limit of \$5,000 and a maximum limit not to exceed \$50,000
- 7) Company Visa Card
- a) Company Visa cards are available to any cooperative or related association of a cooperative that is eligible for membership into this Credit Union. A share account must be opened in the name of the cooperative or association.
  - b) The following guidelines apply:
    - i) Each cooperative or association will be required to provide the Credit Union with a board resolution stating that the cooperative will be responsible for all Company Visa cards issued by the Credit Union. The board resolution will also designate the position or employee(s) with the authority to request cards and increase limits.
    - ii) A financial statement of condition may be requested by the Credit Union to show the ability to repay.
    - iii) Each cooperative or association will determine the available dollar limit on each card.
    - iv) The aggregate balance for each cooperative or association will not exceed \$50,000.
    - v) Individuals at the cooperative who are members of the Credit Union may also apply for a Company Visa card using their personal financial information.
    - vi) Company Visa cards will be paid in full on a monthly basis. The Credit Union reserves the right to waive finance charges and late fees for this program.
    - vii) PIN numbers will be generated unless the cooperative requests no PIN numbers.
    - viii) It is recommended that cards be produced in the name of an individual and the name of the cooperative.

- ix) Card maintenance may be called in to the Credit Union, but needs to be followed up with instructions on company letterhead.
  - x) The Credit Union does not grant member business loans as defined by NCUA.
- 8) Certificate of Deposit Secured Loan
- a) The loan must be fully secured by a certificate of deposit (CD).
  - b) The loan may be amortized up to 60 months.
- 9) Share Secured Loan
- a) The loan must be fully secured by pledged shareholdings on deposit.
  - b) The loan may be amortized up to 60 months.
- 10) Automobiles/Motorcycles
- a) A new automobile/motorcycle is defined as current year or not having been titled by an individual with less than 15,000 miles.
  - b) The Board of Directors will establish new, 1 and 2 year old loan rates for a maximum term of approximately 84 months.
  - c) The Board of Directors will establish 3 year and older loan rates for a maximum term of approximately 72 months.
  - d) Titling
    - i) The Credit Union will be listed on the titles of all vehicles as first lien holder until the loan is paid in full. The filing fee will be charged to the member.
    - ii) The Credit Union will be listed as the second lien holder with the verbiage “subject to future advances” placed on the title and lien.
    - iii) If the out-of-state title, or proof of title, is not received within 60 days the member could be considered in default. Payment may be demanded in full or the vehicle be repossessed.
- 11) Other Titled Collateral & Farm Equipment
- a) Boats, campers, recreational vehicles, travel trailers, ATV's, tractors, and farm equipment, shall all be considered as other titled collateral.
  - b) This category shall have a separate term and rate schedule.
  - c) Titling
    - i) The Credit Union will be listed on the titles of all vehicles as first lien holder until the loan is paid in full. The filing fee will be charged to the member.
    - ii) The Credit Union will be listed as the second lien holder with the verbiage “subject to future advances” placed on the title and lien.
    - iii) If the title, or proof of title, is not received within 60 days the member could be considered in default. Payment may be demanded in full or the vehicle be repossessed
  - d) The loan officer may require the filing of a UCC on any collateral that does not have a title. The UCC would be filed by the credit union for all untitled collateral and the filing fee would be charged to the member.
  - e) The aggregate loan limit for other titled collateral to any one member shall not exceed \$50,000 if the loan is used for business purposes.
  - f) Farm Equipment and other titled collateral loans may have a maximum term of approximately 60 months. The loan may be amortized for 180 months under a balloon note structure. At the maturity the member may pay the loan in full or refinance the balance at the current rate.
- 12) First Mortgage Variable Home Loans
- a) Variable First Mortgage Loans will not exceed 90% of appraised value.
  - b) The Board of Directors will establish the rate index.
  - c) The Credit Union will offer a 5 and 10 year adjustable rate with a floor rate of 3.50%.
    - i) The 5 and 10 year rates will be based monthly on the 26-week Treasury bill plus 2.5% and rounded up to the nearest quarter.
    - ii) The 10 year initial rate will be 50 basis points higher than the 5 year rate.
  - d) MECECU will collect a \$500 underwriting fee at the time of closing.
  - e) Additional fees such as title searches, title insurance, title opinion, appraisal fees, credit reports, recording fees, etc. will be payable at closing.
  - f) The applicant(s) must be employed at the same job for a minimum of 6 months.
  - g) A Deed of Trust on real estate being purchased or refinanced will secure the loan. Real estate must be an owner occupied (or intended to be owner occupied within 180 days of note) permanent dwelling of the applicant.

- h) All taxes must be current and all liens must be satisfied either prior to the closing or with the proceeds of the loan.
  - i) Title search, title insurance, or an updated abstract and title opinion will be required.
  - j) Termite inspection may be required.
  - k) The following documentation will be required:
    - i) Deed of Trust
    - ii) Warranty Deed
    - iii) Adjustable Rate Rider (variable rate loan only)
    - iv) Note
    - v) Title opinion and insurance or abstract
    - vi) Appraisal
    - vii) Three day right of rescission (on everything but purchases)
    - viii) Closing Disclosure
    - ix) Homeowner's insurance
    - x) Flood Certification
  - l) Applicant must be approved for a minimum of \$10,000.
  - m) For a refinance an appraisal must be dated within 2 years of loan application from a licensed appraiser.
  - n) Loan shall not exceed a maturity of 30 years.
  - o) Member may lock in the rate after the application has been approved any time prior to closing.
  - p) The variable rate will have a 1% annual cap with a 5% cap for the life of loan that can go either up or down based on the 26 week Treasury bill.
  - q) After the loan has been established for the initial lock period, variable rate loans will re-price on the anniversary date of the original loan every year for the life of the loan.
  - r) Variable Mortgage Loans, combined with Fixed Rate Mortgage Loans that are not sold on the secondary market, shall not exceed 35% of the total loan portfolio.
  - s) The loan rate shall not exceed 1.50% of the Average Prime Offer Rate established by the Federal Financial Institutions Examination Council (FFIEC) and verified by their website. If the loan rate exceeds the 1.50% threshold, then the Loan Officer shall reduce the loan rate to 1.45% over the Average Prime Offer Rate in order for our rate to avoid being considered a high-priced mortgage loan. The loan will be reported to the Board of Directors at the following month's Board meeting.
- 13) Second Home Variable Mortgage Loans
- a) Second homes will not exceed 90% of appraised value.
  - b) The Board of Directors will establish the rate index.
  - c) The Credit Union will offer a 5 and 10 year adjustable rate with a floor rate of 4.50%.
    - i) The 5 and 10 year rates will be based monthly on the 26-week Treasury bill plus 3.5% and rounded up to the nearest quarter.
    - ii) The 10 year initial rate will be 50 basis points higher than the 5 year rate.
    - iii) The initial rate will always be 1.0% higher than the primary Variable First Mortgage Home Loan initial rate.
  - d) All other requirements for the primary Variable First Mortgage will apply to this program.
- 14) Home Equity / Primary
- a) Will not exceed 90% of appraised value less any outstanding liens or mortgages.
  - b) A documentation fee of \$50.00 will be charged for all home equity line of credit loans, no matter the initial advance amount.
  - c) Fees such as an appraisal or Gap valuation with exterior inspection, letter report, flood map, and recording fees will be payable at closing unless the member borrows over \$10,000 at which time the Credit Union will pay customary closing costs excluding the cost of a value determination.
  - d) A Deed of Trust on real estate already owned and properly titled to the applicant will secure the loan. Real estate must be an owner occupied, permanent dwelling of applicant.
  - e) All taxes must be current and all liens, other than the first mortgage of a second mortgage loan, must be satisfied either prior to the closing or with the proceeds of the loan.
  - f) The following documentation will be required:
    - i) Deed of Trust
    - ii) Note
    - iii) Letter report, Equiguard, mortgage loan report or title insurance

- iv) Appraisal or Gap valuation with exterior inspection
  - v) Three day right of rescission (on everything but purchases)
  - vi) Homeowner's insurance
  - vii) Flood Certification
  - g) The initial advance must be approved for a minimum of \$2,500 with all subsequent advances set at a minimum of \$500.
  - h) Appraisals or Gap valuation with exterior inspection will be used in determining loan limits. The date of the appraisal may not exceed two years.
  - i) Draw period will be for the first 5 years.
  - j) Rate will be based on 26 week Treasury bill plus 3.5% and rates will be set on a monthly basis and will be rounded up to the nearest quarter.
  - k) Members may lock in the rate after the application has been approved any time prior to closing.
  - l) Minimum rate will be 3.5%.
  - m) The rate may adjust every 5 years and can be amortized for a maximum of 30 years based on the dollar amount borrowed.
  - n) Home Equity loans may be first or second mortgage, single, or multiple advances.
  - o) Home Equity Loans shall be excluded from limitations as it pertains to a percentage of the loan portfolio.
- 15) Land Loan Variable Rate Program
- a) Will not exceed 90% of appraised value.
  - b) The Board of Directors will establish the rate index.
  - c) The Credit Union will offer a 5 and 10 year adjustable rate with a floor rate of 3.75%.
    - iv) The 5 and 10 year rate will be based monthly on the 26-week Treasury bill plus 2.5% and rounded up to the nearest quarter.
    - v) The 10 year initial rate will be 50 basis points higher than the 5 year.
  - d) MECECU will collect a \$150 underwriting fee at the time of closing.
  - e) Additional fees such as letter report, title insurance, flood map, and recording fees will be payable at closing.
  - f) Loan shall not exceed a maturity of 30 years.
  - g) Member may lock in the rate after the application has been approved any time prior to closing.
  - h) The variable rate will have a 1% annual cap with a 5% cap for the life of loan that can go either up or down based on the 26 week Treasury bill.
  - i) After the loan has been established for the initial lock period, variable rate loans will re-price on the anniversary date of the original loan every year for the life of the loan.
  - j) A Deed of Trust on real estate already owned and properly titled to the applicant will secure the loan.
  - k) All taxes must be current and all liens must be satisfied either prior to the closing or with the proceeds of the loan.
  - l) MECE Credit Union must be listed as first lien holder on the property.
  - m) The following documentation will be required:
    - i) Deed of Trust
    - ii) Warranty Deed
    - iii) Adjustable Rate Rider
    - iv) Note
    - v) Letter report or title insurance
    - vi) Appraisal, Tax assessment, or other documented means of value determination
    - vii) Three day right of rescission (on everything but purchases)
    - viii) Closing Disclosure
    - ix) Flood certification
  - n) Appraisal or the latest tax assessment will be used in determining loan limits. The date of the appraisal may not exceed two years.
  - o) Land Loans shall not exceed 13% of the total loan portfolio.
- 16) Home Equity Loans for a Second Home
- a) Current rates are based on the 26 week Treasury bill plus 4.5% and rounded up to the nearest quarter percent with a minimum rate of 4.5%
  - b) All other requirements for the Home Equity Loans will apply to this program.

## 17) Construction Loans

- a) Will not exceed 90% of the subject to completion appraised value.
- b) Application must be approved for a minimum of \$30,000.
- c) Current rates are based monthly on the 26 week Treasury bill plus 3.5% and rounded up to the nearest quarter with a minimum of 4.50%.
- d) Must be approved by Senior Loan Officer or President/Manager.
- e) MECECU will collect a \$500 underwriting fee at the time of closing.
- f) Additional fees such as title insurance, title search, title opinion, appraisal, recording, etc. will be payable at closing.
- g) Applicant(s) must be employed at the same job for a minimum of six months.
- i) The applicant's income must be verified and must submit a current full month of pay stubs and the last 2 years of W2s.
- j) A Deed of Trust on real estate for which construction will take place will secure the loan. Upon completion of home, it must be a single, owner occupied, and permanent dwelling of applicant located in the state of Missouri.
- k) All other liens on land must be satisfied before or with the first advance of the construction loan and taxes must be current.
- l) A title search from a title company in the county of which the property is located will be required.
- m) The following documentation may be required:
  - i) Deed of Trust
  - ii) Warranty Deed
  - iii) Note
  - iv) Title search
  - v) Three day right of rescission
  - vi) Closing Disclosure
  - vii) Lien waivers
  - viii) Appraisal
  - ix) Contract, plans & specs, list of materials
  - x) Builders risk insurance policy
  - xi) Flood certification
- n) Appraisal must be dated within 120 days of loan application and signed by a state certified appraiser. Change orders would impact the decision to update the appraisal before completion. After construction is complete a final inspection would be required.
- o) Loan shall not exceed one year in maturity.
- p) Credit Union will require a lien waiver, paid receipt/invoice, or Credit Union check number with a corresponding invoice on all construction loan advances in excess of \$500.00.
- q) The Credit Union will require a photograph of the home once the house has the framing complete and another photograph after the drywall is complete.
- r) The Credit Union may retain 10% of the approved loan limit until all lien waivers have been collected.
- s) The applicant must provide a "Builder's Risk" insurance policy with MECE Credit Union listed as mortgagee. The premium is normally based on the bid appraisal.
- t) The applicant would be required to pay the interest on a monthly basis.
- u) Construction Loans shall be excluded from limitations as it pertains to a percentage of the loan portfolio.
- v) Loan modifications/extensions may be considered if the following criteria are met:
  - i) Updated photos of the progress of the home construction are provided
  - ii) Written request from the member explaining the circumstances causing the delay
  - iii) Lien waivers for the work completed have been received
  - iv) An acceptable length of extension would be on a case-by-case basis, but not to exceed 12 months

## 18) Fixed Rate Mortgage Loans:

- a) Loans shall be funded by the Credit Union and sold into the secondary market through conduits approved by the President/Manager.
- b) There will be no restrictions on the dollar amount or the percentage of portfolio limits on sellable real estate.

- c) Fixed Rate Mortgage Loans that are not sold on the secondary market shall not exceed 22% of the Credit Union's total loan portfolio.
- d) MECECU will collect a \$650 underwriting fee at the time of closing.
- 20) Supplemental Student Loan Program
  - a) Loan Requirements
    - i) The student must:
      - 1. Be enrolled on a full or part-time basis in an accredited college, university or technical training program.
      - 2. Provide proof of enrollment
      - 3. Reapply and establish credit worthiness each year.
      - 4. Be a member in good standing at MECE Credit Union.
    - ii) The student may need a qualified co-maker.
  - b) The student may carry no more than \$30,000.00 in aggregate principal debt in student loans.
  - c) Loan rates will be established by MECE Credit Union Board of Directors.
  - d) Loan Repayment Options
    - i) Annual interest-only payments
      - 1. Initial term after graduation or discontinuation of enrollment, principal and interest payments must commence.
      - 2. Repayment may be amortized up to 120 months once it goes into repayment status.
      - 3. The initial interest-only advances will be on a term note coming due each year.
    - ii) Principal and interest payments
      - 1. Principal and interest payments will begin within 45 days of the loan disbursement.
      - 2. Repayment may be amortized up to 120 months from the date of the first advance.
  - e) Consolidation Student Loan
    - i) The maximum loan amount will be no more than \$30,000.00 in principal debt.
    - ii) The loan may be amortized up to 120 months.
  - f) The student loan portfolio may not exceed 5% of the total loan portfolio.

### **Section E - Term / Balloon Notes**

- 1) Term Loan
  - a) Maximum term will be for 12 months.
  - b) Interest due must be paid at the end of the term loan.
  - c) Term loans may be refinanced into a loan for monthly payments on the maturity date.
  - d) Reason must be given for purpose of the loan on a term note, and plans for the ability to repay the note must be noted in the file. Documentation of the applicant's ability to repay the term loan will be recorded in the loan file.
  - e) If the loan is secured by collateral, the loan to value ratio will be documented.
  - f) Credit worthiness of an applicant applying for a term loan will be determined by using the payment calculated on a monthly basis. The Credit Union will use this as a tool to determine the ability to repay the debt.
  - g) Term notes are not eligible for GAP coverage and credit disability insurance.
  - h) Term notes may roll over for another term if the following guidelines apply:
    - i) Interest must be paid to date
    - ii) Financial condition of the member reported by the credit bureau must have remained the same or improved (this will be monitored closely to look for trends).
    - iii) Term Loans may be renewed twice based upon the previous guidelines.
- 2) Balloon Notes
  - a) All loans may be set up on a balloon note. On the date the loan matures, the member would have two options.
    - i) Pay the loan balance in full
    - ii) Refinance the balance of the loan for monthly payments
  - b) Guidelines for Balloon Notes
    - i) If the loan is secured by collateral, the loan to value ratio will be documented.
    - ii) Documentation of the member's financial ability to satisfy the balance of the loan due at the end of the balloon must be noted.

- iii) Reason that the member is applying for a balloon note must be noted.
- iv) Balloon notes are not eligible for GAP coverage.

### **Section F - Other Requirements**

- 1) All secured loans shall be fully secured by titled personal property with this Credit Union being designated first lien holder or property identifiable by manufactures serial number. The loan officer shall determine the loan value of such collateral.
  - a) Where collateral is held jointly, both parties must sign the Security Agreement.
  - b) If more than one income is being considered for loan approval, both parties must sign the loan application and promissory note.
- 2) No loan shall be approved if:
  - a) The loan will jeopardize the assets of the Credit Union and/or not benefit the applicant.
  - b) The applicant's account has been turned over for collection.
  - c) The applicant's account is in a delinquent status.
  - d) The applicant has previously caused a loss to the Credit Union. Exceptions to this rule:
    - i) If the member has paid the Credit Union the amount of the loss the account may be reviewed.
    - ii) If a person taking bankruptcy continues to voluntarily make regular payments after the bankruptcy has been filed and pays off the loan, the President/Manager will re-evaluate the member's credit standing.

### **Section G - Special Circumstances**

- 1) Loans to Employees, Directors, Supervisory Committee and Family Members of Employees
  - a) Missouri Electric Cooperatives Employees' Credit Union staff, management and officers are in positions of trust, and are expected to adhere to high standards. Their loans are to receive the special attention and recommendation of the President and the loan officer to assure that high standards always apply, and that there is no question of repayment.
  - b) Loan processing for employee loans will not differ from other loans, with the President/Manager or Senior Loan Officer responsible for credit approval.
  - c) These loans will be reported to the Board of Directors at the monthly Board Meeting.
  - d) Loans to Board of Directors or Supervisory Committee must be approved by a quorum of the Directors at the next regularly scheduled meeting.

### **Section H - Letter of Credit**

Upon authorization, staff may offer letters of credit for members who maintain a savings balance and have an acceptable credit rating.

### **Section I - Loans Paid Ahead**

- 1) The Credit Union will monitor loans paid ahead to make sure that principal payments are being made under the terms of the loan agreement.
- 2) On a monthly basis, the Credit Union will monitor loans based on the terms of repayment with no principal payments applied to them. If a loan has no principal payment made in two consecutive months, the Credit Union will contact the member to ensure that the loan will be paid off by the contractual due date. Documentation of action will be noted on the account.

### **Section J - Extensions on Loans**

- 1) Standard Loan Extensions
 

A loan may have one extension per the life of the loan if it meets the following guidelines:

  - a) Regular payments will have been made for three consecutive months if loan is delinquent.
  - b) Reasons for non-payment will be reviewed and documented.
  - c) Member must submit a written request.
- 2) Pandemic Extensions

- a) A loan may be approved for up to 3 additional loan extensions if it meets the criteria needed for a standard loan extension.
- b) Each pandemic extension must be approved on a monthly basis.

### **Section K - Re-aging of Delinquent Loans**

A delinquent loan may be re-aged one time in the life of the loan if the member meets the following guidelines:

- 1) Regular payments will have been made for three consecutive months.
- 2) Interest is brought current.
- 3) Member must submit a written request.

### **Section L - Safe Act**

- 1) It is the policy of MECE Credit Union to comply with the provisions of the Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act which requires any individual who originates residential mortgage loans as an employee, or volunteer, of any state or federal credit union to annually register with the Nationwide Mortgage Licensing System and Registry.
- 2) A Mortgage Loan Originator (MLO) is an individual who both:
  - a) Takes a residential mortgage loan application
  - b) Offers or negotiates terms of a residential mortgage loan for compensation or gain.
- 3) Annual registration is required during the period between November 1 and December 31 of each calendar year. Annual registration is not required if the initial registration occurred less than six months prior to the end of the renewal period. Within 30 days after a MLO is no longer employed by the credit union, the credit union must notify the Registry of the date the MLO ceased being an employee.
- 4) There is a de minimus registration exception for employees and volunteers who have never been registered or licensed through the Registry as an MLO if during the past 12 months the employee or volunteer acted as an MLO for five or fewer residential mortgage loans. However, once registered, the employee must continue to be registered until he or she stops making mortgage loans, even if the employee falls below the above threshold in any one specific year. The thresholds are voluntary, MLOs may register if they choose to, or the credit union may still require them to do so.
- 5) Loans primarily for personal, family or household use secured by a mortgage, deed of trust, or other equivalent consensual security interest are subject to the SAFE Act. This includes first mortgages, second mortgages, home equity lines of credit (HELOCs), refinanced loans, reverse mortgages and land purchased for the construction of a residence.
- 6) The Senior Loan Officer of the credit union has been designated the SAFE Act Compliance Officer for MECE Credit Union and will ensure that all assigned roles are carried out as required by the SAFE Act and that all employees who must be registered as MLOs are properly registered and registrations are renewed, etc. The secondary officer will be Loan Officer in case the Senior Loan Officer is unable to serve for any reason. The employee who registers the credit union's general information cannot act as a MLO unless the credit union has 10 or fewer full time or equivalent employees.
- 7) The Credit Union's SAFE Act program consists of the following procedures established by management that include:
  - a) Identifying employees who are required to be registered MLOs.  
Informing all employees and volunteers who are MLOs of the registration requirements of the SAFE Act and instructing them on how to comply with such requirements and the procedures involved.
  - b) Compliance with the unique identifier number requirements of registered MLOs by making the unique identifier available to members in a manner and method practicable to the credit union. Registered MLOs shall provide their unique identifier number to a member upon request, before acting as a MLO, through the MLO's initial written communication with a member, whether on paper or electronically.
  - c) Confirming the adequacy and accuracy of employee registrations, including updates and renewals. Employees who are subject to the registration requirements of the SAFE Act will not be permitted to act as a MLO for the credit union unless such employee is registered. Initial registrations must

- be completed within 180 days from the date that the National Credit Union Administration (NCUA) provides in a public notice that the Registry is accepting registrations.
- d) The development and use of tracking systems to monitor compliance with registration and renewal requirements and procedures.
  - e) Ensuring independent testing is conducted at least annually by credit union personnel or an outside party.
  - f) Taking appropriate action in the case of any employee who fails to comply with the registration requirements of the SAFE Act, or the credit union's related policies and procedures, including prohibiting employees from acting as MLOs, or other appropriate disciplinary actions, up to and including termination.
  - g) Reviewing employee criminal history background reports and taking appropriate action consistent with Federal law and implementing regulations with respect to these reports. Also maintaining records of the reports and actions taken with respect to applicable employees. Applicable confidentiality and privacy requirements will be followed.
  - h) Ensuring any third party with which the credit union has arrangements related to mortgage loan origination has policies and procedures to comply with the SAFE Act, including appropriate licensing and/or registration of individuals acting as MLOs.
- 8) The Credit Union may require each MLO to register directly or the SAFE Act Compliance Officer may designate one or more employees of the credit union to submit the required information to the Registry on behalf of the credit union's MLOs, provided that the designated employee(s) does not act as a MLO.

#### **Section M – Anti-Predatory Loan Policy**

- 1) MECE Credit Union will not participate in predator lending with regard to any of its loans. MECE Credit Union shall not participate in any practices that fall under the description of predatory lending including:
  - a) Very high interest rates.
  - b) Very high fees.
  - c) Steering a borrower toward a mortgage with a higher interest rate and/or fees even when the borrower could qualify under a less costly financing alternative.
  - d) Approving a mortgage based solely on the value of the property.
  - e) Lending without regard for a borrower's ability to repay the mortgage.
  - f) Loan flipping, which consists of refinancing a mortgage without any real economic benefits to the borrower.
  - g) Equity stripping, which is charging excessive fees and points.
  - h) Failing to disclose prepayment penalties to the borrower or using them as a method to prevent the victim of "steering" from being able to refinance to a lower-rate mortgage.
  - i) Charging a higher rate of interest after the mortgage goes into default.
- 2) Product Steering  
MECE Credit Union shall offer borrowers the lowest-cost mortgage alternatives for which the borrower qualifies. MECE Credit Union shall price mortgage loans directly from the secondary market servicers published rates or MECE Credit Union's published rates for our in-house variable rate loans.
- 3) Borrower's Ability to Make Mortgage Payments
  - a) MECE Credit Union determines, through the underwriting process, that borrowers have a reasonable ability and likelihood of repaying their mortgage debt. MECE Credit Union's underwriting of the mortgage confirms that, at the time of the origination, the borrowers can afford to make the mortgage payments. This determination of the borrower's ability to repay is made by comparing the borrower's income, assets, and liabilities to the proposed mortgage payment.
  - b) MECE Credit Union's willingness to fund mortgages made to borrowers with higher credit risk, is still predicated on use of secondary market underwriting guidelines as well as guidelines stipulated in the MECE Credit Union Policy Manual, that require the borrower have a reasonable ability to make the mortgage payments and likelihood to do so in the manner that will enable him or her to successfully maintain homeownership.
- 4) Allowable Points and Fees
  - a) MECE Credit Union will not originate mortgages with its in-house program or secondary market providers if the total points and fees charged to the borrower are greater than: (i) 5% of the

- mortgage amount, or (ii) the amount specified under Applicable Law which causes a loan to be classified as high cost, high-rate, high risk, or similar category of loan.
- b) Under this guideline, the definition of “points and fees”, provided by applicable federal, state or local law will be applied, but in the absence of the applicable law, points and fees will be defined as follows:
- i) Origination fees
  - ii) Underwriting fees
  - iii) Broker fees
  - iv) Finder’s fees
  - v) Charges that the lender imposes as a condition of making the mortgage-whether they are paid to the lender or a third party. Points and fees that do not have to be counted against this limitation include bona fide discount points (i.e. paid to reduce interest rate) and fees paid for property appraisals, credit reports, surveys, title examinations, and insurance; the costs of title, hazard, and flood insurance policies; state and local transfer taxes or fees; escrow deposits for the future payment of taxes and insurance premiums; and other miscellaneous fees and charges that, in total, do not exceed 0.25 percent of the mortgage amount.
- c) MECE Credit Union will not originate a loan if:
- i) It is subject to the requirement in the Homeownership and Equity Protection Act of 1994 (“HOEPA”) that apply to high-cost mortgages, as defined in that Act; or
  - ii) It is subject to the requirements of any federal, state, or local laws that apply to loans identified as high-cost, high risk, or high rate loans or loans in other similar categories as defined by the applicable predatory or abusive lending law.
- 5) Single-Premium Credit Life Insurance Policies  
MECE Credit Union shall not require any borrower to purchase Credit Life insurance policies. A mortgage is not eligible for funding to the secondary market if the borrower obtained a prepaid single premium credit life insurance policy in connection with the origination of the mortgage, regardless of whether the premium is financed in the mortgage amount or paid by the borrower’s funds. This prohibition does not apply to credit life insurance policies that require separately identified premium payments on a monthly or annual basis or to prepaid hazard, flood, or mortgage insurance policies.
- 6) Full-File Credit Reporting
- a) MECE Credit Union shall report a borrower’s entire mortgage payment history to a credit repository since that gives a borrower who has a good payment record more opportunities to obtain new financing when the need arises.
  - b) MECE Credit Union will report information on a monthly basis to Equifax, Experian, and TransUnion. This will include when the loan originated, delinquent mortgages, foreclosures and charge-offs.
- 7) Late Charges and Default Interest  
MECE Credit Union shall not charge borrowers a higher rate of interest after default. MECE Credit Union shall be permitted to charge late fees in the amounts and at times which are authorized by Applicable Law and by the relevant mortgage documents, subject to all limitations and restrictions of Applicable Law and relevant mortgage documents.
- 8) Screening Procedures to Avoid Anti-Predatory Lending
- a) Loans will be routinely reviewed by the lender for HOEPA as part of our recordkeeping for HMDA (Home Mortgage Disclosure Act).
  - b) MMS/Mortgage Cadence (Loan Documentation Software) warnings regarding high rates and high fees will be reviewed by the lender when received to ensure no abusive practices. This is checked with the pre-closing Early Disclosures and the final loan documents prior to closing
  - c) MECE Credit Union will stay abreast of changes in APL Law by reviewing the Predatory Lending Chapter 2.6 of the Origination Guide APL rules of the Federal Home Loan Bank website, at [www.fhlbc.com](http://www.fhlbc.com) where a link to [www.allregs.com](http://www.allregs.com) can be found. This is a reputable mortgage provider with updated information on regulatory guidelines. This will be reviewed on a semiannual basis or as new information arises.
  - d) The Senior Loan Officer will be responsible for updating changes in the APL Laws.

## **Section N - Troubled Debt Restructure (TDR) Policy**

- 1) Objective and Goals  
To ensure MECE Credit Union does everything possible to help our members that have experienced a financial hardship through the use of loan modifications which may differ from our normal lending policy. The Credit Union will work with members that show the willingness and the capacity to repay the obligation. A loan workout or modification may only be completed one time per year or no more than two times in a five year time period. An extension of a loan would not qualify as a loan modification.
- 2) Loan Types
  - a) Mortgages
  - b) Home Equity Lines of Credit (HELOC)
  - c) Automobile loans
  - d) Other consumer loans
- 3) Approval Authority  
The President/Manager and Senior Loan Officer may approve loan modifications.
- 4) Identifying Financial Difficulty
  - a) The borrower is currently in default on a loan with any lender.
  - b) The borrower has declared, or is in the process of declaring, bankruptcy.
  - c) The cash flow forecast indicates that there will be insufficient income to service the loan.
  - d) Absent the modification, the borrower cannot obtain funds from sources other than the Credit Union at an effective interest rate equal to current market interest rates.
- 5) Controls
  - a) Modifications will not include any unpaid interest or Credit Union fees. It will allow for third party fees such as forced place insurance and property taxes.
  - b) All loan modifications will be tracked with a unique flag by management or the Credit Union processing system. Loan modifications will be identified as Trouble Debt Restructuring (TDR) and reported on the 5300 Call Report.
  - c) All loan modifications will be reported to the Board of Directors.
  - d) Members must complete an updated loan application, submit a hardship letter with intent, and provide proof of income.
- 6) Loan Non-Accrual Policy  
MECE Credit Union may not accrue interest on any loan upon which principal and interest has been in default for a period of 90 days, unless the loan is “well secured” and “in the process of collection”.
- 7) Restoration to Accrual Status
  - a) Loan past due status is less than 90 days. Generally accepted accounting principles (GAAP) does not require it to be maintained on the Cash or Cost Recovery basis, and the Credit Union is assured of the loan repayment of the remaining contractual principal and interest within a reasonable period.
  - b) When the loan otherwise becomes well secured and in the process of collection.
  - c) Accrued but uncollected interest reversed or charged off at the point the loan was placed on non-accrual status cannot be restored to accrual; it can only be recognized as income if collected in cash or cash equivalents from the member.

## **Section P – Appraisal Policy**

- 1) Objectives and Goals  
To comply with all Federal and state laws, rules and regulations pertaining to appraisals and evaluations of appraisals.
- 2) Appraisal Independence
  - a) The ordering of appraisals will be separate from anyone with lending authority.
  - b) Appraisals will be ordered on a rotation established by the day of the week the appraisal was ordered.
  - c) Loan amount, expected or estimated value, or specified minimum value will not be included on an appraisal order. For a purchase transaction, a copy of the contract will be provided to the appraiser.

- d) Appraisal orders will be tracked to ensure a timely receipt of the appraisal to facilitate a timely underwriting decision.
- e) Appraisal copies will be delivered to the borrower at no charge to the borrower.
- 3) Appraiser Selection Criteria
  - a) The appraiser must be a state certified or licensed appraiser.
  - b) The appraiser may not be included in the U.S. Department of Housing and Urban Development Limited Denial of Participation list (LDP Exclusionary List).
  - c) An annual review will be completed to ensure appraisers or appraisal companies are not on the LDP Exclusionary list.
- 4) Minimum Appraisal Standards
  - a) Real Estate loans of more than \$250,000.00 will require an appraisal.
  - b) Must contain an opinion of market value with analysis to support the value and the Credit Union's lending decision.
  - c) The opinion of value must be supported by the market value.
  - d) Be performed by a state certified or licensed appraiser.
  - e) The scope of the work should be discussed with the appraiser, subject to the appraisal independence guidelines.
- 5) Validity of Appraisals
  - a) A full review and analysis of appraisals is necessary in order to determine the validity of the valuation and appraisal. Loan Officers should question the appraiser if conclusions in the appraisal are not fully understood or seem appropriate.
  - b) Comparable sales should be less than twelve months old, lack of suitable comparable sales may require that older comparable sales be used. Adjustments to any single line of comparable sale should not exceed 10% of the sales comparison, and net adjustments no more than 15%, and gross adjustments 25%. Exceptions to these guidelines should be reviewed by the Senior Loan Officer or Manager of the Credit Union.
  - c) Appraisals may be used for a period of two years for refinance transaction loans. A new appraisal would be required for purchase transactions. If an appraisal is used that is older than two years, it must be approved by Senior Loan Officer or Manager of the Credit Union. When this is the case, other strong underwriting characteristics or compensating factors are required.
- 6) Exempt Properties
 

Appraisals may still be ordered even when a property may meet exemption criteria. This may include:

  - a) Atypical properties.
  - b) Properties outside the Credit Union's traditional lending market.
  - c) Transactions involving existing extensions of credit with significant risk to the Credit Union.
  - d) Borrowers with high risk characteristics.
  - e) If the loan officer feels there is reason for a new appraisal.
- 7) Internal Controls
 

The Credit Union will perform an annual internal audit based upon a 10% sample of all of first mortgage type loans to ensure appraisal ordering guidelines are followed. This audit will be conducted in the first quarter of each year.

## MISSOURI ELECTRIC COOPERATIVES EMPLOYEES CREDIT UNION

### POLICY MANUAL

#### PART V -- BUDGETARY AND FINANCIAL CONTROL

##### **Section A – Responsibility**

The Executive Committee of the Missouri Electric Cooperatives Employees' Credit Union shall have the responsibility of bringing the appropriate budget and financial recommendations to the Board in accordance with this policy.

##### **Section B – Operating Budget Philosophy**

- 1) Missouri Electric Cooperatives Employees' Credit Union shall utilize a budget as the structure for planning necessary for the success of the Credit Union.
- 2) The Board is committed fully to formulate policy, make decisions, and do the planning necessary for the success of the budget.
- 3) The budget represents a proposed plan of operations. The budget should be used to establish a guideline for spending, but remain flexible for the implementation of new ideas.
- 4) All individuals or groups responsible for performance under the budget are to be involved in its preparation. The budget should reflect goals and objectives and determine the programs and workloads for the coming calendar year.
- 5) The approved budget authorizes the President/Manager to implement spending that lies within the structure of the budget.
- 6) The budget is to be used for control purposes only in a secondary manner.

##### **Section C - Operating Budget Procedure**

- 1) Planning Session  
Each year there will be a planning session to discuss current and potential Credit Union issues. Additionally, goals, objectives and the direction of the Credit Union for the following years will be established.
- 2) Budget Request  
The President/Manager shall request proposed workloads and programs from responsible staff members. The President/Manager or his/her staff will provide resource data and will assist in the pricing of programs when it is requested.
- 3) Preliminary Decisions  
The Executive Committee will review the wage and salary recommendations along with key issues and decisions related to other activities.
- 4) Budget Document
  - a) The President/Manager shall prepare the budget into a document to be reviewed by the Executive Committee.
  - b) The Executive Committee shall review the budget document and if there are inconsistencies the Executive Committee will contact the staff member or department to attempt to clarify.
  - c) The Executive Committee shall recommend the final budget to the Board of Directors for action at the November Board meeting.
- 5) Budget Evaluation  
The Board of Directors shall be updated on the status of the budget plan at the monthly Board meeting via the monthly financials.
- 6) Approval for Change
  - a) Will be reviewed at the monthly Board meetings.
  - b) Board action is necessary to add additional staffing to the Credit Union.
  - c) The President/Manager is authorized to overspend individual budget items, but not the budget total.
  - d) Interest expense over budget and borrowing will be reviewed monthly with the Credit Union financials.
- 7) Responsibility for budget recommendation
  - a) Share goals- Board of Directors at the planning session
  - b) Loan goals- Board of Directors at the planning session
  - c) Dividend and reserves- Board of Directors at the planning session
  - d) Revenue estimates- Accountant based on balance sheet projection

- e) Salary of President/Manager – Executive Committee with Board of Director approval
- f) Salaries of Credit Union staff and related costs- Executive Committee and President/Manager
  - 1. President/Manager will present the salary ranges to the Executive Committee
  - 2. The Executive Committee will review and present salary proposals to the Board for approval
- g) Insurance- Executive Committee and President/Manager
- h) Loan department- Senior Loan Officer
- i) Office administration- Accountant
- j) Collections- President/Manager
- k) Audit examination and protection- President/Manager
- l) Marketing and member education- Office Manager
- m) Depreciation and amortization- Accountant
- n) Dues to league and associations- President/Manager

#### **Section D - Capital Budget**

- 1) Capital Purchases (Fixed Assets)
 

A capital budget shall be considered each year with the operating budget. Capital budget requests can originate with the President/Manager, an officer, a committee, or a department head.
- 2) Capital Accumulation and Retention Plan (Reserves)
  - a) The Missouri Electric Cooperatives Employees' Credit Union will remain well capitalized as defined in NCUA rules.
  - b) The Asset Liability Management (ALM) Committee will annually review the capital accumulation and retention plan in order to insure objectives are being met and in order to make proper revisions as necessary.
  - c) The Credit Union will have a capital goal that lies within the range of 9%-11% with a target goal of 10% of its asset size. The Credit Union will plan to meet these goals by carefully managing and monitoring Credit Union growth.
  - d) The ALM Committee will make recommendations pertaining to capital accumulation and retention goals to the Board of Directors.
  - e) The capital position of the Credit Union will be reported to the Board and reviewed on a monthly basis.

## MISSOURI ELECTRIC COOPERATIVES EMPLOYEES' CREDIT UNION

### POLICY MANUAL

#### PART VI – CASH AND INVESTMENT CONTROL

##### **Section A – Authorizations**

- 1) The President/Manager shall be responsible for the supervision of cash and investment control.
- 2) The designation of an official bank, check-signing authorization, an investment account, borrowing authority, and investment authority shall be specified in this policy.

##### **Section B – Relationships with Other Financial Institutions**

- 1) It shall be the responsibility of the President/Manager and the Accountant to maintain a good working relationship with all financial institutions providing services to the Credit Union.
- 2) The President/Manager and Accountant are authorized to provide financial institutions with the necessary data to maintain good credit relationships. The Board is to be informed if relationships are strained or unsatisfactory.

##### **Section C – Cash Management**

- 1) The President/Manager shall be responsible for the management of cash.
- 2) The level of cash on hand at any time should be reasonable for operating purposes in the context of anticipated receipts and disbursements. Total change fund should be approximately \$25,000.
- 3) The cash position should be reviewed daily.

##### **Section D – Investments Subject to Authorization**

- 1) Investment Objective  
The main function of the Credit Union is to provide financial services for its members. This is accomplished by creating assets in the form of consumer loans and issuing liabilities in the form of shares and certificates. Because loan demand and deposit flows are subject to variation, liquidity and cash management activities are required in the management of these assets and liabilities. The primary objective of the investment portfolio is to provide liquidity and to facilitate the cash management process. The portfolio will convert excess cash resulting from slowed loan demand and/or deposit inflows into earning assets. Alternatively, the portfolio will be drawn down when necessary to accommodate loan requirements, deposit withdrawals, or other contingencies.
- 2) Responsibility  
The Board of Directors is responsible for the formulation and implementation of investment policies. The Board delegates decision-making authority with respect to specific investments to the President/Manager and Accountant for implementing investment policies and executing day-to-day investment decisions. All investment decisions shall be consistent with this Policy Statement.
- 3) Portfolio Composition
  - a) The portfolio should be comprised of securities with the following characteristics:
    - i) A low degree of default risk.
    - ii) A reasonable degree of liquidity and safety.
    - iii) A low degree of price risk resulting from changes in the level of interest rates.
    - iv) In any reporting period, the projected percentage price decline of the total portfolio under a 300 basis point adverse rate shift in interest rates may not exceed 15 percent.
    - v) In any reporting period, the projected average life of the portfolio under a 300 basis point adverse rate shift in interest rates may not exceed 7 years. The base case (no change in rates) average life of the entire portfolio may not exceed 5 years.
  - b) The primary emphasis is on liquidity and the safety of principal with respect to default risk and interest rate risk. Consequently, the yield on investments is viewed secondarily.

- c) To ensure safety and soundness on investments the Credit Union will utilize the following steps:
- i) The President/Manager and the Accountant will annually review the financial condition of each financial institution in which the Credit Union has uninsured funds. These annual reviews will be reported to the Asset Liability Management (ALM) Committee and documented on the ALM checklist.
  - ii) Financial statements will be reviewed on all institutions with whom the Credit Union has funds invested. These annual reviews will be reported to the ALM Committee and documented on the ALM checklist.
  - iii) MECE Credit Union will obtain the Registrations and Disclosure Events Report from the National Association of Securities Dealers (NASD) or the MO Secretary of State on both the brokerage firm and the investment broker prior to conducting business and on an annual basis while the investments remain on the Credit Union balance sheet. These annual reviews will be reported to the ALM Committee and documented on the ALM checklist.
- d) Missouri Electric Cooperatives Employees' Credit Union will comply with Financial Accounting Standard 115. The Credit Union will purchase investments held-to-maturity and investments that are available for sale.
- e) The Credit Union is authorized to purchase investments with the following characteristics:
- i) Call provisions
  - ii) Variable rates
  - iii) Fixed rates
- f) The ALM Committee and President/Manager of the Credit Union will review investments with provisions different than those listed to insure they comply with Credit Union policy and NCUA guidelines.
- i) Authorized Investments
 

The Credit Union may invest only in securities that are specifically authorized in this section. All other investments are prohibited by regulations and/or Board policy. The following investments are legally permitted by regulations and authorized by the Board of Directors of the Credit Union:

    1. U.S. Treasury Securities
    2. U.S. Government Agency and Agency-guaranteed Securities
      - a. Federal Farm Credit Bank (FFCB)
      - b. Federal Home Loan Bank (FHLB)
      - c. Federal National Mortgage Association (FNMA), including CMO's, MBS & CMBS (ARM's and fixed rate), and Direct Obligations
      - d. Federal Home Loan Mortgage Corporation (FHLMC), including CMO's, MBS & CMBS (ARM's and fixed rate), and Direct Obligations
      - e. Government National Mortgage Association (GMNA), including CMO's, MBS & CMBS (ARM's and fixed rate), and Direct Obligations
      - f. Small Business Association (SBA) U.S. Government Guaranteed Portion
    3. U.S. Government Mortgage Backed Securities. Geographic, loan count, coupon, loan size and diversification will be a priority in selecting loan pools. Just as the agency portfolio is monitored, performance of the mortgage-backed securities portfolio will be closely monitored on a monthly basis for extension risk and prepayment risk. The following products and characteristics are considered acceptable per this policy:
      - a. Agency-issued Mortgage Backed Securities (MBS's)
        - i. Fixed rate mortgage investments must have a weighted average life at the time of purchase of seven years or less in the base case scenario.
        - ii. At the time of purchase, the estimated percentage price decline of a mortgage security under a 300 bases point adverse shift in interest rates may not exceed 17 percent.
        - iii. At the time of purchase, the estimated average life of a mortgage security under a +/- 300 basis point shift in interest rates may not contract by more than 6 years or extend by more than 6 years.
      - b. Agency-issued Collateralized Mortgage Obligations (CMO's)
        - i. Fixed rate mortgage investments must have a weighted average life at the time of purchase of 7 years or less in the base case scenario.
        - ii. At the time of purchase, the estimated percentage price decline of a mortgage security under a 300 bases point adverse shift in interest rates may not exceed 17 percent.
        - iii. At the time of purchase, the estimated average life of a mortgage security under a +/- 300 basis point shift in interest rates may not contract by more than 6 years or extend by more than 6 years.
    4. Millennium Corporate Credit Union
    5. Certificates of Deposit and Bank Accounts
 

Insured CDs. Negotiable and non-negotiable CDs of any domestic commercial bank, savings and loan

Approved by MECE Credit Union Board of Directors on May 21, 2021

association, credit union, and savings bank may be acquired if the deposit is insured by the FDIC or NCUSIF.

6. Mutual Fund
  - a. Mutual fund investments may be made provided the fund is a legal investment in that all its investments, deposits, and procedures are legally permitted by the NCUA, and the funds average maturity does not exceed the maturity restriction set forth elsewhere in this policy statement. Because mutual funds lack a specific maturity, these investments will be carried on the financial statement of the Credit Union at the lower of cost or market value (net asset value).
  - b. A prospectus must be obtained and reviewed on a mutual fund to ensure that all investments and investment activities engaged in are permissible prior to the purchase.
7. Deposits at the Federal Home Loan Bank
8. Investments in Credit Union Service Organizations (CUSO)
9. Taxable Municipal Bonds
  - a. To compensate for credit risk, taxable municipal bonds will be required to have 50 basis points of spread of a comparable agency security and 75 basis points of spread over a comparable US Treasury security at the time of purchase.
  - b. MECE Credit Union will have clearly defined benchmarks for municipal credit metrics.
    - i. Those credit metrics should be measured prior to purchase and at least annually thereafter.
    - ii. Exceptions to these benchmarks should be addressed at the time of purchase and during the annual review process.
    - iii. Section F contains a list of credit metrics and corresponding benchmarks. Bonds with more than one credit metric outside of the defined benchmarks should be evaluated for inclusion on a watch list. Bonds on the watch list should be reviewed by the Asset Liability Management (ALM) Committee on a quarterly basis.
    - iv. To conduct the annual review, the Credit Union may use the Credit Criterion Check spreadsheet provided by The Baker Group or any other method to identify credit metrics outside of the set benchmarks. The annual review should include:
      - 1) Identifying credit metrics that are outside of the set benchmarks
      - 2) Evaluating all bonds with more than one credit metric outside of the set benchmark to determine if the bond is still investment grade by MECE Credit Union's standards
      - 3) Adding any bonds that need to be closely monitored to the watch list.
- ii) Maturity of Investments
  1. To control the risk of loss resulting from increases or decreases in the level of interest rates and the forced sale of securities, the maturity distribution of the investment portfolio must be controlled.
  2. Maximum term for Credit Union investment in certificates of deposits, taxable municipal bonds, and agency bullet securities will not exceed 10 years.
  3. Fixed rate mortgage investments must have a weighted average life at the time of purchase of 7 years or less in the base case scenario.
  4. At the time of purchase, the estimated average life of a mortgage security under a +/- 300 basis point shift in interest rates may not contract by more than 6 years or extend by more than 6 years.
  5. The sum of investments and fixed rate 1st mortgages with maturities greater than 5 years will not exceed 50% of total assets.
- iii) Diversification and Sector Limits
  1. U.S. Treasury and Agency Securities  
The amount of Agency Security investments will be limited to 50% of total assets.
  2. Millennium Corporate Credit Union  
The total amount of funds invested in and on deposit with this institution will not exceed 5% of total assets.
  3. Commercial Banks  
The total combined investments in CDs and bank accounts of a single institution are to not exceed the insured limits by Federal Deposit Insurance Corporation (FDIC) and National Credit Union Share Insurance Fund (NCUSIF).
  4. Perpetual and Non-perpetual capital at any one corporate credit union shall not exceed 2% of total assets. Perpetual and Non-perpetual capital in all corporate credit unions shall not exceed 4% of total assets.
  5. Investments in CUSO's (Credit Union Service Organizations) shall not exceed 2% of total assets
  6. Taxable Municipal Bond will be limited to:
    - a. An aggregate of 40% of Credit Union net worth at the time of purchase
    - b. The amount of investment in a single issuer shall be limited to 7% of Credit Union net worth at the time of purchase.

Approved by MECE Credit Union Board of Directors on May 21, 2021

- c. The amount of Municipal bond holdings in one state shall be limited to 10% of Credit Union net worth.
- 7. Collateralized Mortgage Obligations (CMO) shall be limited to 200% of Credit Union net worth.
- iv) Unauthorized Transactions
  - Regulations pertaining to Federally chartered credit unions prohibit or limit the use of certain types of investment transactions. Pursuant to these regulations and/or the policy of the Board of Directors, the following transactions are unauthorized for use by the Credit Union:
    - 1. Futures Contract.
      - A futures contract is an agreement calling for a fixed-price, future delivery of standardized securities, usually Treasury and Agency issues.
    - 2. Forward Placement contracts.
      - There are two types of forward placement contracts, both of which are unauthorized by the Board:
        - a. Standby commitment
          - This is an agreement for the sale of a security at a future date whereby the buyer of the security is required to accept delivery at the option of the seller.
        - b. Cash Forward Agreement
          - This is an agreement to purchase or sell a security at a future date with mandatory delivery and acceptance.
    - 3. Short Sales
      - This is the sale of a security that is not owned by the Credit Union.
    - 4. Adjusted Trades
      - This is a method of hiding an investment loss by selling a security at a fictitiously high price to a dealer and simultaneously buying another overpriced security from the same dealer.
- 4) Additional procedures that must be followed to protect the assets of the Credit Union:
  - a) Transactions
    - Investment transactions will be conducted directly with the issuers of securities, or broker-dealers of reputable securities firms.
      - i) Broker-dealers must be approved by the Board prior to conducting business with MECE Credit Union.
      - ii) A broker-dealer may be used to purchase and sell investments as long as the party is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) or is a depository institution whose broker-dealer activities are regulated by a federal or state regulatory agency.
      - iii) Price quotations will be obtained from at least two broker-dealers or from one industry-recognized information provider (such as a Bloomberg B-value price report) prior to purchasing or selling a security, except for a new issue purchased at par or the original issue discount.
      - iv) The Board of Directors has approved the following investment firms to conduct business with MECE Credit Union:
        - 1. Millennium Corporate Credit Union
        - 2. The Baker Group
        - 3. Central Bank
        - 4. First Bankers' Bank Securities, Inc
        - 5. Multi-Bank Securities
  - b) Safekeeping
    - With respect to payment, delivery and the safekeeping of investments, the following procedures will be followed:
      - i) When a security is purchased, evidence of the wire transfer of the funds shall be retained until the instrument matures and the funds are returned. An individual confirmation statement must be obtained from each broker-dealer for each investment purchased or sold.
      - ii) Purchased investments and repurchased collateral must be in the Credit Union's possession, recorded as owned by MECE Credit Union through the Federal Reserve Book-Entry System, or held by an approved safekeeper under a written custodial agreement. A custodial agreement is a contract in which one party agrees to hold securities in safekeeping for others.
      - iii) Securities not in the physical possession of the Credit Union may be held in a safekeeping account with a reputable securities firm or a financial institution insured by the Federal government. Any safekeeper that the Credit Union uses must be regulated and supervised by either the Securities and Exchange Commission or a federal or state depository institution regulatory agency, or a state trust company regulatory agency. All securities held in a safekeeping account will be evidenced by a safekeeping receipt from the safe keeping institution.

- iv) At least annually, MECE Credit Union must review the financial condition of any safekeeper it uses, including capital strength, liquidity, and operating results. The Credit Union will consider current financial data, annual reports, reports of nationally recognized statistical rating organizations, relevant disclosure documents, and other sources of financial information.
  - v) The Board has approved the following third-party safekeeping facilities:
    - 1. Pershing LLC through First Bankers Banc Securities
    - 2. The Central Trust Bank
- 5) Stop Loss Clause  
A stop loss review will be performed monthly on any marketable securities that are “marked for market” and who show a negative trend in value of 80% of the purchase price. A decision to hold or sell the investment will be made based on the current market trends and credit union liquidity and capital. It is the intent of this Credit Union that sufficient liquidity for the projected life of the security will be available prior to purchasing a marketable security. It is anticipated that when a security decreases in value it will be held to maturity or sold once a profitable position is reached if it is determined to be advantageous to the Credit Union.
- 6) Exceptions and Review  
Any policy exceptions must be reviewed and approved by the Board of Directors.

### **Section E – Municipal Credit Criteria and Annual Review**

- 1) As a supplement to the overall investment strategy, specific municipal credit attributes will be reviewed before a purchase decision has been made and on an ongoing basis for municipals held within the Credit Union’s portfolio. As with any credit analysis process, no one ratio or metric shall be viewed in isolation in determining the credit quality of the issuer. Therefore, the suggested credit analysis procedures outlined herein will allow for certain criterion to fall outside the credit union’s established benchmark, should other fundamentals of credit strength offset such an event. Such fundamentals include, but are not limited to;
  - a) Direct credit enhancement support
  - b) Underlying ratings of A or higher
  - c) Self-supporting debt
  - d) Pre-refunded and/or escrowed debt.
- 2) Credit Metrics and Benchmarks for General Obligations Structures
  - a) Principal GO debt (as a percentage of the issuer’s assessed valuation)  
No more than 2.0x the average debt to assessed ratio in the residing state
  - b) Debit limit (if applicable)  
No less than 10% debt capacity remaining
  - c) Principal GO debt per capita  
Less than \$3,500.00
  - d) Property tax collections as a % of the levy  
At least 90% collection rate
  - e) GO debt service relative to property tax collections  
Property tax collections should be at least equal to the GO debt services requirements, excluding double barrel bonds
  - f) The debt to assess ratio when including overlapping debt  
No more than 5.0x the average debt to assessed ratio in the residing state
  - g) The debt per capita when including overlapping debt  
Less than \$10,000.00
- 3) Credit Metrics and Benchmarks for Revenue Bond Structures
  - a) Essential purpose pledged revenues (utility revs) above the principal and interest requirements in the fiscal year  
Coverage above the applicable rate covenant and at least 1.25x
  - b) Sales and income tax pledged revenues above the principal and interest requirements in a fiscal year  
Coverage above the rate covenant and at least 1.50x
  - c) Lease and/or mortgage lien structures  
Debt coverage is not applicable, but lease structures may not be subject to annual appropriation without a secured interest of the facilities through a 1<sup>st</sup> lien mortgage
- 4) Fundamental Credit Analysis Points of Interest
  - a) Change in net assets  
Declining net assets will be flagged to determine if the cause is attributed to operating deficits
  - b) School district’s intergovernmental state aid dependence

For school districts, state sourced funds not pledged to service bonded debt should not exceed 65% of all governmental funds

- c) City and county intergovernmental state aid dependence  
For all other governments, state sourced funds not pledged to service bonded debt should not exceed 45% of all governmental funds
- d) County level unemployment relative to state unemployment  
No more than 150% of state unemployment rate
- e) Book value of bonds issued by one issuer compared to Tier 1 capital  
Less than 10.0%

### **Section F – Municipal Bond Watch List**

- 1) Bankruptcy by the issuer
- 2) Monetary default on the issue or other debts of the issuer
- 3) Technical default on the issue
- 4) Financial statements greater than 3 years old
- 5) Downgraded by NRSRO to BBB equivalent or lower
- 6) Downgrade of bond insurer by NRSRO to A or below (excluding issues with underlying rating)
- 7) More than 10% unrealized loss for 12 consecutive months
- 8) For revenue bonds, coverage ratio falls below rate covenant or 1.00 for lease bonds, 1.25 for essential purpose bonds, and 1.5 for all other types of revenue bonds
- 9) For general obligation bonds, debt-to-assessed ratio greater than two times the state average, or debt-per-capita greater than \$3,500
- 10) County unemployment rate greater than 150% of state or national average
- 11) Property tax collection rate less than 90%
- 12) For general obligation bonds, debt-to-assessed with overlapping debt ratio greater than 5X the state average of the debt-to-assessed ratio, or per capita with overlapping debt ratio greater than \$10,000
- 13) Significant material adverse financial trends of the issuer or primary repayment source; or material secondary repayment source (i.e. state support)
- 14) Intergovernmental financial support from state greater than 45% of total revenues of the issuer unless the issuer is a school district in which case the state intergovernmental support is greater than 65% of the total revenues of the issuer
- 15) Exposure to any issuer greater than 10% of Tier 1 capital
- 16) Particular attention will be paid to non-essential purpose revenue bonds such as health care, housing, land development, etc.
- 17) Unfunded Actuarially Accrued Liabilities to Assets ratio greater than 20% for Other Post-Employment Benefits (OPEB) plans
- 18) Net Pension Liabilities to Assets ratio greater than 50% for Pension plans
- 19) Pension Obligation Bonds to Assets ratio greater than 10%
- 20) Pension Required Contributions to Covered Payroll ratio greater than 25%
- 21) Pension Actual Contributions to Required Contributions ratio less than 90%
- 22) Pension Funded ratio less than 60%
- 23) OPEB Required Contributions to Covered Payroll ratio greater than 20%
- 24) General Fund Balance/Debt Service greater than 1X
- 25) Pensions Max Net Pension Liability to Covered Payroll greater than 250%
- 26) OPEB Max UAAL to Covered Payroll greater than 75%

# MISSOURI ELECTRIC COOPERATIVES EMPLOYEES'S CREDIT UNION

## POLICY MANUAL

### Part VII – EARNINGS AND RESERVES

#### **Section A – Distribution of Net Earnings**

- 1) Net earnings are defined as the excess of Credit Union revenue over expenses.
- 2) The exact statutory addition to the regular reserve shall be distributed from net earnings at the time of the closing of the books prior to the payment of dividends. Other distributions are to be recommended by the Executive Committee to the Board for appropriate action. If no Board action is taken or if action does not entirely dispose of net earnings, any balance shall be distributed automatically to undivided earnings when the books are closed.
- 3) The distribution of net earnings after the statutory transfer of the regular reserve is appropriate only for:
  - a) Dividends
  - b) Undivided earnings
  - c) Additions to the regular reserve
  - d) Interest refunds and/or the reserve for contingencies.
- 4) In the distribution of net earnings, the best interest of both the borrowing and saving member are to be considered.

#### **Section B -- Dividends**

- 1) Members are entitled to a fair return on their shares. Dividends shall be in an amount adequate to attract the necessary shares to accommodate the loan demands of members. Dividends to members should be at a rate competitive with other financial institutions in the community.
- 2) It is the expectation that dividends normally would be covered from the current period net earnings.
- 3) The declaration of a monthly dividend shall be considered by the Board of Directors at its regular meeting in advance of payment. Dividends shall be posted to member accounts after the close of business on the last day of each month.
- 4) Dividends are paid from the date of deposit to the date of withdrawal and compounded monthly.
- 5) Dividends shall not be paid on share accounts under \$25.

#### **Section C – Interest Refund**

Interest refunds are an appropriate means to stimulate member demand for loans. If loan demand is slow and the Credit Union has excess deposits, management has the authority to use interest refunds to stimulate loan growth. Current loan rates and dividend rates will be reviewed carefully as a primary option to manage the loan-to-share ratio.

#### **Section D – Regular Reserve**

It shall be the policy of the Credit Union to add enough to the regular reserve each year so there is a net increase in the fund. During periods in which personal loans are increasing in total amount, the regular reserve should also grow to establish an amount in the fund adequately and conservatively to provide for possible losses.

#### **Section E – Reserve for Contingencies**

The reserve for contingencies is an extension of undivided earnings and will be maintained to provide for major extraordinary future expenditures. This reserve may be used to increase the regular reserve for building costs, or other purposes after approval by the Board of Directors.

#### **Section F – Undivided Earnings**

Undivided earnings can be allocated only by the Board of Directors within the provisions of the law.

#### **Section G – Reserve for Uncashed Checks**

The reserve for uncashed checks is established for the purpose of accounting for checks to members that have not cleared the bank in a period of three months. The amounts transferred to this control should be properly identified, including member account number and name.

### **Section H – Share Insurance Fund**

The share insurance deposit shall be maintained at the level required by the National Credit Union Administration.

### **Section I – Allowance for Loan Loss Reserve**

- 1) The allowance for Loan Loss Reserve will be calculated at the end of each month.
- 2) The allowance for Loan Loss Reserve is calculated by summing an estimated loss on the specific review of loans at risk and the historical loan loss average applied to the remaining loans not reviewed.
- 3) Specific Review of Loans
  - a) The Senior Loan Officer will perform the specific review.
  - b) The President/Manager must approve the specific review.
  - c) The specific review will include all loans 60 days or more past due and any other loans that have been identified as likely to have losses.
  - d) The specific review is performed by subtracting the estimated collateral value from the balance on each loan, which gives the amount subject to loss for that loan. The amount subject to loss is then multiplied by a percentage based on the number of days it is delinquent to determine the total loan loss estimated. Loans that have collateral value exceeding the loan balance are assigned a 1% minimum loss. The rest of the loans are assigned the following percentages of loss:
    - i) 60 – 120 days = 25%
    - ii) 120 – 270 days = 75%
    - iii) 270 days or greater = 100%.
  - e) All estimated loan losses are totaled to give the specific loss on loans reviewed component of the Allowance for Loan Loss Reserve.
- 4) Historical Loan Loss Calculation
  - a) A 36 month rolling average of historical loan losses will be applied to each pool of loans. Pools or segments will be made from loans with similar collateral or risk characteristics. Currently the Credit Union recognizes 4 loan pool categories:
    - i) Real Estate Loans- includes real estate loans of all types such as all first mortgage, home equity, and land loans.
    - ii) Other Secured Loans- loans that are secured by something other than real estate, shares, or CD's.
    - iii) Unsecured Loans
    - iv) Guaranteed Loans- include share & CD secured loans and sellable real estate loans which have been approved for funding. These loans are a special pool which are excluded from any loan loss calculation since payment on them is guaranteed.
  - b) Historical Loss Calculation by Loan Pool
    - i) The last 36 months of net charge offs are divided by the average loan balances for these months to determine a historical loan loss percentage. For each pool all loans specifically reviewed are subtracted from the current pool loan balances to determine an amount to apply the historical loan loss average to. The result is the historical loan loss for that pool.
    - ii) If a pool has more recoveries than charge offs in the 36 month period the historical loan loss will be zero.
    - iii) The historical loan loss of all three pools are added to the losses from the specific review to determine the total amount of estimated loan losses to enter in the Allowance for Loan Loss Reserve.
    - iv) The Accountant will verify the accuracy of the historical charge offs and loan balances.
- 5) Annually, the outside auditor of the Credit Union will verify the Allowance for Loan Loss Reserve.

# MISSOURI ELECTRIC COOPERATIVE EMPLOYEES' CREDIT UNION

## POLICY MANUAL

### PART VIII--MARKETING

#### **Section A -- Responsibilities**

- 1) The President/Manager shall be responsible for the implementation of programs recommended by the Board of Directors.
- 2) The President/Manager shall be responsible for coordinating all marketing activities to include: member education, member relations, advertising and promotion, and public relations.
- 3) The President/Manager and the Office Manager shall be responsible for coordinating the education and training of staff and management.
- 4) All printed statements, forms, and publications must be approved by President/Manager in order to maintain cost controls and clear interpretation of policy and standards.

#### **Section B -- Objectives**

- 1) The purpose of all marketing, promotion, education, advertising, and public relations shall be to keep members and non-members informed about the benefits of Credit Union membership.
- 2) The policy of the Missouri Electric Cooperatives Employees' Credit Union shall be to emphasize it as a membership organization. Its policy shall be to provide maximum communications to members and openness within the constraints of the law.
- 3) The Credit Union shall publish newsletters on a quarterly basis.

#### **Section C -- Education**

Education programs shall be developed for members and for the cooperative representatives.

#### **Section D -- Public Relations**

- 1) The President/Manager shall be responsible for the maintenance of a friendly, member-oriented atmosphere in the Credit Union.
- 2) Excellent member service shall be of the utmost importance to Credit Union staff when dealing with all members and eligible members of the Credit Union.

#### **Section E -- Social Media**

- 1) Media & Representation
  - a) It is the responsibility of the President/Manager to determine the social media networks that MECE Credit Union will participate in.
  - b) It is the responsibility of the President/Manager to designate employees with the authority to represent the Credit Union on various social media networks.
  - c) The designated employees will be responsible for the following:
    - i) Setting up an account
    - ii) Maintaining an account
    - iii) Instituting changes to the account
    - iv) Posting information about the Credit Union
    - v) Replying to members
- 2) Information
  - a) It is the responsibility of the designated staff member to post factual information. Individual opinions expressed by a staff member utilizing the MECE Credit Union social network while acting as a representative of the Credit Union is forbidden.
  - b) Information that is not available to the public should be withheld from the website to prevent possible fraud. Such information is as follows:
    - i) Company strategy
    - ii) Operating procedures

Approved by MECE Credit Union Board of Directors on December 14, 2018

- iii) Member information
- c) If a member posts offensive or threatening language, the employee(s) designated to respond to members may remove the post and, if deemed necessary, remove the member from the social media network.
- d) If an employee posts inappropriate, offensive, or threatening content then the President/Manager may take the proper corrective actions as outlined in the personnel section of the MECE Credit Union policy manual.

### **Section F – Member Scholarship**

The Credit Union may award one scholarship of \$500 each year.

Eligibility:

- 1) Member must be the primary account owner, between the ages of 16 to 25, and be accepted or enrolled in a 2 or 4 year college or trade school.
- 2) The recipient of the scholarship will have the options of the scholarship being paid directly to the financial aid office of the school in which the applicant is enrolled, and credited to the account of the recipient or a technology bundle in the amount of \$500.00.
- 3) Members can participate by submitting an MECE Credit Union Scholarship application.
- 4) The Supervisory Committee will determine the winner of the scholarship.
- 5) Applicants may only win the scholarship once
- 6) Those not eligible for the scholarship are:
  - a) Credit Union employees.
  - b) Board of Directors and Supervisory Committee
  - c) Children and grandchildren of Credit Union employees, Board of Directors and Supervisory Committee.

### **Section G – Advertising and Promotion**

1. Advertising and promotional campaigns will be a continuous part of Credit Union operations. Examples include, but are not limited to:
  - a) A quarterly newsletter approved by the President/Manager of the Credit Union.
  - b) Distribution of promotional materials as deemed necessary.
2. Advertising and promotion shall be balanced between saving and borrowing.
3. The mailing list of membership may not be provided to any vendor or insurance company without permission from the Board of Directors. Any general mailing to the membership can be made only with specific authorization of the Board of Directors.
4. MECE Credit Union will actively promote its services to its membership via cooperative visits.

### **Section H – Do Not Call Policy**

- 1) MECE Credit Union will keep a “Do Not Call” list of members that choose not to receive sales calls from MECE Credit Union. All requests will be documented immediately according to state and federal laws. It may take up to 30 days for the member telephone number to be removed from any sales programs that are currently underway. Requests may be submitted to MECE with the following stipulations:
  - a) A request may be submitted by writing or by phone and must include, at minimum, the member telephone number including the area code.
  - b) If a member has multiple telephone numbers, they will need to inform MECE Credit Union of the numbers that they wish to include on the “Do Not Call” list.
  - c) The submitted number will remain on the “Do Not Call” list for a period of five years unless the member submits a request to remove the number.
  - d) If the member’s telephone number changes, they must provide the Credit Union with updated information for their “do not call” status to remain in effect.
- 2) In the event of solicitation of prospective members, the “do not call” requests will be honored on behalf of consumers listed on the National Do Not Call Registry maintained by the Federal Trade Commission and various state-agency lists. Many state “Do Not Call” regulations permit companies to contact their members even though they are on these “Do Not Call” lists. Therefore, a member may be contacted by MECE Credit Union even though they are on a state or the national “Do Not Call” list. If a member does not want to be contacted by MECE Credit Union even though you are a member, the steps above will ensure they are placed on the MECE Credit Union “Do Not Call” list and the request will be honored.
- 3) Being on the MECE Credit Union “Do Not Call” list means that they will not receive sales calls by anyone representing MECE Credit Union. MECE Credit Union may still contact the member, however, for non-solicitation purposes. This would include things like surveys, billing and other service-related matters.

Approved by MECE Credit Union Board of Directors on December 14, 2018

- 4) All employees that engage in outbound telephone solicitation are trained in this policy and are made aware of these procedures before they are allowed to place calls to members. Management reviews the policy with these employees on a regular basis. MECE Credit Union reviews the methods and procedures in this “Do Not Call” policy on a periodic basis.

#### **Section I – Annual Meeting**

- 1) The President/Manager shall be responsible for recommending to the Board, the budget of the annual meeting, the objective, and the format of the annual meeting.
- 2) The annual membership meeting, apart from meeting the statutory requirements, shall serve to accomplish a specific objective such as education to the members.
- 3) The meeting shall be held at a time and place consistent with the meeting objective.
- 4) The meeting must be held within 180 days following the close of the fiscal year.

**MISSOURI ELECTRIC COOPERATIVES EMPLOYEES' CREDIT UNION****POLICY MANUAL****PART IX--DELINQUENT LOAN CONTROL****Section A -- Philosophy**

- 1) The Missouri Electric Cooperatives Employees' Credit Union must implement and maintain an effective control of all loans in order to safeguard the funds entrusted to it by its members.
- 2) The Credit Union philosophy of helping other people to help themselves should be considered when the causes of delinquency are determined and collection can be implemented through adequate financial planning.
- 3) Every consideration should be given to retaining members when collecting loans. The Credit Union shall always consider the wellbeing of the member as part of a sound collection policy.
- 4) Where responsible financial planning is exhibited by the member, normally satisfactory arrangements can be made to accommodate the member.
- 5) The Missouri Electric Cooperatives Employees' Credit Union shall encourage regular payments and point out to its members the additional cost of using money through periods of neglected principal payments.
- 6) Vigorous collection action within limits of the Missouri Consumer Act shall be initiated when it is indicated that the member has no intent to fulfill their obligation.

**Section B -- Collection**

- 1) The President/Manager and Senior Loan Officer are responsible for the coordination of the collection efforts of the Missouri Electric Cooperatives Employees' Credit Union in accordance with the philosophy outlined in the policies set forth by the Board of Directors.
- 2) Policy and procedures relating to the collection of delinquent loans and interest apply to all members, irrespective of their professional or social standing, with equal force.
- 3) Delinquent loans with interest to individuals who have left the field of membership are to be followed-up with special vigor.
- 4) One objective of the collection procedures shall be the retention of members. These procedures shall include provisions for determination of the causes of delinquency and for cooperation with the member to the fullest extent possible without incurring a financial loss to the Credit Union in order that the member may repay the loan.
- 5) Collateral shall normally be recovered if payment is not being made for three months without good cause following the provisions of the Missouri Consumer Act.
- 6) Recovery from the co-maker shall be instituted when delinquency becomes evident.
- 7) Sale of Repossessed Goods
  - a) The provision of the Missouri Consumer Act and Uniform Commercial Code shall be followed in any recovery.
  - b) Following surrender of goods:
    - i) Notify debtor(s) by certified mail of sale date.
    - ii) Post appropriate notices of all sales at least 20 days prior to sale. When major assets are to be sold, appropriate additional notice shall be given.
    - iii) Bids may be presented in writing or in person.
    - iv) The Credit Union reserves the right to bid to protect its interest.
    - v) No warranty or guaranty shall be given. Property is sold "as is".
  - c) The Credit Union will prohibit employees, elected officials, and their immediate family members which are able to join the Credit Union as defined by this policy manual, from bidding on and purchasing repossessed or foreclosed property.

**Section C – Procedure Policies**

- 1) Necessary precautions shall be taken in the granting of loans to eliminate most delinquency before it starts. These shall include: complete applications, credit checks when considered necessary, and explanation of terms.
- 2) Staff training shall include an understanding of delinquency control.
- 3) Delinquent loan records shall be examined each month and properly marked for delinquency control.
- 4) A report of accounts delinquent 60 days or more in arrears shall be submitted to the Board on a monthly basis.

- 5) The President/Manager is required to report to the Board in accordance with delinquent loan policies any director, committee member, staff, or member of their immediate family who has an account delinquent more than 60 days. Such members should be notified of the President/Manager's duty to report such delinquency prior to the board report. Failure by the President/Manager to report delinquency under these provisions shall be cause for dismissal of the President/Manager.
- 6) Special problems shall be referred to the Board before referral is made to a collection agency or attorney for court action unless it is within the judgment of the President/Manager that immediate action needs to be taken in the interest of the Credit Union.
- 7) A listing of delinquent loans will be given to the loan officer for their review.
- 8) The President/Manager, subject to Board confirmation, may act in transacting settlements where safety and recovery of principal is involved.
- 9) The Credit Union will close any account and deny services to any person who has caused the Credit Union a loss.

#### **Section D – Collection Policy**

- 1) First notice - sent when loan is 10 days past due.
- 2) A late charge will be applied to delinquent accounts that are more than 15 days late. The account will be charged the lesser of 5% of the payment due or \$25, subject to a minimum of \$5.
- 3) Second Notice - sent when the loan is 20 days past due.
- 4) The President/Manager, Senior Loan Officer, Loan Officers and Assistant Loan Officers shall work to collect from delinquent accounts in order to set up satisfactory payment arrangements using automated resources.
- 5) All accounts that are listed on the monthly delinquency report will be contacted by phone, e-mail or mail unless a payment has been made and the loan is current. Collection activity will be documented on the data processing system or in the member's file.
- 6) Monthly collection meetings will be held to review the status and plan for all delinquent accounts listed on the monthly delinquency report.
- 7) Loans that are past due 60 days will have all available credit limits removed and membership services may be discontinued, including debit/credit card services, until the loan is brought current.
- 8) A Right to Cure Notice may be sent after payment has not been received and the loan is 10 days past due.
- 9) Bankruptcy cases are immediately marked so that notices are not produced. The Credit Union corresponds directly with the debtor's attorney and the trustee.
- 10) Delinquent loans are turned over to a collection agency when it has been determined that all other avenues have been exhausted.
- 11) Delinquent Real Estate
  - a) All real estate loans that are 60 days past due will have an inspection of the property by Credit Union staff or a Credit Union representative.
  - b) A valuation of each 60 day delinquent loan will be determined using information from the tax assessor, licensed real estate agent or an automated valuation model (AVM).
  - c) The Senior Loan Officer will be responsible for managing foreclosed property in order to ensure the property is maintained and sold.

#### **Section E – Share Transfers**

Management shall normally be authorized to transfer all shares to the loan when an account is in arrears prior to the transfer of the account to an attorney or collection agency.

#### **Section F – Write-offs of Delinquent Loans**

- 1) All loans considered uncollectible shall be charged to the allowance for loan loss account by the Board of Directors on recommendation of the President/Manager.
- 2) All uncollectible loans which are 12 months delinquent shall be written off unless proper documentation has been given to the Board which identifies the reason the loan has not been recommended to be written off. More frequent write-offs can be made on recommendation of the President/Manager.
- 3) Collection efforts shall be continued on such loans. They shall be placed in the hands of a collection agency or attorney for continual follow-up and recovery.
- 4) Charged off accounts and subsequent activity shall be reported to the credit bureau, indicating date of charge off and current status.
- 5) The Board of Directors will conduct a monthly review of all loans on the 60 day past due report to determine if a

loan should be charged off.

- a) Loans which have a timeline and agreed upon payment schedule will be expensed through the provision for loan loss using the monthly review of delinquent loans worksheet, but will not be written off unless the member breaks the agreement.
- b) The following loans with no agreed upon payment schedule will be charged off and sent to a collection agency:
  - i) A delinquent loan more than six months past due without a payment of at least 75 percent of a regular monthly installment within the last 90 days.
  - ii) A delinquent loan in the hands of an attorney or collection agency, unless there are extenuating circumstances to indicate the Credit Union will collect the loan.
  - iii) A loan where the Credit Union has had no contact for 90 days.
  - iv) An estimated loan loss, where the Credit Union has repossessed, but not yet sold, the collateral on hand.
  - v) A loan in bankruptcy, within 60 days of receipt of notification of the notice of discharge unless the Credit Union can clearly demonstrate and document that repayment is likely to occur.
  - vi) A fraudulent loan, no later than 90 days of discovery or when the loss is determined, whichever is shorter.
  - vii) A loan of a deceased person when the loss is determined.
  - viii) A loan deemed uncollectible, where additional collection efforts are nonproductive.

### **Section G – Collected Accounts**

Loans collected in full through action of an attorney or collection agency shall be marked "paid". Expenses of collection shall be added to the loan or charged to "legal and collection" expense.

### **Section H – Charged Off Loan Record**

- 1) Loans charged to the allowance for loan loss account as uncollectible will be documented (loan folder, correspondence, etc.), controlled and a formal ledger indicating the status of each shall be maintained.
- 2) Statements shall be maintained and sent at least annually unless:
  - a) The address is unknown
  - b) The account is settled by agreement
  - c) The account is in the hands of a collection agency (unless it is otherwise legally uncollectible).

# MISSOURI ELECTRIC COOPERATIVES EMPLOYEES' CREDIT UNION

## POLICY MANUAL

### PART X--INSURANCE AND RISK MANAGEMENT

#### **Section A – Risk Management**

A program of risk management will be implemented for the purpose of controlling risks through:

- 1) Reduction or elimination
- 2) Assumption or acceptance  
Before accepting a risk, consideration is to be given to:
  - a) Potential amount of the loss
  - b) Probability of the loss
  - c) The need for insurance carrier services
- 3) Transfer by Insurance  
It shall be the policy of the Credit Union to transfer all substantial risks to an insurance company capable of being the risk bearer in order that the amount of risk is reduced equal to the amount of premium.
- 4) A disaster recovery plan shall be initiated and maintained by the President/Manager and reviewed periodically by the Board of Directors, exhibited in Appendix B of this policy manual.

#### **Section B -- Responsibility**

- 1) The Security and Policy Committee shall be responsible for review and administration of the insurance policy.
- 2) A review prior to each policy anniversary date will be made by the President/Manager, who will report his findings to the Security and Policy Committee which will make a recommendation for initiation of any action necessary. All insurance policy changes will be voted on by the Board of Directors.
- 3) In order to promote and maintain good corporate relations between the Missouri Electric Cooperatives Employees' Credit Union and competing insurance companies' contracts, the Credit Union shall carefully review the CUNA Mutual contracts and accept additional proposals on a competitive basis when discernible contractual differences arise.

#### **Section C – Credit Life Insurance**

- 1) All MECE Credit Union borrowers that qualify will be offered the opportunity to purchase credit life insurance, paid by the member. Limitations of this product are as follows:
  - a) Maximum - \$50,000
  - b) Maximum age 71
- 2) Management will develop consumer information for members showing the benefits of the coverage.
- 3) Commission from the sale of credit life insurance shall be paid to the Missouri Electric Cooperatives Employees' Credit Union as an assignee of the licensed agent and be recorded as other non-interest income.
- 4) Management is approved to enter into contracts with qualified life and loan insurance companies.

#### **Section D – Credit Disability Insurance (Accident and Health)**

- 1) All MECE Credit Union borrowers that qualify will be offered the opportunity to purchase credit disability insurance, paid by the member.
- 2) Management will develop consumer information for members showing the benefits of the coverage.
- 3) Commission from the sale of credit disability insurance shall be paid to the Missouri Electric Cooperatives Employees' Credit Union as an assignee of the licensed agent and be recorded as other non-interest income.
- 4) Promotional and informational materials related to credit disability insurance must be approved by the President/Manager.

#### **Section E -- Bond**

- 1) The Missouri Electric Cooperatives Employees' Credit Union shall carry a 578 Blanket Bond Policy that meets NCUA requirements.
- 2) The policy and endorsements shall be reviewed by the Security and Policy Committee.

**Section F -- Property, Liability, and Other Insurance**

The Missouri Electric Cooperatives Employees' Credit Union carries a credit union comprehensive security policy (package with continual renewal) through an approved insurance company.

**Section G -- Sale of Insurance**

- 1) No board member, officer, or employee shall become involved in the sale or solicitation of any insurance to members for gain.
- 2) The Credit Union shall make available all lines of insurance for members through an approved contracted agent.

**Section H -- National Credit Union Administration**

- 1) The credit union shall participate in the share insurance program of the National Credit Union Administration as required by the regulatory agency.
- 2) The Credit Union shall display the official seal of the National Credit Union Administration in its offices as appropriate.

**Section I -- Lien Filing**

- 1) Insurance for non-filing is not carried at present.
- 2) Liens on titles of motor vehicles and other titled collateral will be registered with the Department of Revenue or the registration agency of the state in which the member resides.
- 3) The collateral statement on the security agreement shall be completed and held in the loan file on all household goods pledged as collateral on a Credit Union loan.

**Section J -- Insurance on Automobile or Household Goods Pledged as Collateral**

Single interest coverage shall be required to protect the Credit Union lien interest. (See Loan Policy - Underwriting Guidelines)

**Section K -- Life Insurance**

Upon request, members shall be informed of the individual life insurance services available through MECE Credit Union. There shall be no expense to the Credit Union for any mailings.

**Section L -- Homeowners Insurance**

Upon request, members shall be informed of the vendors that provide homeowners insurance available through MECE Credit Union. There shall be no expense to the Credit Union for any mailings.

**MISSOURI ELECTRIC COOPERATIVES EMPLOYEES' CREDIT UNION****POLICY MANUAL****PART XI--FACILITIES****Section A -- Responsibility**

MECE Credit Union management shall have the responsibility to study and recommend actions to the Board pertaining to the facilities. This includes physical space needs for maximum member services and efficient working conditions for:

- 1) Front desk/lobby area
- 2) Loan & member service offices where members may be assisted confidentially
- 3) Board, committee, conference room, and lunch/break room
- 4) Safe storage of records
- 5) Accounting areas with adaptability to electronic data processing equipment
- 6) Separate management office areas
- 7) Storage
- 8) Parking
- 9) Restroom facilities

**Section B – Compliance**

- 1) Observe and recognize Federal ADA compliance laws and State requirements.
- 2) Federal law regulates employers employing at least 25 individuals. Missouri law regulates employers employing at least 6 individuals.
- 3) Qualified, disabled individuals will be considered for employment.

**Section C – Public Accommodations**

- 1) It is the policy of MECE Credit Union to ensure all services and benefits are accessible to disabled members.
- 2) The Credit Union is located in a building to allow easy access by a disabled person.
- 3) For those members being sight impaired, the member service representatives are equipped to assist with all Credit Union products and services.
- 4) For those members being hearing impaired, there are brochures explaining all Credit Union services.

## MISSOURI ELECTRIC COOPERATIVES EMPLOYEES' CREDIT UNION

### POLICY MANUAL

#### PART XII -- ELECTRONIC DATA

##### **Section A -- Responsibility**

- 1) The Credit Union management will be responsible for the study and recommendation of a data processing system to the Board of Directors.
- 2) The Board of Directors shall approve all electronic data systems.
- 3) Credit Union staff shall be responsible for feasibility studies, implementation, conversion and operation of the data processing system.

##### **Section B -- Objectives**

- 1) The purpose of the Credit Union data processing system shall be to provide efficient, accurate, secure and economically justifiable records and adequate managerial reports while projecting a sound image of the Credit Union.
- 2) As custodians for our members' accounts, the Missouri Electric Cooperatives Employees' Credit Union has an obligation to maintain accurate records.

##### **Section C -- Monitoring Systems and Procedures**

- 1) Monitoring will be an ongoing program focused on network traffic, perimeter firewall, and system events. This is essential to maintain an effective information security program.
- 2) System and security logs will be monitored on a continual basis with emphasis on firewall logs, console logs, and server event logs. These reports will be reviewed by the Information Officer on a daily basis.
- 3) The Credit Union shall contract with a Board approved company for intrusion detection and prevention monitoring.
- 4) MECE Credit Union will ensure that firewalls adequately log attempts to gather information on the MECE Credit Union network from the public internet.
  - a) Logging performed by firewalls should include:
    - i) Source and destination addresses
    - ii) Protocol information
    - iii) Date
    - iv) Time
    - v) All Virtual Private Network (VPN) log-in attempts and failures
  - b) VPN attempts shall be e-mailed to the Information Officer for review.
  - c) When reviewing logs user activities may be monitored.
    - i) Users should not have an expectation of privacy when using computer software owned by MECE Credit Union.
    - ii) The information regarding a user's activities gathered during the course of monitoring may also be reported to management when appropriate.

##### **Section D -- Virtual Private Network (VPN)**

Virtual Private Network is a private, encrypted communications channel used by MECE Credit Union to communicate over a public network (i.e. – internet). VPN systems use encryption and other security mechanisms (user names and passwords) to ensure that only authorized users can access the network and that data cannot be intercepted. Software is loaded onto a Credit Union owned computer which is then connected to the internet. The Credit Union owned computer will have the entire drive encrypted which protects the contents of the computer in

Approved by MECE Credit Union Board of Directors on May 17, 2016

the event it is stolen or lost. Critical member data is not stored on laptops used for VPN. Computers using the VPN software and hardware are taken through a multiple step log-in process to access the office network through an encrypted VPN tunnel. All VPN log-ins and attempted log-ins are recorded into a log and are reviewed daily.

### **Section E – Credit Bureau Reporting**

Management, at its option, is authorized to access member credit bureaus through an online credit bureau web site without charging members a fee for credit investigations.

### **Section F – Internet Gambling**

It shall be the policy of Missouri Electric Cooperatives Employees' Credit Union to implement reasonable policies and procedures designed to prevent or prohibit restricted transactions as required by the Federal Reserve Regulation GG, Prohibition on Funding of Unlawful Internet Gambling.

### **Section G – Information Security**

MECE Credit Union will secure and protect member information stored on-site on server and client computers. Firewalls and a 24-hour intrusion prevention/intrusion detection provided by a third party vendor will assist in this protection as well as 24-hour log and firewall monitoring. In addition, routine scans using multiple spyware and anti-virus programs will be completed on all computers to help protect member information.

### **Section H – Bill Payment**

MECE Credit Union, at its option, will offer a bill payment service for its members. This service will be reviewed annually along with the security measures of the third party vendor that hosts the bill payment service.

### **Section I – Automated Clearing House Services**

- 1) Internal ACH Procedures
  - a) New account cards will be provided with EFT disclosures.
  - b) Credit Union will balance ACH settlement daily.
  - c) ACH items rejected for improper name, account number, or structure will need to be verified by information on ACH rejected report.
  - d) Credit Union will ensure proper authorization for items originated by the Credit Union and retain records.
  - e) Credit Union will ensure proper authorization for items with a stop pay or revoked authorization.
- 2) ACH Audit
  - a) Implementation and Frequency of Audit
    - i) MECE Credit Union will conduct an audit of Automated Clearing House (ACH) activities and procedures in accordance with generally accepted auditing principles and procedures.
    - ii) This audit shall be performed under the direction of the Supervisory Committee, Accountant, and the President/Manager of MECE Credit Union.
    - iii) The first audit shall be conducted by December 1, 2000 and not less frequently than each year thereafter.
  - b) Scope of Audit
    - i) MECE Credit Union will conduct an ACH audit in accordance with the minimum ACH audit requirements of the ACH Operating Rules.
    - ii) MECE Credit Union will audit for compliance with ACH requirements and obligations taken from the following sources:
      1. Code of Federal Regulations (the Green Book)
      2. Federal Regulation E

Approved by MECE Credit Union Board of Directors on May 17, 2016

3. Uniform Commercial Code Article 4A (UCC 4A)
4. Financial Institution ACH Policies
- iii) 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.
- c) Description of Audit Functions
  - i) Receiving ACH Entries:
    1. Verification that pre-notifications received are for valid accounts and that when a pre-notification is not able to be processed or is erroneous, the pre-notification is rejected on a timely basis through the use of return entry procedures or that changes are requested through the Notification of Change (NOC) procedure.
    2. Verification that, subject to the Receiving Depository Financial Institution's (RDFI) right of return, all types of ACH entries and pre-notifications are accepted.
    3. 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.
    4. Verification that account statements are sent or made available which identify, as part of the account statement for members, the contents of the Company Name and Company Entry Description field with respect to each debit or credit entry.
    5. Verification of records and procedures to determine that returned entries, including rejected pre-notifications, are received by the RDFI's ACH Operator by its deposit deadline for the return entry to be made available to the Originating Depository Financial Institution (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.
    6. Verification of internal procedures and customer agreements to ensure compliance with requirements of Uniform Commercial Code Article 4A (UCC 4A).
    7. Review records and procedures to ensure that signed affidavits are obtained from members 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.
    8. Verify that NOCs are transmitted within two banking days of the settlement date of the pre-note or entry to which they relate.
    9. Ensure that all payment-related information that is transmitted with a Cash Concentrated Deposit (CCD), Corporate Trade Exchange (CTX) or Customer Initiated Entry (CIE) entry is made available to the Receiver within two banking days of settlement date of the payment, when requested by the Receiver.
    10. 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. Upon determination by the member that:
      - a. No notice was provided
      - b. The item is not eligible
      - c. The signatures on the item are not genuine
      - d. The item has been altered
    11. 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.

ii) Originating ACH Entries

1. Verification that agreements have been made with all Originators (corporate customers) that bind the Originator to the ACH Rules and acknowledge compliance with U.S. law.
2. Verification that agreements have been made with all Sending Points originating transactions on the financial institution's behalf (if applicable).
3. Verification of internal procedures to determine that Originators are kept informed of their obligations on a continuing basis, including requirements that:
  - a. If Originators send pre-notifications, those pre-notes are sent as required by the ACH Rules.
  - b. Entries returned as R07-Authorization Revoked by Customer, R08-Payment Stopped, or R10-Customer Advises Not Authorized are not reinitiated unless subsequent authorization has been obtained.
  - c. Upon receipt of Returns relating to pre-notifications indicating that the RDFI cannot accept such entries, such entries are not initiated.
  - d. Upon receipt of Notifications of Change, requested changes should be made within six banking days or prior to the initiation of the next entry.
  - e. 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.
  - f. Originators initiating Web entries have employed a reasonable fraudulent transaction detection system to screen such entries.
  - g. Originators initiating Web entries have used reasonable procedures to verify that routing numbers are valid.
  - h. Originators initiating Web entries have established a secure Internet session with each Receiver utilizing reasonable security technology providing a level of security that, at a minimum, is equivalent to 128-bit encryption technology prior to the Receiver's key entry of any banking information, including, but not limited to, the receiver's routing number, account number and PIN number or other identification symbol.
  - i. Originators initiating Web entries conduct annual audits to ensure that the financial information they obtain from Receivers is protected by security practices and procedures that include, at a minimum adequate levels of physical security to protect against:
    - i. Theft
    - ii. Tampering or damage
    - iii. Access controls to protect against unauthorized access and use
    - iv. Network security to ensure secure capture, storage and distribution.
  - j. For each telephone-initiated entry, the Originator has employed reasonable procedures to verify the identity of the Receiver, and has utilized reasonable procedures to verify that routing numbers are valid.
  - k. Verification of internal procedures and customer agreements to ensure compliance with the requirements of Uniform Commercial Code Article 4A (UCC 4A).
  - l. 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. For Web entries, also review internal procedures to ensure that the ODFI has utilized a reasonable method to establish the identity of each Originator and has established procedures to monitor the credit-worthiness of each Originator on an on-going basis.
  - m. 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.
  - n. Verify that when the ODFI agrees to accept a permissible return (for a CCD or CTX debit), that

- the return is accepted.
- iii) Corporate Wholesale ACH Entries
    - 1. Origination
      - a. Verification that the terms of acceptance of wholesale credit entries is clearly defined and that procedures guarantee transmission of accepted entries on execution dates as defined by company agreements.
      - b. Verification of compliance with disclosed procedures for cancellation or amendment of entries by the Originator or MECE Credit Union and whether disclosed time frames for notification allow reasonable time to act upon such notification.
      - c. Verification of disclosure to Originator that the RDFI may choose to pay wholesale credit entries based upon account numbers only (either by contract or separate disclosure).
    - 2. Receipt
      - a. Verification that the terms of the acceptance of wholesale credit entries is clearly defined and that procedures support the obligation to pay Receivers for accepted entries on the settlement date or otherwise comply with requirements of any existing Receiver agreements.
      - b. Verification of financial institution policy to determine whether entries are posted regardless of inconsistencies in the name and account number for wholesale credit entries; or, if financial institution policy requires verification of both account number and name prior to the posting of wholesale credit entries.
  - iv) Audit Procedures for Verification of Compliance
    - 1. Interviews of key personnel regarding knowledge of required procedures
    - 2. Reviews of the timing and content of required disclosures
    - 3. Tests of specific transaction activities to identify possible compliance exceptions
  - v) Management Review of ACH Audit
 

Completed audit results will be reported to the Supervisory Committee and approved by the President/Manager. Exceptions will be noted along with recommended action for correction to ensure ongoing compliance.

## **Section J – Computer Security and Control**

- 1) General Policy Statement
 

The security of the Credit Union’s computer resources is extremely important to the successful operation of our business. All computer equipment and software are Credit Union property and are provided for business purposes. Proper use and control of computer resources is the responsibility of all employees. Intentional or reckless violation of established policies or improper use of computers will result in corrective action up to and including termination. Employees should also be aware that any work completed on Credit Union computers is subject to monitoring and review and that they should not expect their communications to be private.
- 2) Guidelines
  - a) Protection of Computer Networks
    - i) The Credit Union will contract with a security service provider to monitor and document all network systems and connections.
    - ii) Network connections, such as modems, that allow access to Credit Union systems from remote devices will be controlled and monitored. Control will take the form of adequate password protection and, where feasible, the powering down of the devices when not in use by the Credit Union.
    - iii) Network connections to outside systems, such as web links or sponsor systems, will be controlled through the use of a firewall that effectively limits outside access to Credit Union systems and data. The design, configuration and performance of the firewall will be monitored by our security service provider to ensure it is functioning as intended.

Approved by MECE Credit Union Board of Directors on May 17, 2016

- b) Security of Computer Resources
  - i) Computer equipment and software may not be altered or removed except as authorized by the Information Officer.
  - ii) Employees shall not install software on Credit Union computers without authorization from the Information Officer.
  - iii) Employees must not access computers, software, data or other information without proper authorization.
  - iv) An employee who has been authorized to use a password protected account must not disclose the password or otherwise allow another to access the account without the permission of the Information Officer. All passwords should be given to, or securely stored in a location accessible by the Information Officer to ensure access to system information in the absence of the employee.
  - v) Employees may not develop or use programs which disrupt computer resources, access restricted areas or files, or damage software and hardware.
- c) Computer Usage
  - i) Use of electronic communication to send harassing, obscene, threatening, or other inappropriate messages violates Credit Union policy and will not be allowed.
  - ii) Credit Union computer resources should not be used for personal activities which interfere with employee performance and consume organizational resources.
  - iii) Employees must respect the purposes of mailing lists and ensure that they are used as intended and authorized.
  - iv) Communication resources should not be used for transmission of commercial, political or personal advertisements, solicitations or promotions.
- d) iPad Usage
  - i) The Credit Union will offer to provide iPads for the Board of Directors and the Supervisory Committee.
  - ii) The Board of Directors and Supervisory Committee will be entrusted to keep confidential Credit Union information and software secure on their iPads.
  - iii) Disposing of confidential information will be the responsibility of the user of the iPad or Information Officer if iPad is in the possession of the Credit Union.
  - iv) In the event that a Director on the Board or a Supervisory Committee member leaves their respective position with the Credit Union, the provided iPad will be returned to the Credit Union in a timely manner to ensure security.
- e) Information Officer Responsibilities
 

The Information Officer is responsible for overseeing the use of Credit Union computer resources. The Information Officer should use reasonable efforts to implement:

  - i) Security - Protect the security of the system and the information contained within it.
  - ii) Protection - Institute precautions against theft or damage to system components and password protection.
  - iii) Licensing - Implement licensing agreements and ensure that related laws are followed.
  - iv) Installations - Oversee and approve all software installations.
  - v) Equipment – Establish equipment maintenance and upgrading procedures.
  - vi) Policies - Develop policies and procedures which govern the operation, use and maintenance of computer resources.
  - vii) Support - Provide training and assistance to users as required.
- f) All employees must immediately report any potential or actual computer problems or concerns to the Information Officer.
- g) Given the importance of computer resources and the potentially serious consequences of security violations, policies will be strictly enforced. Employees should report all security violations to the President. The President will notify the Information Officer of the security violation. All reported or identified security

problems will be quickly investigated and resolved.

- h) Any Credit Union employee found to have violated this policy will be subject to corrective action, which may include formal probation or termination, based on the circumstances of the violation.
- i) The Credit Union maintains the right to monitor when and how computer resources are used through maintenance of activity logs and review of files stored. As equipment is owned by the Credit Union, employees should have no privacy expectations regarding their computer files.

### **Section K – Mobile Banking**

- 1) The Credit Union follows the guidelines set forth below in regards to mobile banking. Mobile banking allows members to determine their account balances, make deposits, make payments and transfer funds.
- 2) Guidelines:
  - a) The Credit Union will perform an annual risk assessment in order to understand and mitigate the risks associated with the mobile banking product. The Credit Union will review and update its risk assessment as new information becomes available. As part of this process the Credit Union will do the following:
    - i) Identify internal and external threats which could result in unauthorized disclosure, misuse, alteration, or destruction of credit union or member information.
    - ii) Assess the likelihood and potential damage of these threats, taking into consideration the volume of transactions, and the sensitivity and criticality of credit union and member information.
    - iii) Consider incidents of security breaches, identity theft or fraud experienced by the Credit Union industry.
    - iv) Assess changes in the member base adopting mobile banking, as well as changes in member functionality offered through mobile banking.
    - v) Determine the adequacy of existing controls, including policies and procedures.
    - vi) If necessary, implement enhanced or additional controls to reduce the risk to an acceptable level.
  - b) Credit Union management will recommend and receive Board approval of the Credit Union's mobile banking provider.
  - c) The Credit Union will maintain a disaster recovery and contingency plan to ensure that member transactional needs are met in a timely manner.
  - d) Managing Third Party Relationships
    - i) Prior to entering into a contract with a mobile banking provider, the Credit Union will perform an analysis to identify the Credit Union's specific needs and ensure the safety and soundness of the product as part of its due diligence.
    - ii) The Credit Union will determine the following to properly understand its risks:
      - 1. The Credit Union's ability to evaluate and oversee this outsourced relationship.
      - 2. The importance and criticality of the services provided.
      - 3. The requirements for this outsourced activity.
      - 4. The contractual obligations and requirements for the service provider.
      - 5. The service provider's and the Credit Union's responsibilities for security, privacy and regulatory compliance.
      - 6. Review of the service provider's disaster contingency plans.
    - iii) Management will ensure that the contract between the Credit Union and the service provider is clearly written and sufficiently detailed to provide assurances for performance, reliability, security, privacy, ownership of data, disaster recovery capabilities, and reporting.
  - e) The Credit Union will offer a mobile banking solution that offers the following services:
    - i) Account balance inquiry
    - ii) Transfer of funds
    - iii) Deposits
    - iv) Loan payments

Approved by MECE Credit Union Board of Directors on May 17, 2016

- v) Bill payment
- vi) Mobile deposit
- f) The Credit Union will establish an authentication control mechanism that meets the level of risk associated with mobile banking transactions. These security methods may include passwords, security questions and I.P. address authentication.
- g) The Credit Union should ensure that adequate internal controls are in place to minimize errors, discourage fraud and provide an adequate audit trail.
  - i) Maintain the confidentiality and security of member passwords.
  - ii) Issue and maintain periodic statements to the member.
  - iii) Issue member agreements regarding electronic disclosures.
  - iv) Maintain dependable file maintenance and retention system to trace transactions.
  - v) Produce, review and maintain exception reports to provide an audit trail.
  - vi) Maintain transaction journals to provide an adequate audit trail.
  - vii) Allow members to pay bills or transfer funds only from their accounts.
  - viii) No payments to third parties without required authorization.
- h) The Credit Union will keep up to date with the best practices regarding security, system maintenance and communication regarding its mobile banking service.
- i) Compliance
  - i) Advertisements
 

MECE Credit Union will not allow advertisements to be placed on its web site or within the mobile banking service unless authorized by the President.
  - ii) Disclosures/Notices
    1. Disclosures will be clear and conspicuous. The Credit Union may use links that will automatically present the disclosures to members when selected.
    2. Delivery of Disclosures.
      - a. Disclosures and notices are given when required during a financial transaction. The Credit Union may accomplish this through various means, one of which may be through the automatic presentation of disclosures prior to the transaction or with the initial membership application packet.
      - b. The Credit Union may deliver the disclosures electronically if the member agrees. This delivery includes visual text displayed on equipment such as a personal computer monitor. Disclosures required to be in writing are subject to the detailed electronic disclosure requirements of the Electronic Signatures Global and National Commerce Act. The Credit Union may deliver disclosures if the member affirmatively consents to the electronic delivery and receipt of consumer disclosures.

#### **Section L – On-line Account Access and Web Site**

- 1) The Credit Union will maintain a web site that is hosted by an approved third party provider. All content will be developed and maintained by MECE Credit Union.
- 2) The Credit Union offers the following services electronically: On-line Account Access, Mobile Banking, Mobile Deposit and Bill Pay.
- 3) Guidelines
  - a) Program Responsibility
    - i) The Credit Union has established an oversight committee, made up of the following staff, to maintain and monitor the Credit Union's web site: President/Manager, Information Officer and Office Manager. New web site ideas and initiatives must be reviewed by the oversight committee, which will prioritize, develop, acquire and maintain approved web site applications.
    - ii) Credit Union management has established strategic and short term goals for its on-line activities. The

Approved by MECE Credit Union Board of Directors on May 17, 2016

Board of Directors has approved these plans and the Credit Union will monitor its progress toward these goals in conjunction with review and reporting of the web site transactions.

- b) Risk Assessment
  - i) The Credit Union will perform an annual on-line account access risk assessment on an annual basis to ensure proper working order and to prevent security weaknesses.
  - ii) Management has classified the level of data sensitivity, as well as the potential security risks in the event of a security breach. Management has procedures in place to handle intrusion detection and prevention.
  - iii) The Credit Union will monitor security risks associated with technological and operational changes in on-line account access and will maintain a list of web site applications and data that is used on a regular basis by the Credit Union.
- c) Compliance and Legal
  - i) The Credit Union will ensure that its web site will comply with all applicable laws and regulations.
    - 1. The Credit Union has secured bond coverage for all of its web site services. Management has ensured that bond coverage is sufficient in the event of any loss due to an electronic transaction. Bond coverage is regularly assessed to ensure the sufficiency of coverage.
    - 2. The Credit Union maintains a web site privacy disclosure that is available to all members who visit the Credit Union web site. The Credit Union monitors and enforces compliance with its web site privacy disclosures.
    - 3. The Credit Union monitors its web site on a regular basis to ensure that all disclosures are accurate and up to date.
- d) Member Service and Support
  - i) Management has established procedures and practices for promptly resolving member support issues. Management will take steps to ensure that adequate staff levels and training are in place to address member support issues, will monitor reports generated periodically to ensure member service level goals are met and adjusted as needed.
  - ii) The Credit Union discloses to its members the terms and conditions by which its on-line account access and web site transactions are conducted which include the following:
    - 1. The Credit Union's on-line access is secure and member account information is kept confidential.
    - 2. How member information can be corrected.
    - 3. How member information is used.
    - 4. How members can receive additional credit union services (advertisements of other credit union products), and how they can opt out of those services.
    - 5. When members will be notified by the Credit Union.
    - 6. How members can request more information or inquire into a refusal of credit.
    - 7. Methods of accepted bill payment.
    - 8. When a payment will be posted to the member's account (for afterhours transactions).
    - 9. How members can stop payment.
    - 10. Sources of information (interest rates).
    - 11. Information regarding maintenance or other technical issues that may affect on-line access or web site activities.
    - 12. Where members can go to resolve errors, pose questions or register complaints.
    - 13. Inform members of their right to receive paper copies of member account information and the procedure to obtain paper copies.
- e) System Architecture and Controls
  - i) The Credit Union maintains an inventory of hardware and software to ensure continuity of service in the event of a technological failure, natural disaster, or intentional destruction of its electronic systems. The Credit Union (or its vendor) maintains procedures to allow the Credit Union to restore its previous configuration in the event a software modification adversely affects the web

Approved by MECE Credit Union Board of Directors on May 17, 2016

- site.
- ii) The Credit Union has implemented a disaster recovery plan as part of its business continuity plan. This system will be monitored regularly and updated as needed as a result of changes in technology, legislation and infrastructure.
- f) Security Infrastructure and Controls
  - i) The Credit Union maintains security measures consistent with the requirements of federal and state regulations, including risk management systems designed to prevent unauthorized access, both internal and external, to member information.
  - ii) The Credit Union has procedures in place to protect member information systems in the event of natural disasters, intentional destruction, or technical failure.
  - iii) Management monitors employees with access to member account information to ensure they are in compliance with the Credit Union's established security policies and procedures.
  - iv) All member account information is stored on protected servers to prevent unauthorized access or damage.
  - v) Access to member accounts is restricted to members through the use of user account numbers and passwords. Account passwords that are not entered correctly after the three attempts will result in an automatic block being placed on that account.
  - vi) The Credit Union has implemented an intrusion detection system to monitor activity and alert the Credit Union immediately in the event of a security breach. The Credit Union's oversight committee has been trained to handle such breaches in a timely and effective manner.

### **Section M – Electronic Signatures**

- 1) The Electronic Signatures in Global and National Commerce Act (E-Sign Act), provides a general rule of validity for electronic records and signatures for transactions in or affecting interstate or foreign commerce. The E-Sign Act allows the use of electronic signatures if the consumer has affirmatively consented to such use and has not withdrawn such consent.
- 2) Scope
  - a) The purpose of the E-Sign program is to offer expedited services to the member by providing a convenient method of delivery and execution of documents.
  - b) The E-Sign program is a service and the Credit Union reserves the right to require a wet ink signature. The Credit Union shall require a "traditional" wet ink signature to:
    - i) Open a new account
    - ii) Establish ownership of an account
    - iii) Change ownership of an account
    - iv) When establishing or changing survivorship rights and Payable on Death beneficiary designations on all accounts
  - c) Outside of the account openings, ownership and survivorship changes, E-Signatures shall be permissible. This includes consummation of loan transactions, excluding closing mortgage transactions, as well as performing minor account maintenance (changes outside that of ownership or survivorship).
- 3) Consent and Disclosures
 

Prior to obtaining their consent, MECE Credit Union will provide the consumer a clear and conspicuous statement informing the consumer: of the requirements of section 101(c)(1)(B & C) of The Electronic Signatures in Global and National Commerce Act (E-Sign Act). This will be provided to the consumer through the Electronic Agent's E-Sign Consent notice prior to the consumer being able to execute the document(s).
- 4) Signatures
 

All parties using electronic signatures at MECE Credit Union and through its services agree that electronic signatures represent legal binding signatures between the parties. Electronic signatures generated through

services offered by MECE Credit Union will be identical in function, intent and legal effect as “wet ink” signatures.

5) Record Retention

The Credit Union will maintain records in a form that is capable of being accurately reproduced for later reference for a period of at least seven years after a loan has been paid-in full. Maintenance on accounts will be kept indefinitely.

**MISSOURI ELECTRIC COOPERATIVES EMPLOYEES' CREDIT UNION****POLICY MANUAL****PART XIII -- SAVINGS****Section A -- Objective**

It shall be the goal of the Credit Union to offer competitive savings rates to encourage member financial growth and stability.

**Section B --Funds Availability**

MECE Credit Union will establish maximum holds, which may be placed on deposits made by checks. This policy will provide consistent guidelines for Credit Union employees, control losses to the Credit Union, and comply with Regulation CC.

- 1) Availability Policy
  - a) Members may withdraw on the same business day funds that are deposited to their account by cash, checks drawn on domestic depository institutions, U.S. Treasury checks, U.S. Postal Service money orders, Federal Reserve Bank checks, Federal Home Loan Bank checks, cashier's checks, certified checks, teller's checks, on-us checks, and state or local government checks.
  - b) Members may withdraw deposits made by electronic payment on the same business day funds are deposited to their account.
  - c) Credit Union business days exclude Saturdays, Sundays, some federal and state holidays, but include all other calendar days.
  - d) Deposits made prior to 4:30 p.m. are considered made on the business day they are received at the Credit Union.
  - e) Deposits can be made with the Credit Union during regular business hours or by electronic deposit.
  - f) The Credit Union will only cash checks or share drafts for holders of accounts at this Credit Union. Cash disbursements larger than \$500 per day are permitted only if the cash withdrawal can be done under conditions consistent with bonding, risk management requirements, and the funds availability policy.
  - g) To comply with the Expedited Funds Availability Act the first \$225 of a non-"next-day" check(s) will be made available the next day.
- 2) Exceptions to Availability Policy
  - a) A one-day hold may be placed on total check deposits that exceed \$5,525.
  - b) A one-day hold may be placed on a redeposit of a check, which had been returned unpaid.
  - c) A one-day hold may be placed on deposits made by a member who has been overdrawn at least six times in the last six months or had insufficient funds in excess of \$5,525 in the last six months.
  - d) The Credit Union may delay funds availability and place a seven-day hold on deposits due to excessive overdraft activity, large personal check deposits, and checks that are unable to be verified. These holds will be subject to management approval and a notice will be given to the member.
  - e) When deposits made by cash, U.S. Postal Service money order, Federal Reserve Bank checks, Federal Home Loan Bank checks, state or local government checks, cashier's checks, or teller's checks are not made in person, the funds may be made available by the second business day.
  - f) ATM deposits may be made available on the fifth business day.
  - g) Funds from local checks will be made available by the second business day following the deposit. These exceptions do not apply to cash, electronic payments, U.S. Treasury checks, U.S. Postal Service money orders, Federal Reserve Bank checks, Federal Home Loan Bank checks, cashier's checks, teller's checks, state and local government checks, money orders, certified checks and electronic deposits.

### **Section C - Restrictions**

- 1) There shall be no restrictions on the amount of share savings a member may deposit or on the total amount in a share account at Missouri Electric Cooperatives Employees' Credit Union.
- 2) Members shall be authorized to open multiple membership share accounts at the Credit Union.
- 3) The Credit Union reserves the right to deny or limit services to any person who has caused the Credit Union a loss.
- 4) If a member causes the Credit Union a loss, the member will be sent a letter notifying them of this policy and their account will be closed.

### **Section D – Abandoned Share Accounts**

- 1) Member savings accounts without activity for a period of five years and having no forwarding address shall normally be transferred to the abandoned account report.
- 2) Any account without a forwarding address may be transferred to the abandoned file.
- 3) Abandoned accounts shall be reviewed on an annual basis by the member service department.
- 4) The Credit Union shall make a continuous effort to activate or close abandoned member accounts.

### **Section E -- Dividends**

- 1) Dividend rates shall be competitive with other financial institutions across the nation.
- 2) Based upon Board recommendation, the Credit Union may offer tiered rates and pay additional premiums on share accounts in order to attract deposits.
  - a) Accounts with balances less than \$10,000 will be the first tier.
  - b) Accounts that have balances of \$10,000 or greater will be the second tier which will earn a dividend rate of 50 basis points higher than the first tier.

### **Section F – Special Accounts**

The Missouri Electric Cooperatives Employees' Credit Union shall accept funds for special accounts from groups of members for the following:

- 1) Organizations & Associations
- 2) Memorial Funds
- 3) Special Funds

### **Section G – Club Accounts**

- 1) Christmas Club
  - a) Dividends will be paid at an annual rate to be set by the Board of Directors.
  - b) The maximum amount that can be deposited in order to earn dividends is \$10,000.
  - c) Accounts may be opened starting October 1<sup>st</sup> of every year.
  - d) Dividends will post at the close of business on September 30<sup>th</sup> each year.
- 2) Vacation Club
  - a) Dividends will be paid at an annual rate to be set by the Board of Directors.
  - b) The maximum amount that can be deposited in order to earn dividends is \$10,000.
  - c) Accounts may be opened starting May 1<sup>st</sup> of every year.
  - d) Dividends will post at the close of business on April 30<sup>th</sup> each year.
- 3) My Club
  - a) Dividends will be paid at an annual rate to be set by the Board of Directors.
  - b) The maximum amount that can be deposited in order to earn dividends is \$10,000.
  - c) Members may choose the month their My Club will mature.

Approved by MECE Credit Union Board of Directors on June 25, 2020

- d) There will only be one My Club allowed under each member account.
- e) Dividends will post on the last day of the month in which the My Club matures.

### **Section H – Savings Certificates**

- 1) The Missouri Electric Cooperatives Employees' Credit Union shall provide a savings certificate program.
- 2) Certificates of deposit issued shall:
  - a) Be granted in initial amounts of at least \$500 and in any additional increments.
  - b) Be granted for a period of 3 to 60 months.
  - c) Pay dividends on a quarterly basis.
  - d) Be subject to automatic renewal.
- 3) Rate Determination (this formula is to be flexible and used as a tool to calculate rates)
  - a) Rates will be reviewed and set monthly based on current market conditions.
  - b) To help determine savings certificate rates, the Credit Union will contact other Missouri financial institutions and determine the average of dividends being paid.
  - c) The average rate will be reviewed on a monthly basis and compared to:
    - i) The Credit Union's current rates
    - ii) Cost of funds sheet
    - iii) Investment maturity report
    - iv) Current budget
    - v) Earnings goals
  - d) The Credit Union may set rates at a maximum of thirty basis points above the average rate of the five highest financial institutions that are contacted on a monthly basis.
  - e) The Board of Directors may offer jumbo and jumbo plus certificates in order to attract deposits based on the liquidity needs of the Credit Union.
  - f) Jumbo certificate rates will be set at ten basis points above the regular certificate rates with a minimum balance requirement of \$10,000. Jumbo plus rates will be set at fifteen basis points above the regular certificate rates with a minimum balance requirement of \$100,000.
  - g) IRA certificates will be set at the same rate as the regular certificate rates. IRA jumbo certificates will be set at fifteen basis points above the regular certificate rates with a minimum balance requirement of \$100,000.
- 4) Early withdrawal penalties shall be the loss of the last 90 days interest.
- 5) Rate bump-up option
  - a) Certificates purchased with a maturity of twenty four months or greater will have a one-time bump up rate option during the term of the certificate.
  - b) A member must contact the Credit Union and request that the current rate being earned on their certificate be replaced by the current rate being offered at the Credit Union.
  - c) The bump up rate option will not change the maturity date of the certificate.
- 6) Children's Savings Certificates
  - a) Be granted for minimum amount of \$100
  - b) Be granted for a period of 3 to 60 months
  - c) Be subject to automatic renewal

### **Section I – Share Drafts**

- 1) Management shall be authorized to implement a share draft program.
- 2) The dividend rate on share draft accounts shall be paid at a rate to be established by the Board of Directors.
- 3) No minimum balance is required.
- 4) Program operational policies are as follows:
  - a) Provide economy style checks to members at no charge to the member.
  - b) Provide overdraft protection by transferring incremental amounts to member's share draft accounts from any funds on deposit or overdraft loan accounts to cover insufficient funds.
  - c) Monthly combined (all savings and loan activity) statements shall be provided to members with share drafts.
  - d) No member may deposit a share draft from his/her account for the purposes of increasing the balance of the

Approved by MECE Credit Union Board of Directors on June 25, 2020

- account (commonly known as check kiting).
- e) The returned share draft charge shall be levied on the member account for a fee of \$25.
  - f) A charge of \$25 shall be levied on member accounts for insufficient funds which cause an overdraft due to deposit delay oversights.
  - g) If the share draft account does not exceed a negative balance of \$10 after a draft oversight, an overdraft fee will not be assessed.
  - h) The share draft accounts will be monitored daily.
  - i) Overdraft Policy
    - i) If funds are available when the overdraft report is reviewed on the day that the item(s) appears on the overdraft list, the item(s) will be posted to the members share draft account with no overdraft fee charged to the member.
    - ii) If funds are not available by the time the overdraft report is reviewed on the day that the item(s) appears on the overdraft list, the check may be paid with a \$25 charge (up to a total of \$100 per day) to the account if the total overdrawn amount does not exceed a maximum insufficient amount of \$250 unless approved by management.
    - iii) Checks may be returned to the merchant and the member's account will be charged a \$25 fee per check (up to a total of \$100 per day) if the items being presented exceed the funds on deposit in the member's account.
    - iv) Management holds the right to clear or return items to merchants due to special circumstances.
    - v) If an account remains consistently overdrawn, a letter will be sent to the member notifying them that checks will not clear unless funds are placed into their account. The letter will also state that if insufficient checks are written after the letter is sent the account may be closed by the Credit Union.
  - j) Procedures for an overdrawn (negative) account are as follows:
    - i) Funds will be transferred from shares when available.
    - ii) Negative balance notices will be sent on a semi-monthly basis.
    - iii) Overdraft letters will be sent by the member service department after an account has been overdrawn for at least 30 days.
    - iv) The member service department will contact members with overdrawn accounts over 45 days to make payment arrangements. All collection efforts will be documented.
    - v) When a share draft account has a negative balance for two consecutive months a second overdraft letter will be sent to the member and the account may be closed.
    - vi) Accounts with no activity will be turned over to the loan department for collection.
    - vii) Accounts that are deemed to be uncollectible, with no payment arrangements, and with no activity for over 60 days will be recommended to the Board of Directors to be charged off to the Allowance for Loan Loss account after any fees are reversed off of the account and written off to income.
    - viii) Payments received after the account has been charged off will be reported as a recovery to the Allowance for Loan Loss account.

### **Section J – ATM/Debit Cards**

- 1) Management shall be authorized to implement an ATM/Debit card program.
- 2) Cards shall be in the form of a Visa check card.
- 3) Program operational policies are as follows:
  - a) Provide a card at no cost to the member.
  - b) Monthly combined (all savings and loan activity) statements shall be provided to members with ATM/Debit card activity.
  - c) Member will be allowed to select a PIN.

### **Section K – Individual Retirement Accounts (IRA)**

- 1) The Credit Union shall provide Individual Retirement Accounts (IRA) to qualified members with investment options for participants to be in Certificates of Deposit.
- 2) Deposits in the Individual Retirement Accounts shall earn the same as the regular certificates of deposit but will accrue dividends monthly.

Approved by MECE Credit Union Board of Directors on June 25, 2020

- 3) The Board of Directors may offer jumbo Individual Retirement Accounts (minimum deposit of \$100,000). Jumbo Individual Retirement Accounts may earn fifteen basis points higher than regular certificates of deposit.

**Section L – Health Savings Accounts (HSAs)**

- 1) It shall be the policy of MECE Credit Union to offer Health Savings Accounts to qualified members.
- 2) Qualifications for a Health Savings Account:
  - a) Must be enrolled in a qualified High Deductible Health Plan.
  - b) May not be covered by any other health plans.
  - c) May not be enrolled in Medicare.
  - d) May not have received Veterans Administration medical benefits in the previous three months.
  - e) Cannot be claimed as a dependent on another individual's tax return.
- 4) Requirements for a Health Savings Account:
  - a) Must be a member of MECE Credit Union.
  - b) Must complete and submit an HSA application.
- 5) Dividend rates for Health Savings Accounts will be set annually by the Board of Directors and paid on a monthly basis.
- 6) Health Savings Account Certificate of Deposit
  - a) The minimum deposit amount to open a certificate shall be \$500.
  - b) Members must have a remaining \$1000 minimum balance in the Health Savings Account after the purchase of the certificate.
  - c) Rates will match the IRA dividend rate structure.
  - d) Dividends will accrue monthly.
  - e) A 90 day interest penalty will be subject to early withdrawals.
- 7) There will be no transactional fees associated with the Health Savings Account program.

## MISSOURI ELECTRIC COOPERATIVES EMPLOYEES CREDIT UNION

### POLICY MANUAL

#### PART XIV – ASSET/LIABILITY MANAGEMENT PROGRAM

##### **Section A - Purpose**

Asset/Liability Management Policy (ALM) is a formal written statement of guidelines that identify various components and procedures that serve as a basis for the prudent financial decision-making process in the management of assets and liabilities for the purpose of managing interest margins, maintaining a meaningful balance between the needs of members, and the sound financial management of the Credit Union overall. The underlying objectives of the ALM Policy, as a management tool, will be:

- 1) Provide stable and consistent financial performance so that the integrity and reputation of the Credit Union are maintained.
- 2) Provide for an adequate and stable profit margin that should help maintain a strong capital position in order for the Credit Union to grow and help protect against loss.
- 3) Preserve the quality of the Credit Union's assets by maintaining a low delinquency position and thus provide an important assurance against financial failure.
- 4) Provide for the cash flow and liquidity needs of the Credit Union and its members by balancing the liquidity needs with the desired profitability margins.
- 5) Control the exposure to the risks inherent in financial assets, mainly interest rate and liquidity risks, and minimize the effect of such risks on the Credit Union's earnings, liquidity and overall financial strength.
- 6) Operate the Credit Union in compliance with governmental and National Credit Union Administration (NCUA) regulations as well as sound business practices.
- 7) Be consistent with the Credit Union's mission statement and its strategic long range business plan.
- 8) To help address the issue of asset growth, to remain competitive and to provide needed services to members.

##### **Section B - Philosophy**

In order to place the ALM Policy in its proper perspective it is important to restate the mission of MECE Credit Union:

- 1) The mission is to foster the financial cooperative nature of the Credit Union and its members who share a common background and bond. MECE Credit Union exists for its members' benefit to promote thrift and to provide quality financial products and services and to meet members' demands.
- 2) The mission includes providing credit and various financial services at fair and competitive prices in a professional and courteous manner.
- 3) In carrying out its mission, MECE Credit Union strives to safeguard its members' assets and to invest funds in a manner that will promote capital growth while providing financial stability.
- 4) The mission requires that it foster the ideals of cooperation, promote strength and interests, and promote the financial strength and stability of its members.
- 5) The guiding philosophy of the financial operations is to provide financial services, specifically loan programs as well as savings programs, at convenient and more advantageous terms than offered by competing institutions and paying a higher than the generally prevailing dividends to members.

##### **Section C – Authority, Oversight, and Responsibility**

- 1) The Board of Directors is ultimately responsible for the ALM Policy and the implementation of such into the operations of the Credit Union, but it delegates the authority of Asset/Liability Management to the Asset/Liability Management Committee. The ALM Committee (ALCO) which is a critical component of Asset/Liability Management, shall be responsible for establishing procedures and practices that will enable the Credit Union to achieve its strategic goals while maintaining the operations consistent with the policy statement and adhering to prudent financial practices.
- 2) The ALM Committee shall consist of at least six members selected from Credit Union staff, the Board of Directors and the Supervisory Committee. The Board Chairman appoints members for a one-year term, subject to future reappointments. Specifically, the ALM Committee will consist of the following members and staff:

President, Accountant, three Board members, and one Supervisory Committee member. The ALM Committee will appoint a Chairman who shall preside over the meetings and report the conclusions and recommendations to the Board.

- 3) The ALM Committee's responsibilities are to:
  - a) Maximize income while adhering to the loan and investment policies and operating within the framework of maximum safety and soundness.
  - b) Establish rates on loans so that the Credit Union will be competitive with other lending institutions while being mindful that the Credit Union's mission is to work for the benefit of its members.
  - c) Recommend to the Board of Directors a dividend rate and fee structure for its consideration and approval. In the determination of the dividend payout, the ALM Committee should adhere to the strategic objective of paying higher dividends on members' savings than are available elsewhere. However, management should balance this objective with other strategic considerations such as building capital and sustaining growth.
  - d) Monitor the Credit Union's performance and help develop plans on how to meet members' needs. At a minimum, the ALM Committee shall meet on a quarterly basis and will review forecasted financial statements (income and balance sheet) and compare them with the reported results; review key ratios, spread analysis, economic trends, market interest rates, reports on interest rate risk, liquidity, and investments. Minutes for ALM Committee meetings will be maintained.
  - e) Measure and control risks, especially interest rate and liquidity risks, and use the results of the Credit Union's measurement systems to guide operating decisions.
  - f) Guide operations to achieve a steady and controlled growth in assets, averaging approximately 8% (5% to 11%) annually, while balancing the planned growth with the desired capital position (9% to 10% of assets) and interest margin (1.75% to 2.75%).

#### **Section D - ALM Policy Relationship to Other Policies**

The Asset/Liability Management Policy will interface with other applicable policies of the Credit Union, namely the Investment Policy, Loan Policy, Budget Policy, Earnings Policy and the Savings Policy to ensure that there are no conflicts. These policies are complimentary in the management of the Credit Union in order to fulfill its purposes and objectives.

#### **Section E - Components of ALM Management**

- 1) Identify, Measure, Monitor, Control Risk
 

Financial assets are exposed to a variety of risks, several of which are identified below. The ALM Policy is used to manage several of these risks using tools and procedures.

  - a) Interest Rate Risk – Interest rate risk (IRR) results from the possibility that market interest rates may change. Changes in market interest rates on loans, investments and deposits have an impact on the Credit Union's earnings, either positive or negative and affect the market value of its assets and liabilities. The Board of Directors acknowledges that the Credit Union assumes an inevitable amount of IRR during the ordinary course of business.
  - b) Credit Risk – Represents the probability that the quality of the loan portfolio may be impaired, either through deficient underwriting or, more significantly, by the borrower's inability to repay interest and principal in a timely fashion. Such developments would increase chances that the loan may become a non-performing asset, resulting in loan losses that ultimately could impair the Credit Union's financial position and its ability to function.
  - c) Liquidity Risk – The available liquid assets may not be sufficient to meet loan demands and member withdrawals, forcing the sale of assets possibly at a loss or necessitating the borrowing of funds which would raise the interest cost. Management has to balance these considerations realizing that too much liquidity may adversely impact earnings.
  - d) Default Risk – Losses on investments due to the issuer's failure to meet contractual obligations for payment of principal and interest.
  - e) Concentration Risk – The concentration of loans to a particular borrower or member group or an inadequate diversification of the investment portfolio.

- f) Prepayment Risk (Call) – Funds may be paid off before their maturity thereby lowering the rate of return and impact earnings. Prepayment risks, in part, can be reduced by underwriting loans with variable interest rates and by limiting, to the extent possible, investments in issues without call provisions.
  - g) Custody Risk – Investments held for safekeeping by others are not kept or maintained as agreed, thereby exposing the Credit Union to a possible loss. The Investment Policy addresses this issue.
- 2) Managing Stable Interest Margins  
Stable interest rate margins enable the Credit Union to generate consistent earnings that are the basis for building capital, covers the operating expenses of running the Credit Union and allows it to grow.
- 3) Decision Making Informed by Measurement Systems
- a) Utilizing the results of performance measurement systems the ALM Committee shall recommend to the Board pricing strategies for interest rates on loans, shares and fees, using market information in its area. The Board will use this information to implement policies which would ensure that prospective changes in demand for loans and the flow of savings deposits will not increase the interest rate risk and adversely affect profitability. The key consideration is the return on assets. Should the desired levels of profitability and capital not be achieved the ALM Committee should recommend strategies. These could include changes in loan rates, savings dividends, changes in the asset mix and a possible change in maturities.
  - b) Management should utilize the results of the Credit Union's IRR measurement systems in making operational decisions such as changing balance sheet structure, funding, pricing strategies, and business planning. This is particularly the case when measures show a high level of IRR or when measurement results approach Board-approved limits. When measures of fair value indicate net worth is low, declining, or even negative, or income simulations indicate reduced earnings, management should be prepared to identify steps, if necessary, to bring risk within acceptable levels. Management will understand and use their IRR measurement results in the normal course of business. Management will also use the results proactively as a tool to adjust ALM for changes in interest rate environments.

#### **Section F - Tools for Measuring Performance Risks**

- 1) Key Ratio and Spread Analysis  
The ALM Committee will establish and use a number of sensitive ratios and the spread analysis to monitor and track past activities and to highlight emerging trends and detect potential ALM problems. Special attention should be given to the net worth ratio, net interest margin, and net margin.
- 2) Gap Analysis
- a) Gap is the difference between rate sensitive assets and rate sensitive liabilities, expressed either as dollar amounts or as a ratio of the difference to total assets. It indicates the degree to which the balance sheet is asset sensitive (when rate sensitive assets exceed rate sensitive liabilities and the Gap ratio is positive), or the balance sheet is liabilities sensitive (when rate sensitive liabilities exceed rate sensitive assets and the Gap ratio is negative). Such sensitivity measures provide important information about the probable impact of changing interest rates on the Credit Union's income. Gap is used as a tool for matching rate sensitive assets and rate sensitive liabilities which enables management to measure and control "Internal Rate Risk" and the "Liquidity Risk" which helps management to maintain steady interest rate margins under various economic and competitive conditions.  
There are two uses of GAP identified here:
    - i) To measure interest rate risks, the Gap report schedules the repricing characteristics of assets versus liabilities. One purpose is to determine how the assets and liabilities will reprice in response to a given change in interest rates.
    - ii) To measure liquidity risks, the Gap report schedules the maturities of assets versus liabilities. The purpose is to determine how the cash flows of assets and liabilities will be affected in response to changes in market rates.
  - b) The key feature of the Gap analysis is the delineation of core savings which are funds on deposit which characteristically do not change dramatically over a relatively short period of time, assuming reasonably competitive pricing is practiced. The determination of how and to what extent deposits will be repriced when interest rates change will have a significant impact on controlling interest rate risk.
  - c) MECE Credit Union intends to continue the practice of offering higher rates on members' savings than available elsewhere. This would be consistent with the stated Return On Assets (ROA) objectives and supported by the Credit Union's capital position that represents cost-free deposits. Therefore, given higher rates paid on deposits now, the Credit Union may not have to automatically adjust its savings rates to the

full extent of the change in market rates. In essence, the spread between the savings rates offered by MECE Credit Union and the competition provides, at least for a short period, an important cushion in pricing the shares when market rates are moving higher.

3) Income Simulation

Income simulation is an IRR measurement method used to estimate earnings exposure to changes in interest rates. An income simulation analysis projects interest cash flows of all assets, liabilities, and off-balance sheet instruments in the Credit Union's portfolio to estimate future net interest income over a chosen timeframe. Generally, income simulations focus on short-term time horizons. Forecasting income is assumption sensitive and more uncertain the longer the forecast period. Simulations typically include evaluations under a base-case scenario, and instantaneous parallel rate shocks, and may include alternate interest-rate scenarios. The alternate rate scenarios may involve ramped changes in rates, twisting the yield curve, and/or stressed rate environments devised by the user or provided by the vendor.

4) The NCUA Asset Valuation

The NCUA Asset Valuation Tables are available and prepared quarterly by the NCUA Office of Capital Markets (OCM). These measures provide an indication of the Credit Union's potential interest rate risk, based on the risk associated with the asset categories of greatest concern. The tables provide a simple measure of the potential devaluation of the Credit Union's mortgage loans and investment securities that occur during +/- 300 basis point parallel rate shocks, and report the resulting impact on net worth.

5) Net Economic Value (NEV)

NEV measures the effect of interest rates on the market value of net worth by calculating the present value of assets minus the present value of liabilities. This calculation measures the Credit Union's balance sheet long-term IRR at a fixed point in time. By capturing the impact of interest rate changes on the value of all future cash flows, NEV provides a comprehensive measurement of IRR. Generally, NEV computations demonstrate the economic value of net worth under current interest rates and shocked interest rate scenarios.

### **Section G – Concentration Risk Policy**

1) Loan concentration limits

- a) No member household shall exceed an aggregate debt of \$1,000,000.00 (this value will not exceed 5% of net worth). This will exclude any real estate loan balances that are intended to be sold on the secondary market.
- b) No member household shall exceed \$50,000.00 in unsecured debt (this value will not exceed .5% of net worth).
- c) Fixed rate mortgage loans will not exceed 22% of the Credit Union's loan portfolio (this value will not exceed 125% of net worth).
- d) Variable rate mortgage loans combined with fixed rate mortgage loans that are not sold on the secondary market shall not exceed 35% of the loan portfolio (this value will not exceed 225% of net worth).
- e) Land loans shall not exceed 13% of the total loan portfolio (this value will not exceed 100% of net worth).
- f) The total of all real estate loans shall not exceed 70% of the total loan portfolio (this will not exceed 500% of net worth).
- g) Total mortgage related assets (loans plus investments) shall not exceed 70% of assets (this value will not exceed 700% of net worth).
- h) Unsecured loans shall not exceed 15% of the total loan portfolio (this value will not exceed 100% of net worth).
- i) Student loans shall not exceed 5% of the total loan portfolio (this value will not exceed 50% of net worth).

2) Investment concentration limits

- a) Agency security investments will be limited to 50% of total assets (this value will not exceed 500% of net worth).
- b) The sum of investments and fixed rate mortgages, with maturities greater than 5 years will be limited to 50% of total assets (this will not exceed 500% of net worth).

3) Annually the Credit Union will review the historical loan loss on different loan types to determine if concentration limits need to be adjusted.

4) MECE Credit Union will factor in the following when reviewing and adjusting concentration limits:

- a) Membership bylaws
- b) Delinquency rates
- c) Loan underwriting guidelines

- d) ALM simulations using the net worth goal, growth objectives and financial targets
- 5) The ALM Committee will review the concentration risk limits quarterly on the ALM checklist in order to identify concerns.

### **Section H - Risk Limits**

The Board sets guidelines that provide management with operational latitude and yet specify the degree of interest rate risk acceptable. The following guidelines are established by the Board of Directors in order to optimize and manage the Credit Union's performance and exposure to IRR. They are intended to be guidelines and from time to time the guidelines may be exceeded on a temporary basis. Ongoing testing resulting in forecasted exposures outside the established guidelines should be considered serious by the Board of Directors and corrective action should be taken. The Credit Union's Board of Directors approves the following risk limits, in relation to the Credit Union's capital position, under which management is expected to operate:

#### **Credit Union Policy Limits for Performance and IRR**

<b><u>Basis of measurement</u></b>	<b><u>Caution</u></b>	<b><u>Limit</u></b>
Earnings Simulation: <b>NI</b>	after shock change > 20 percent over any 12 month period	after shock change > 30 percent over any 12 month period
<b>NI</b>	after shock change > 50 percent over any 12 month period	after shock change > 75 percent over any 12 month period
<b>NEV:</b>	after shock change in market value net worth >40 percent <i>or</i> after shock value of net worth of < 5 percent	after shock change in market value net worth > 50 percent <i>or</i> after shock value of net worth of < 4 percent
Net Worth/Capital:	7%	6%
Net Interest Margin:	1.75%	1.25%
Net Margin:	0.50%	0.25%

In the event the IRR exposure exceeds or approaches these limits, the Credit Union will mitigate its risk through balance sheet alteration and/or pricing strategies.

### **Section I – Additional Interest Rate Risk (IRR) Responsibilities**

The nature of ALM and the dynamics of the financial condition and changing market conditions make it difficult to adopt policies related to interest rate risk control. Because interest rate changes may impact earnings and capital adversely, the Credit Union adopts an aggressive IRR management policy. The policy strives to identify the Credit Union's sources of interest rate exposure and to design systems that adequately measure, monitor, and control those exposures.

#### 1) Board of Directors Responsibilities

The Board of Directors retains the final authority and responsibility for the risks undertaken by the Credit Union including interest rate risk.

- a) At least quarterly, the Board will perform the following functions:
- i) Review the Credit Union's net interest income at-risk position
  - ii) Review the Credit Union's market value/NEV position
  - iii) Review the recommendations of the ALM Committee
- b) The Board will perform the following functions at least annually:
- i) Review the IRR policy, strategies, procedures and risk limits to determine whether it is still commensurate with the size, complexity and risk profile of the Credit Union.
  - ii) Appoint an ALM Committee

- iii) Review the establishment and maintenance of internal controls designed to insure the IRR exposure and IRR management activities are in place.
- 2) Credit Union Senior Management and ALM Committee Responsibilities
  - a) Ensuring that Board approved strategies, policies and procedures for managing IRR are appropriately executed within the designated lines of authority and responsibility.
  - b) Working within Board approved IRR tolerances.
  - c) Maintaining comprehensive systems and standards for measuring IRR, valuing positions, and assessing performance, including procedures for updating IRR measurement scenarios and key underlying assumptions driving the Credit Union's IRR analysis.
  - d) Maintaining sufficiently detailed reporting processes to inform the Board of the level of IRR exposure. These reports will provide aggregate information and supporting detail that is sufficient to enable the Board to assess the sensitivity of the Credit Union to changes in the market rates and important assumptions underlying the metrics used.
  - e) Establishing an appropriate system of internal controls.
- 3) Identification of Interest Rate Risk
 

The Credit Union has identified five sources of interest rate risk:

  - a) Re-pricing Risk - Results from the timing differences that exist in the pricing of assets and liabilities. The Credit Union's policy of seeking the highest asset yields and the lowest cost of funding tends to create large re-pricing imbalances.
  - b) Reinvestment Risk - Results from the uncertainty of future interest rates at which the Credit Union can reinvest its cash flows from maturing assets and the periodic interest payments received on earning assets. On the other side of the balance sheet, the fact that the Credit Union cannot foresee the rates it will have to pay to renew maturing liabilities creates Reinvestment Risk
  - c) Basis Risk - Arises from the fact that over the course of the interest rate cycle the market rates or various indices used to price assets and liabilities do not change at precisely the same time or in the same magnitude. This results in individual yield curves that do not move concurrently or in a parallel fashion. Basis Risk can cause the Credit Union's interest margin to contract or widen, which will impact net interest income.
  - d) Yield Curve Risk - The risk that arises from variation in the movement of interest rates across the maturity spectrum. Yield Curve Risk differs from Basis Risk in that it refers to changes in the relationships between spot interest rates of different maturities of the same index or market; i.e., the differences between the two and ten year Treasury rates. These relationships often vary since the shape of the yield curve for a specific instrument can change dramatically during the course of an interest rate cycle by becoming steeper, flatter, or negatively sloped.
  - e) Option Risk - Refers to the changes in earnings that can result if members exercise their options against the Credit Union. Member options may be explicit or embedded in the balance sheet. Explicit options give the holder the right to buy or sell a financial instrument at a specified price within a specified period of time. Embedded options are implied options such as the member's right to prepay a loan without a penalty or a member's option to withdraw funds early from a time deposit account. Typically, members exercise these options in response to interest rate changes at a time when it is profitable for them, not the Credit Union.
- 4) Interest Rate Risk Measurement
  - a) The Credit will test its balance sheet for IRR at least once every three months or more often if the economic environment dictates. The testing will show at least two hypothetical interest rate scenarios:
    - i) A base-case scenario anticipating no changes in interest rates
    - ii) A worst-case scenario, with interest rates moving up in an instantaneous and parallel shock
    - iii) A worst-case scenario, with rates moving down in an instantaneous and parallel shock
    - iv) Management will test additional scenarios as it deems prudent and necessary
  - b) The Credit Union will measure the amount of net interest income at risk over future periods using one of the following methods: Gap or Income Simulation.
  - c) The Credit Union will measure the amount of net economic value presently at risk using one of the following methods: Asset Valuation or Net Economic Value (NEV).
  - d) Assumptions
    - i) The Credit Union will regularly assess the reasonableness of assumptions that underlie the Credit Union's IRR exposure estimates.
    - ii) The Credit Union will document, monitor and regularly update key assumptions used in IRR measurement models.

- iii) The Credit Union will test the key assumptions that exert the greatest impact on measurement results as frequently as needed to obtain the fullest awareness of the Credit Union's IRR exposure.
  - d) New Strategies
 

Before implementing new strategies or products, the Credit Union will measure the potential exposure to the Credit Union's IRR as an essential part of the due diligence process. In some cases, it will be appropriate to use alternative means of measuring risk in such new strategies or products, where the alternative output is then incorporated into the primary model results.
- 5) Management Systems
 

The Credit Union management systems will carefully monitor its interest rate exposure limits by considering the impact of future interest rate changes on earnings as well as the economic values of capital. As part of its monitoring process, Management will present the following reports to the Board on a quarterly basis:

  - a) Gap Management Report or Income Simulation
  - b) NCUA Asset Valuation or NEV
- 6) Internal Controls Validation
  - a) Internal Controls. The Credit Union's internal control structure is designed to ensure the integrity of all elements of the Credit Union's IRR management process. These internal controls will promote effective and efficient operations, reliable financial and regulatory reporting, and compliance with relevant laws, regulations and institution policies.
  - b) Validation. The Credit Union will validate its IRR models by obtaining an independent review of the models' logical and conceptual soundness. The scope of this review will include assessing the Credit Union's measurement of IRR, including the reasonableness of assumptions, the process used in determining assumptions, and the back-testing of assumptions and results. The results will be made available to the relevant supervisory authorities. Management will ensure the implementation of follow-up procedures to monitor necessary corrective actions.
- 7) Monitoring
 

In addition to the independent review of the Credit Union's measurement of IRR, the Credit Union's Supervisory Committee will conduct periodic independent reviews of the interest rate risk management process to ensure the adequacy of the Credit Union's policies and compliance with policy limits.

## **Section J - Liquidity & Liquidity Risk Management**

- 1) Liquidity is the measure of the Credit Union's ability to convert assets into cash without a major loss in order to meet either the borrowing or share withdrawal needs of its members at a reasonable cost. It is the policy of the Credit Union to maintain adequate levels of liquidity consistent with prudent financial practices. Maintaining an adequate level of liquidity depends on the institution's ability to efficiently meet both expected and unexpected cash flows and collateral needs without adversely affecting either daily operations or the financial condition of the institution. The Credit Union will maintain adequate levels of short-term cash, cash equivalents and short-term securities to meet liquidity needs, without resorting to long term borrowing, which would increase cost. To ensure the appropriate levels of liquidity are maintained, the Gap and Cash Flow analysis are used to schedule expected maturities of assets and liabilities.
  - a) Specific liquidity requirements are contingent upon a variety of factors including seasonal or cyclical fluctuations in the economy, members' savings volatility, loan demand, the desirability of investment income vs. loan income, the present and the forecasted mix of earning assets and the availability of funds. Also, the maturity distribution of the investment portfolio is a significant component of the liquidity structure.
  - b) Senior Management will actively manage intraday liquidity and collateral positions. Should the given short-term liquidity position prove inadequate, alternative solutions listed below and corrective measures, such as rearrangement of maturities and liabilities could be required.
    - i) Issue jumbo certificates with a premium dividend rate for members and electric cooperatives.
    - ii) Borrow from Millennium Corporate Credit Union.
    - iii) Borrow from the Federal Home Loan Bank (FHLB).
    - iv) Issue non-member jumbo certificates with market rates (non-member deposits will not exceed 5% total shares).
- 2) Liquidity risk is the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability (or perceived inability) to meet its obligations. An institution's obligations, and the funding sources used to meet them, depend significantly on its business mix, balance-sheet structure, and the

cash flow profiles of its on and off balance sheet obligations. In managing their cash flows, institutions confront various situations that can give rise to increased liquidity risk. These include funding mismatches, market constraints on the ability to convert assets into cash or in accessing sources of funds (i.e. market liquidity) and contingent liquidity events. Changes in economic conditions or exposure to credit, market, operation, legal, and reputation risks also can affect an institution's liquidity risk profile and should be considered in the assessment of liquidity and asset/liability management.

- a) The Credit Union will use the projected cash flow and effective gap reports, along with key liquidity ratios to measure and monitor liquidity risk. These reports assess the current and prospective cash flows or sources and uses of funds. These reports along with other reportable items are the liquidity risk profile of the Credit Union. Other reportable items may include but are not limited to asset and funding concentrations, critical assumptions used in cash flow projections, key early warning or risk indicators, funding availability, status of contingent funding sources, or collateral usage. The ALM Committee will review the liquidity risk profile on a quarterly basis and report the results to the Board of Directors as part of the ALM report.
  - b) The Credit Union will control liquidity risk by:
    - i) Maintaining adequate levels of highly liquid marketable securities free of legal, regulatory, or operational impediments, which can be used as a cushion to meet liquidity needs in stressful situations.
    - ii) Having an appropriately diverse mix of existing and potential future funding sources available.
    - iii) Having and annually reviewing a comprehensive contingency funding plan (CFP) that sufficiently addresses potential adverse liquidity events and emergency cash flow requirements.
- 3) Contingency Funding Plan (CFP)
- a) The purpose of the contingency funding plan is to establish procedures which will ensure that the liquidity of the Credit Union is properly managed in a crisis situation. While it is very unlikely the Credit Union will ever have to use these procedures, senior management and the Board of Directors believe it is a prudent practice to establish procedures to effectively resolve a liquidity crisis.
  - b) As part of the liquidity management procedures, the Credit Union establishes the following contingency funding guidelines:
    - i) Purpose of a Contingency Funding Plan:  
Under normal operating conditions, liquidity management and monitoring can anticipate liquidity needs that may arise. However, conditions can deteriorate, causing the Credit Union's liquidity position to come under pressure. The Credit Union's management team must continually be sensitive to any events that may adversely affect the Credit Union's liquidity position. In the event management anticipates conditions changing, it must respond to potential liquidity problems in a thorough and organized manner. The purpose of this contingency funding plan is to document a management action plan to deal with potential or real liquidity problems. It is the responsibility of the ALCO to oversee the implementation of this plan.
    - ii) Contingency Preparation and Documentation - Annually test and update all documentation requirements for the Credit Union's lines of credit with the following institutions:
      1. Federal Home Loan Bank of Des Moines: \$15,291,147 (as of June 30, 2017)
      2. Millennium Corporate Credit Union: \$3,000,000.00 (as of June 30, 2017)
- 4) Monitoring Funding Activity  
Management will monitor potential liquidity stress events that could trigger the need for contingency funding, which may include the following:
- a) Changes in agency credit ratings
  - b) PCA capital categories and CAMEL rating downgrades
  - c) Widening of credit default spreads
  - d) Operating losses
  - e) The Credit Union's inability to fund asset growth
  - f) The Credit Union's inability to renew or replace maturing funding liabilities
  - g) Members unexpectedly exercising options to withdraw deposits or exercise off-balance sheet commitments
  - h) Changes in market value and price volatility of various asset types
  - i) Changes in economic conditions, market perception, or dislocations in the financial markets
  - j) Disturbances in payment and settlement systems due to operational or local disasters
- 5) Precautionary Strategy  
Under this scenario, management anticipates potential liquidity problems. In such a case, management has time to prepare.

- a) Precautionary Tactics - Liabilities
  - i) Lengthen the maturity of discretionary liabilities. This can be accomplished by marketing certificates with longer maturities, by increasing the amount of non-maturing shares and reducing the level of overnight funds.
  - ii) Ensure that all securities that are not pledged are available for Repurchase Agreements.
  - iii) Monitor daily demand and time deposit activity of the Credit Union's largest members.
  - iv) Calculate the current amount of collateral available for pledging at the FHLB.
  - v) Devise a "most likely" estimate of the reliability of the maturing liabilities as to how they will react to the press release. Also, prepare a "worst case" and "best case" scenario.
  - vi) Test available lines of credit more frequently.
  - vii) Establish a policy concerning premium pricing for deposits.
  - viii) Revise the early withdrawal policy.
- b) Precautionary Tactics - Assets
  - i) Reduce the level of balances at the due from Credit Unions and make up the balance deficiencies later.
  - ii) Roll all maturing investments into overnight funds.
  - iii) Sell all unpledged securities that are break-even or reflect a profit and invest the proceeds into overnight funds.
  - iv) Identify all assets that can be sold or participated if needed:
    - 1. Consumer loans
    - 2. Mortgages
    - 3. Credit cards
    - 4. Taxable securities
    - 5. Tax exempt securities
  - v) Identify the amount of unused commitments which could be activated in the next 90 days.
  - vi) Develop a plan to reconfirm letters of credit if the need arises.
- 6) Crisis Strategy
 

The following procedures will be strictly adhered to in the event of a liquidity crisis.

  - a) A liquidity crisis is defined as a 5% reduction of net deposits during any one or two day period.
  - b) The Credit Union's ALCO shall meet no less frequently than weekly (daily if necessary) to monitor and oversee these actions and shall report all actions taken to the Credit Union's Board of Directors.
  - c) Crisis Tactics
    - i) Ensure the implementation of all the above listed precautionary tactics.
    - ii) All broker repurchase agreements should be utilized as soon as the liquidity crisis is detected.
    - iii) All Fed Funds lines should be utilized as soon as the liquidity crisis is detected.
    - iv) In the event that additional borrowings are needed, the Credit Union should begin to negotiate additional collateralized borrowings. Qualifying collateral could include consumer loans and qualifying mortgages.
    - v) The Credit Union should suspend all lending activity until the liquidity crisis subsides.
    - vi) The Credit Union should activate the use of any other private or institutional sources of funding (i.e. directors' deposits or borrowers' deposits).
    - vii) The Credit Union should negotiate the sale of any remaining assets to raise funds.

### **Section K - Financial Goals**

To ensure consistent financial performance, the Board of Directors establishes the following goals with limits set on certain objectives. If the Credit Union reaches its limit on any of these areas, the Board will document the action steps taken to correct the ratio. The Board established the following goals:

<u>Category</u>	<u>Target Goal</u>	<u>Acceptable Range</u>	<u>Limit</u>
1) Net Interest Margin	2.50%	1.75%-2.75%	1.25%
2) Return on Average Assets	1.00%	0.50%-1.25%	0.25%
3) Operating Expenses to Average Assets	2.00%	1.75%-2.50%	
4) Loans to Shares	75.00%	60.00%-90.00%	
5) Net Worth to Assets	10.00%	7.00%-11.00%	6.00%
6) Delinquent Loans/Loans	0.20%	0.00%-0.50%	
7) Net Charge Offs/Loans	0.05%	0.00%-0.20%	
8) Asset Growth	8.00%	5.00%-11.00%	

9) Cash and Short-Term Inv (<1 Yr)/Assets	3.00%	2.00%-7.00%	1.50%
10) Cash and Short-Term Inv (<1Mo)/Assets	0.25%	0.25%-3.00%	0.10%

## MISSOURI ELECTRIC COOPERATIVES EMPLOYEES CREDIT UNION

### POLICY MANUAL

#### PART XV – SAFETY AND LOSS PREVENTION PLAN

##### **Section A – Protection for Personnel**

- 1) As information security is of paramount importance, Credit Union employees, committee members, and the Board of Directors will refrain from discussing Credit Union matters, particularly cash handling procedures, outside of the Credit Union.
- 2) All employees are instructed not to attempt to disarm or offer resistance during a robbery (see holdup procedures).
- 3) To ensure security of employees and reduce the risk of robbery, the Credit Union will authorize certain personnel to carry bank deposits.
- 4) The police are to be alerted if suspicious persons are detected by Credit Union staff.
- 5) Employees are encouraged to be vigilant in taking precautions when leaving the Credit Union premises to ensure their safety.

##### **Section B – Protection of Premises**

- 1) Credit Union visitors
  - a) Messengers, maintenance personnel, and delivery persons are to be handled at the reception desk.
  - b) Identification of visitors will be requested when deemed necessary.
  - c) Unauthorized personnel are not to be allowed in work areas.
- 2) Twenty-four hour protection is provided by routine police checks and by an alarm system.
- 3) Valuable Credit Union information will be located in a fireproof file cabinet in the vault that is subsequently locked during non-operating hours.

##### **Section C – Protection of Cash**

- 1) No more than the daily cash needs of Credit Union members will be kept on-hand.
- 2) Excess cash on-hand will be deposited daily.
- 3) All checks are stamped “For Deposit Only” upon posting them.
- 4) All cash is promptly placed in the teller drawer once posted.
- 5) Voided checks should have “Void” written across the front.
- 6) Tellers will scan all daily work, including deposit slips and other member instruction, to be kept in their daily work file.
- 7) The Office Manager, auditors, or Supervisory Committee can make periodic audits of cash drawer(s) as a form of internal cash control.
- 8) Management and the examiner check bank reconciliations.
- 9) Tellers are instructed to lock cash drawers during breaks, lunch, or whenever they leave their area. No employee is to have access to cash drawer unless authorized.
- 10) Unused check stock is stored in the vault or a locked cabinet.
- 11) Bond coverage is maintained and reviewed upon renewal by the President/Manager and Board of Directors.

##### **Section D – Holdup Procedures**

- 1) While the assailant is in the Credit Union:
  - a) Remain calm and comply with demands
  - b) Be observant to:
    - i) Speech
    - ii) Mannerisms
    - iii) Appearance
    - iv) Firearms
    - v) Make of car
    - vi) License number
  - c) Compare the robber’s height with the height strips located on each entry door to the Credit Union.
- 2) When the assailant leaves:
  - a) Lock all doors and entry ways.
  - b) Trigger the alarm.

- c) Note method and direction of escape.
- d) The President/Manager or Office Manager shall ensure that the police have been notified.
- e) Do not disturb the crime scene until the police arrive and complete their investigation.
- f) Individually, employees shall fill out robber identification forms (see below Exhibit A: Robbery Work Sheet)
- g) Have any non-employee witnesses fill out a robber identification form.
- h) If the robber used a note, turn it over to the police. Take care not to handle it any more than is absolutely necessary.
- i) Get the names and addresses of all witnesses, who observed the robber leaving and give this information to the police.
- j) The President/Manager shall be the only employee authorized to make a statement to the press.
- k) Notify bonding company and request proof of loss forms.
- l) Notify the Missouri Division of Credit Unions.

### **Section E – Security**

- 1) The Credit Union has authorized a third party vendor to run regular reports to look for matches with names listed by the Office of Foreign Assets Control (OFAC).
- 2) Wires
  - a) Millennium Corporate Credit Union will verify that wires sent by the Credit Union have been checked against the OFAC list as well.
  - b) To prevent wire fraud, it shall be the policy of the Credit Union that any wires exceeding \$1,000 shall adhere to the following requirements:
    - i) Employee taking the phone call shall document the name of the member requesting the wire.
    - ii) The member shall be called back at a number listed on record to ensure that they have initiated the wire. If member is not able to be contacted at a number listed on the Credit Union system, the number used must be documented on the wire request form.
    - iii) In the case of a recurring wire, the member may sign an authorization form indicating the recurring wire information, thereby nullifying the requirements for call back verification by Credit Union staff.
    - iv) If the wire is a result of loan proceeds that was originated by MECE Credit Union and a Loan Officer has verified the identity of the borrower/sender, a call back for verification will not be required.
- 3) Customer Identification Policy
  - a) As part of MECE Credit Union's overall compliance with the Bank Secrecy Act, it is the policy of the Credit Union to have a clear and concise understanding of all member practices in order to avoid criminal exposure to the Credit Union by any member who would use the Credit Union's resources for illicit purposes. The objective of this policy is to attempt to ensure the immediate detection and identification of customers and any suspicious activity at the institution.
  - b) The Credit Union recognizes that potential members of a credit union may appear to be legitimate, but in reality could be conducting illicit activities through the Credit Union. Accordingly, it is the policy of the Credit Union to incorporate the following principles into its business practices. It is the policy of MECE Credit Union to identify Credit Union members as prescribed by 12 CFR 748 and maintain maximum compliance with the US Patriot Act. This is done through:
    - i) Internal policies, procedures, and controls
    - ii) Membership Officer
    - iii) Ongoing employee training
    - iv) Independent audit function
  - c) The purpose of this program is to aid in the war against terrorism and to assist in homeland security.
  - d) This program will ensure that the Credit Union has properly verified the name, social security, date of birth, and address information of each new member and that this information is cross-referenced against the OFAC list.
  - e) The Credit Union will obtain the following information prior to any member opening an account:
    - i) Name
    - ii) Date of birth
    - iii) A residential or business street address
    - iv) For an individual who does not have a residential or business street address, the Credit Union will obtain an Army Post Office (APO) or Fleet Post Office (FPO) box number, or the residential or business street address of next of kin or of another contact individual.
    - v) For persons other than individuals such as corporations and trusts, principal place of business, local office or other physical location will be used.
    - vi) For U.S. persons, a U.S. taxpayer identification number (social security number, individual taxpayer identification number (TIN), or employer identification number) will be used.
    - vii) For non-U.S. persons, one or more of the following:
      - 1. U.S. taxpayer identification number
      - 2. Passport number and country of issuance

3. Alien identification card number
  4. Number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard (the term “similar safeguard” is used to permit biometric identifiers which may be used in addition to or instead of photographs).
- f) Verification of information received
- i) MECE Credit Union serves a select employee group and has a close relationship with the sponsor organization. This Credit Union serves only employees and their immediate families as stated in this policy manual. Membership eligibility is verified on each new account application and new membership reports are generated which are reviewed by the President and the Board of Directors.
  - ii) A soft-pull credit report will be run on any new member 18 years or older and will be kept in the member’s file. This will be used to verify that:
    1. The information received is correct
    2. There are no social security alerts
    3. That there has been no reported identity theft
  - iii) A Credit Union employee will contact the field representative for verification of all membership accounts based on the membership eligibility section on the account card.
  - iv) The Membership Officer may place a follow-up call to the member’s residence or place of employment in order to verify identification.
  - v) The Membership Officer may at his/her discretion require the following information for documentation which will be kept in the membership file:
    1. For individuals, unexpired government-issued identification evidencing nationality or residence and bearing a photograph or similar safeguard, such as a driver’s license or passport.
    2. For corporations, partnerships, trusts and persons other than individuals, documents showing the existence of the entity, such as:
      - a. Certified articles of incorporation
      - b. A government-issued business license
      - c. Partnership agreement
      - d. Trust instrument
  - vi) The Credit Union may deny membership to any individual who does not provide the proper identification or the information provided is inaccurate.
- g) Beneficial owner identification & verification for legal entities
- i) Ownership  
As MECE Credit Union is a single select employee group credit union, the only non-individual accounts that are eligible to join are member organizations and their subsidiaries. Since member organizations and their subsidiaries are normally member-owned corporations, there are no beneficial owners that need to be identified. Therefore, the ownership prong of the regulation is not applicable to our Credit Union.
  - ii) Control  
To ensure MECE Credit Union can identify what person(s) may have access/control of a member organization or subsidiary account, the Credit Union will require the corporation to fill out one of the following forms to properly identify users (all forms of documentation must include user’s name, date of birth, social security number, and address):
    1. The appropriate FinCEN form to designate authorized transactors (Exhibit B: Certification of Beneficial Owners)
    2. A corporate letter signed by the CEO/Manager
- h) The following notice will be provided to members and potential members via our public website:
- i) **IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT.** To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.
  - ii) What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver’s license or other identifying documents.

### **Section F – Bank Secrecy Policy**

It is the purpose of this policy, in conjunction with related Credit Union procedures, to ensure that the Credit Union operates in compliance with the federal Bank Secrecy Act (BSA), the Money Laundering Control Act (MLCA) and the USA PATRIOT Act’s customer identification program and information sharing requirements, and their implementing regulations.

- 1) The Credit Union designates the Office Manager, as the BSA Compliance Officer who will be responsible for ensuring:
  - a) BSA reports are filed in a timely manner

Approved by MECE Credit Union Board of Directors on March 24, 2021

- b) Account-opening procedures comply with Customer Identification Procedure (CIP) requirements
  - c) Appropriate staff training is provided
  - d) Annual BSA auditing is performed as required
  - e) Records are retained as required by the BSA
- 2) Reporting Requirements
- a) Currency Transaction Reports
    - i) The Credit Union will file a Currency Transaction Report (CTR) with the IRS within 15 days of a transaction for each deposit, withdrawal, or exchange of currency or other payment or transfer by, through or to the Credit Union, which involves a transaction in currency of more than \$10,000 (unless the transaction is expressly exempted from this requirement). No CTR will be filed for a transaction involving an exempt person acting within the scope of his exemption.
    - ii) The Credit Union will treat multiple currency transactions as a single transaction if the credit union has knowledge that the transactions are by, or on behalf of, any one person and results in either cash in or cash out totaling more than \$10,000 during any one business day. Employees are expressly prohibited from assisting members with the structuring of transactions.
  - b) Suspicious Activity Reports
    - i) The Credit Union will have procedures in place to ensure that suspicious financial transactions by any member are reported on a Suspicious Activity Report (SAR) to the Financial Crimes Enforcement Network (FinCEN) within 30 days, when appropriate.
    - ii) The Credit Union will not give notice to any person involved in a transaction about which a SAR is being filed. Any person inquiring as to whether a SAR has been filed, or restructures the transaction after asking whether a SAR was filed, will give the Credit Union sufficient basis for filing another SAR.
    - iii) The Credit Union will file a SAR under the following circumstances:
      - 1. Violations aggregating \$5,000 or more: Any transaction involving \$5,000 or more must be reported if the Credit Union knows, suspects, or has reason to suspect that:
        - (a) Funds are derived from illegal activities.
        - (b) The transaction is used to evade these requirements under the Bank Secrecy Act.
        - (c) The transaction has no business or apparent lawful purpose.
      - 2. Violations aggregating \$25,000 or more regardless of a potential suspect: A SAR must be filed for any known or suspected federal criminal violation, involving a transaction or transactions of \$25,000 or more in funds, even though there is no substantial basis for identifying a possible suspect or group of suspects.
      - 3. Insider abuse involving any amount: The Credit Union must file a SAR if there is insider abuse involving any amount. The SAR must be filed whenever the Credit Union detects any known or suspected federal criminal violation, or pattern of criminal violations, committed or attempted against the Credit Union, where the Credit Union has a substantial basis for identifying an insider as having committed or aided in the commission of a criminal act regardless of the amount involved in the violation.
      - 4. Management will determine if there are other times when it is appropriate to file a SAR. Management will report to the Board at its next board meeting about any SARs filed.
  - c) Report of International Transportation of Currency or Monetary Instruments
    - i) The Credit Union will timely file a Currency or Monetary Instrument Report (CMIR) if it physically transports, mails or ships, or causes to be physically transported, mailed or shipped currency and/or monetary instruments in excess of \$10,000 at one time into or out of the United States.
    - ii) The Credit Union will file a CMIR if it receives currency and/or monetary instruments in excess of \$10,000 at one time which have been transported, mailed or shipped to the Credit Union by a member from outside the United States, except if the transfer of funds are through normal banking procedures which does not involve the physical transportation of currency or monetary instruments.
  - d) Reports and Records:
 

The Credit Union will maintain copies of all required records and reports filed pursuant to the BSA, and any supporting documentation for a period of at least five years from the date the record is made and report is filed.
  - e) There may be instances when the Secretary of the Treasury will require financial institutions within a geographic area to maintain special records with respect to currency transactions. The Credit Union will conform to any such geographic targeting order, and maintain records of any geographic targeting order for as long as specified in the order, not to exceed five years.
  - f) Monetary Instruments and Wire Transfers
 

The Credit Union will record and maintain a record of all purchases in currency of monetary instruments with a value between \$3,000 and \$10,000, and information about wire transfers as required by the BSA.
  - g) Monitoring Government Lists
 

The Credit Union will respond in a timely manner to any request for information submitted by the Financial Crimes Enforcement Network (FinCEN) in order to further law enforcement agencies' investigation of suspected terrorists or money launderers.

- h) Staff Training  
The BSA Compliance Officer will be responsible for ensuring that all appropriate personnel are aware of their responsibilities in conjunction with administering the BSA program.
- i) BSA Audit  
The Credit Union shall conduct an internal or third party audit to verify its system of internal controls and test for ongoing compliance with the BSA procedures. Copies of the audit will be signed, dated and maintained for review by examiners, with copies sent to management, the BSA compliance officer, and the Supervisory Committee.

### **Section G – Data Breach Procedures**

It is the purpose of this policy to ensure the proper steps are administered to limit the liability of unauthorized access to member information. The Credit Union shall do the following once notified of a data breach:

- 1) System assessment
  - a) Contact contracted vendor who provides intrusion prevention/detection
  - b) Determine the cause and scope of the breach
  - c) Determine the system and information breached
- 2) Notify necessary authorities of breach
  - a) Credit Union Board of Directors and Supervisory Committee
  - b) National Credit Union Administration Regional Director
  - c) Jefferson City Police Department
  - d) Missouri Division of Credit Unions
  - e) The company that provides bond insurance for the Credit Union
- 3) Take the appropriate steps to mitigate any further data access on breached accounts
- 4) Notify membership of a breach
  - a) Management will determine whether to notify the entirety of the membership or just the affected members
  - b) Notice Content
    - i) Summary of incident and type of member information taken
    - ii) Steps the Credit Union has taken in response to the breach
    - iii) A telephone number dedicated to aiding those members with questions or concerns
    - iv) A reminder to review account activity and account statements routinely over the first 24-48 hours and to report any suspicious activity to the Credit Union
    - v) Provide information for members to obtain credit bureaus from each credit reporting agency (CRA) and from [www.annualcreditreport.com](http://www.annualcreditreport.com)
    - vi) Detail and provide the steps members can take to monitor and add fraud alerts on member's credit bureaus
    - vii) Distribute the Federal Trade Commission's (FTC) online guidance to protect against identity theft
      1. Encourage members to report any incidents of identity theft to the FTC
      2. Provide the FTC's web address [www.ftc.gov/idtheft](http://www.ftc.gov/idtheft)
      3. Provide the FTC's toll-free number 1-877-438-4338 (IDTHEFT)

### **Section H – Identity Theft Prevention Policy**

- 1) It shall be the policy of MECE Credit Union to adopt an Identity Theft Prevention Program that complies with the requirements for state chartered credit unions and the regulations given by the Federal Trade Commission in 16 CFR Part 681 Identity Theft Rules. MECE Credit Union will maintain a high level of security. It is the policy of the Credit Union to have a clear and concise understanding of all member practices in order to avoid criminal exposure to them by any intruder who would use the Credit Union's resources for illicit purposes. The objective of this policy is to identify and incorporate the appropriate Identity Theft Red Flags relevant to the types of covered accounts the Credit Union offers and maintains. This is done through:
  - a) Internal controls that are listed in this policy
  - b) Identity Theft Prevention Program Officer
  - c) Annual employee training
  - d) Annual risk assessment
  - e) Monitoring service providers
- 2) It shall be the policy of MECE Credit Union to provide appropriate responses to the following Red Flags:
  - a) Alerts, notifications, and other warnings received from consumer reporting agencies and service providers
  - b) Presentation of suspicious documents (altered, forged)
  - c) Suspicious address change (fictitious, a mail drop, prison, returned mail although transactions continue to be conducted in connection with a member's account)

- d) Suspicious personal information (SSN has not been issued or is listed on the Social Security Administration's Death Master File)
  - e) Personal information provided is not consistent with information that is on file with the Credit Union.
  - f) Sudden use of a dormant account
  - g) Sudden changes in member's account (negativity when there was none before, unusual large checks withdrawn, and changes in borrowing patterns)
  - h) Credit Union is notified that the member is not receiving account statements.
  - i) Credit Union is notified of unauthorized charges or transactions in connection with a member's account.
  - j) Notification by a member, a victim of identity theft, a law enforcement authority or any other person that the Credit Union has opened a fraudulent account for a person engaged in identity theft.
- 3) In the case where an incident of identity theft is discovered, it is important that MECE Credit Union respond adequately. Upon identification, the designated Identity Theft Prevention Program Officer will perform the following under the direction of the Manager of the Credit Union:
- a) Confirm that the member has been a victim of identity theft.
  - b) Notify authorities (Credit Bureau, Law Enforcement).
  - c) Prevent further damage to member's identity by closing account and changing passwords.
  - d) Review the handling of the incident to determine if modifications should be made to the procedures.
- 4) Internal Controls to prevent Identity Theft
- a) Change of address must be submitted in writing and signed by the member (address changes received by the United States Post Office will also be accepted).
  - b) Multi-factor identification is required for internet account access.
  - c) Intrusion detection and prevention hardware and a firewall have been installed to prevent incoming attacks from the internet.
  - d) List and review the level of risk that service providers may present to the Credit Union.
- 5) The Office Manager will be designated as the Identity Theft Prevention Program Officer and is responsible for compliance with all regulations. The Identity Theft Prevention Program Officer is required to update the Board of Directors with annual information and training concerning the effectiveness of the program. Specific topics include but are not limited to:
- a) Effectiveness of the program in addressing the risk of identity theft in member's accounts
  - b) Service provider arrangements
  - c) Significant incidents involving identity theft and management's response
  - d) Recommendations for significant changes to the program
- 6) All employees will receive identity theft training annually. This training will include any incidents involving identity theft and new guidelines, procedures or changes in the Credit Union's business environment.
- 7) MECE Credit Union will perform an annual risk assessment to identify areas of potential identity theft risk at the Credit Union. (See Exhibit C: Credit Union Risk Assessment)

EXHIBIT A: ROBBERY WORK SHEET

In the event of a robbery, promptly fill out both pages of this form as accurately and as completely as possible and give it to the police or security officer.

PHYSICAL DESCRIPTION

The objective is to document an accurate description that is as complete as possible. Do not omit any detail no matter how insignificant it may seem. But only indicate what you have actually observed. Do not guess. Leave spaces blank if you don't have a clear recollection.

COLOR \_\_\_\_\_ SEX \_\_\_\_\_ ETHNICITY \_\_\_\_\_

AGE \_\_\_\_\_ HEIGHT \_\_\_\_\_ WEIGHT \_\_\_\_\_ BUILD \_\_\_\_\_  
(thin, stocky, etc.)

COMPLEXION \_\_\_\_\_ HAIR \_\_\_\_\_ EYES \_\_\_\_\_  
(light, dark, ruddy, etc.) (color, wavy, straight, how combed) (color, small, large, close or far set, etc.)

NOSE \_\_\_\_\_ EARS \_\_\_\_\_ CHIN \_\_\_\_\_  
(large, small, broad, pug, etc.) (prominent, small, close to head, extended, etc.) (square, broad, long, narrow, receding, dimpled, etc.)

GLASSES \_\_\_\_\_ MUSTACHE/BEARD \_\_\_\_\_  
(frame color, style, material, etc.) (color, shape, style, etc.)

MASK OR FALSE FACE \_\_\_\_\_  
(type, color, etc.)

SCARS/MARKS \_\_\_\_\_  
(tattoos, birthmarks, facial blemishes, etc.)

DISTINGUISHING CHARACTERISTICS \_\_\_\_\_  
(how would you pick this person out of a crowd?)

\_\_\_\_\_  
\_\_\_\_\_

MISCELLANEOUS INFO

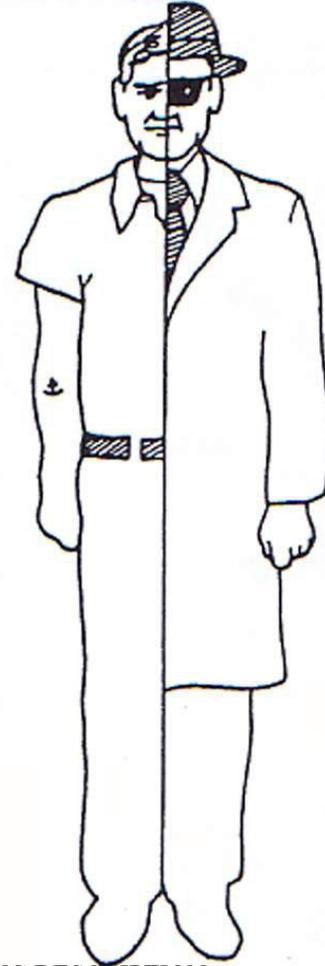
WEAPON EXHIBITED \_\_\_\_\_ ANY NAMES USED \_\_\_\_\_  
(revolver, automatic, knife, rifle, shotgun, size, caliber, etc.)

WHAT DID HE SAY? \_\_\_\_\_

SPEECH \_\_\_\_\_ MANNERISMS \_\_\_\_\_  
(any accent, peculiarity of speech) (right or left handed, unusual walk or carriage, nervous habit, etc.)

DESCRIBE HIS ACTIONS & WHAT HE TOUCHED \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_



CLOTHING DESCRIPTION

Describe color, type of material, style, etc., as accurately as you can recall.

HAT \_\_\_\_\_

OVERCOAT \_\_\_\_\_

RAINCOAT \_\_\_\_\_

JACKET \_\_\_\_\_

SUIT \_\_\_\_\_

TROUSERS \_\_\_\_\_

SHIRT \_\_\_\_\_

TIE \_\_\_\_\_

SHOES \_\_\_\_\_



EXHIBIT B: CERTIFICATION OF BENEFICIAL OWNERS

Persons opening an account on behalf of a legal entity must provide the following information:

1. Name and Title of Natural Person Opening Account:

\_\_\_\_\_

2. Name, Type, and Address of Legal Entity for Which the Account is Being Opened:

\_\_\_\_\_

The following information for one individual with significant responsibility for managing the legal entity listed above, such as:

An executive officer or senior manager OR

Any other individual who regularly performs a similar function

Name/Title	DOB	Address	Social Security Number

I, \_\_\_\_\_ (name of naturalized person opening account), hereby certify, to the best of my knowledge, that the information provided above is complete and correct.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## EXHIBIT C: CREDIT UNION RISK ASSESSMENT

## Account Access

	YES	NO	N/A
Does the credit union offer web site account access?			
Comment:			
Does the credit union offer telephone account access?			
Comment:			
Does the credit union provide web site access to credit card accounts?			
Comment:			
Does the credit union provide telephone access to credit card accounts?			
Comment:			

## Transactions

	YES	NO	N/A
Does the credit union allow web site transactions on accounts?			
Comment:			
Does the credit union allow telephone transactions on accounts?			
Comment:			
Does the credit union allow web site transactions on credit cards?			
Comment:			
Does the credit union allow telephone transactions on credit cards?			
Comment:			

## Change of Address

	YES	NO	N/A
Does the credit union flag each account for 30 days after a change of address?			
Comment:			
Does the credit union block or restrict card issuance for 30 days after an address change?			
Comment:			
Does the credit union require a change of address in writing or from the post office?			
Comment:			
Does the credit union retain a copy of each change of address?			
Comment:			

## Identity Theft Experience

	YES	NO	N/A
Has the credit union experienced identity theft on deposit accounts?			
Comment:			
Has the credit union experienced identity theft on loan accounts?			
Comment:			
Has the credit union experienced identity theft on credit card accounts?			
Comment:			

## Account Opening

Deposit Accounts	YES	NO	N/A
Must all account owners be present to open a deposit account?			
Comment:			
Does the credit union prohibit opening a deposit account through the mail?			
Comment:			
Does the credit union prohibit opening a deposit account through a web site?			
Comment:			
Does the credit union prohibit opening a deposit account through the telephone?			
Comment:			

Loans	YES	NO	N/A
Must all obligated debtors be present to consummate a loan?			
Comment:			
Does the credit union prohibit consummating a loan through the mail?			
Comment:			
Does the credit union prohibit consummating a loan through a web site?			
Comment:			
Does the credit union prohibit consummating a loan through the telephone?			
Comment:			

Credit Cards	YES	NO	N/A
Must all obligated debtors be present to open a credit card account?			
Comment:			
Does the credit union prohibit opening a credit card account through the mail?			
Comment:			
Does the credit union prohibit opening a credit card account through a web site?			
Comment:			
Does the credit union prohibit opening a credit card account through the telephone?			
Comment:			

#### Identification Verification

	YES	NO	N/A
Does the credit union verify the identity of members opening accounts?			
Comment:			
Does the credit union verify the identity of members requesting loans?			
Comment:			
Does the credit union verify the identity of members requesting credit cards?			
Comment:			

Comments:

Completed By \_\_\_\_\_

Date \_\_\_\_\_

# MISSOURI ELECTRIC COOPERATIVES EMPLOYEES CREDIT UNION

## POLICY MANUAL

### PART XVI – CONSUMER DATA PROTECTION/POLICY

#### **Section A – Purpose**

The Credit Union recognizes its responsibility to protect the privacy of member nonpublic personal information. The purpose of this policy is to set forth the guidelines under which such information may be shared with third parties. It is the intent of the Credit Union and any of its affiliates to abide by all applicable laws and regulations governing the privacy of nonpublic personal information including NCUA Privacy of Consumer Financial Information rule (Regulation P) and the FTC Privacy rule (Part 313) for affiliates, issued to implement the provisions of the Gramm-Leach-Bliley Act and the Right to Financial Privacy Act.

#### **Section B - Guidelines**

1) Collection of Information

In the course of delivering products and services, the Credit Union obtains nonpublic personal information, either directly from the member or from outside sources. This nonpublic personal information is used to comply with federal and state laws and regulations, to provide effective member service and to inform members of products and services which may be of interest to the member.

2) Maintenance of Accurate Information

The Credit Union will exercise reasonable caution in the gathering and maintenance of information to ensure its accuracy. When inaccurate information is discovered, it will be corrected as promptly as possible.

3) Disclosing Information to Third Parties

The Credit Union will not disclose personal nonpublic information to non-affiliated third parties without first providing the consumer a clear and conspicuous notice that accurately reflects the Credit Union's privacy policies and practices. It will also provide the consumer a reasonable opportunity to opt-out of such disclosure. If an opt-out is not received from the consumer, the Credit Union may share personal nonpublic information with its affiliate. The Credit Union also may share its experience information about the member with credit bureaus. The Credit Union's reporting to credit bureaus is governed by the Fair Credit Reporting Act, which affords the member the right to make sure that its credit bureau reports are accurate. The requirement for the Credit Union to provide notice and a reasonable opportunity to opt-out does not apply if the Credit Union's disclosure of nonpublic personal information is necessary to effect, administer, or enforce a transaction that a consumer requests or authorizes, or in connection with any of the following:

- a) Servicing or processing a financial product or service that a consumer requests or authorizes
- b) Maintaining or servicing the consumer's account with the Credit Union, or with another entity as part of a private label credit card program or other extension of credit on behalf of such entity
- c) A proposed or actual securitization, secondary market sale (including sales of servicing rights) or similar transactions related to a transaction of the consumer
- d) With the written consent or direction of the consumer, provided the consumer has not revoked the consent or direction
- e) To protect the confidentiality or security of the Credit Union's records pertaining to the consumer, the service or product, or the transaction
- f) To protect against or prevent actual or potential fraud, unauthorized transactions, claims, or other liability
- g) For required institutional risk control, or for resolving customer disputes or inquiries
- h) To persons holding a legal or beneficial interest relating to the consumer
- i) To persons acting in a fiduciary or representative capacity on behalf of the consumer

- j) To the extent specifically permitted or required under other provisions of law and in accordance with the Right to Financial Privacy Act, to law enforcement agencies, self-regulatory organizations, or for an investigation on a matter related to public safety.
  - k) To provide information to insurance rate advisory organizations, guaranty funds or agencies, applicable rating agencies of the Credit Union, persons assessing the Credit Union's compliance with industry standards, and the institution's attorneys, accounts, and auditors.
  - l) To a credit reporting agency in accordance with the Fair Credit Reporting Act.
  - m) In connection with a proposed or actual sale, merger, transfer, or exchange of all or a portion of a business or operating unit if the disclosure of nonpublic personal information concerns solely consumers of such business or unit.
  - n) To comply with Federal, State, or local laws, rules, and other applicable legal requirements, to comply with a properly authorized civil, criminal, or regulatory investigation or subpoena or summons by Federal, State or local authorities having jurisdiction over the financial institution for examination, compliance, or other purposes as authorized by law.
  - o) Such financial records are disclosed
    - i) In response to an administrative subpoena
    - ii) In response to a search warrant
    - iii) In response to a judicial subpoena
    - iv) In response to a formal written request by a proper governmental authority
- 4) Responsibility to Service Providers  
The Credit Union will only approve service providers with established policies of privacy similar to those of the Credit Union. The Credit Union will require contractual agreements from non-affiliated third parties that will include confidentiality of member information disclosed by the Credit Union and prohibit the service provider from disclosure and reuse of nonpublic personal information for any reason other than the intended purpose. All contracts entered into after July 1, 2006 must be in compliance with the provisions of NCUA Privacy of Consumer Financial Information.
- 5) Disclosure of Privacy Policy  
The Credit Union will disclose its privacy policy as required by law, in a form that the members can keep. This disclosure will be in the form of an initial disclosure and will also be provided to members annually. The Credit Union will provide the required notices in conformance with the model privacy notice contained in the regulation.
- a) Initial Privacy Notice  
The Credit Union will deliver a notice describing the Credit Union's privacy policy to each new member/consumer who establishes a relationship with the Credit Union. This initial privacy notice will be provided at or before an establishment of a member relationship. A new privacy notice need not be given for each subsequent account opening, if the privacy notice provided for the one-time mailing to existing members or the policy at new account opening has not changed from the previously provided privacy notice. When two or more consumers jointly obtain a financial product or service, other than a loan, from the Credit Union, the Credit Union may provide one initial notice to the consumers jointly.
  - b) Annual Notice  
The Credit Union will provide a notice of the Credit Union's privacy policy to all members/consumers at least annually (once during any 12 consecutive months). The Credit Union need not provide an annual notice to members or consumers who no longer have a relationship with the Credit Union.
  - c) Content  
As required by law, the initial and annual privacy notices will contain the following information:
    - i) The categories of nonpublic personal information that the Credit Union collects
    - ii) The categories of nonpublic personal information that the Credit Union discloses
    - iii) The categories of affiliates and nonaffiliated third parties to whom the Credit Union discloses nonpublic personal information (other than such disclosures allowed by law)
    - iv) The categories of nonpublic personal information about the Credit Union's former members that is disclosed and the categories of affiliated and nonaffiliated third parties to whom such information is disclosed (other than such disclosures allowed by law)

- v) If the Credit Union discloses nonpublic personal information to a nonaffiliated third party (and no exception applies to that disclosure), a separate statement of the categories of information the Credit Union discloses, and the categories of third parties with whom the Credit Union has contracted
- vi) If applicable, an explanation of the consumer's right to opt-out of the disclosure of nonpublic personal information to nonaffiliated third parties, including the methods by which the consumer may exercise that right at that time
- vii) Any disclosures made by the Credit Union under the Fair Credit Reporting Act (i.e., notices regarding the ability to opt-out of disclosures of information among affiliates)
- viii) The Credit Union's policies and practices with respect to protecting the confidentiality and security of nonpublic personal information
- d) Privacy Notice May Be Combined With or In Other Documents  
The Credit Union's privacy notice may be combined with other information, so long as:
  - i) It is presented in a way that is "clear and conspicuous"
  - ii) It is intact so that each consumer can retain its content
  - iii) It retains the same page orientation, content, format and order as provided in the model notice contained in the regulation
- 6) Member's Right to Opt-Out Privacy regulations allow members to opt-out of having their information disclosed to non-affiliated third parties in certain situations. Before the Credit Union discloses any member information to a non-affiliated third party that is not otherwise covered by a disclosure exception in the regulation, the Credit Union will properly inform members of their right to opt-out and to record and honor opt-out requests. The opt-out notice shall include the address and phone number of the appropriate notification system used for processing of notices of opt-out and will be presented in a format acceptable to the National Credit Union Administration/Federal Trade Commission.
  - a) Content  
As required by law, the opt-out notice will state the following information:
    - i) That the Credit Union discloses or reserves the right to disclose nonpublic personal information about the consumer to a non-affiliated third party (including the categories of information and the categories of non-affiliated third parties to whom it is disclosed)
    - ii) That the consumer has a right to opt-out of that disclosure
    - iii) A reasonable means by which the consumer may exercise that opt-out right. Examples:
      - 1. Designating check-off boxes in a prominent position on the relevant forms with the opt-out notice
      - 2. Including a reply form together with the opt-out notice
      - 3. Providing an electronic means to opt-out, such as a form that can be sent via electronic mail or a process at the Credit Union's web site, if the consumer agrees to the electronic delivery of information
      - 4. Providing a telephone number that consumers may call to opt-out
    - iv) How the Credit Union will treat an opt-out direction by a joint consumer
  - b) Delivery after Initial Notice is Provided  
If the Credit Union provides the opt-out notice after the initial notice is provided, the Credit Union will include a copy of the initial notice in writing or, if the consumer agrees, electronically.
  - c) Joint Relationships  
When two or more consumers jointly obtain a financial product or service, other than a loan, from the Credit Union, the Credit Union may provide only a single opt-out notice.
  - d) Duration of Opt-Out  
A consumer's direction to opt-out is effective until the consumer revokes it in writing or, if the consumer agrees, electronically. When a member relationship terminates, the member's opt-out direction continues to apply to the nonpublic personal information that the Credit Union collected during or related to the relationship. If the individual later establishes a new relationship with the Credit Union, the opt-out direction that applied to the former relationship does not apply to the new relationship.

- 7) Delivery of Privacy and Opt-Out Notices  
The Credit Union may reasonably expect that a consumer will receive notification of the privacy notice and opt-out right (if applicable) as the Credit Union uses the following method of delivery:
- i) Hand-delivery to the consumer
  - ii) Mailing a printed copy of the notice to the consumer's last known address
- 8) Revised Privacy Notices  
The Credit Union will provide a revised privacy notice (and a new opt-out notice, if and when applicable) in the following circumstances:
- a) The Credit Union discloses a new category of nonpublic personal information to any non-affiliated third party
  - b) The Credit Union discloses nonpublic personal information to a new category of non-affiliated third party
  - c) The Credit Union discloses nonpublic personal information about a former member to a non-affiliated third party, and that former member has not had the opportunity to exercise an opt-out right regarding that disclosure
- 9) Confidentiality and Security Safeguards  
Credit Union maintains strict policies and security controls to ensure that nonpublic personal information in the Credit Union's computer systems and files is protected.
- a) Credit Union employees and certain contractors are permitted access to nonpublic personal information that they may need to perform their jobs and to provide service to the members.
  - b) Credit Union employees and contractors will have access to such nonpublic personal information only as necessary to conduct a transaction or respond to a member's inquiries.
  - c) All Credit Union employees and contractors will be required to respect member privacy through confidentiality and information security provisions included in the Credit Union's employee policy manual and service agreements with the contractors.
  - d) No one except Credit Union employees and authorized contractors will have regular access to the Credit Union computer system and records storage. The Credit Union has established internal security controls, including physical, electronic and procedural safeguards to protect the member nonpublic personal information provided to the Credit Union and the information the Credit Union collects about the member. The Credit Union will continue to review its internal security controls to safeguard member nonpublic personal information as the Credit Union employs new technology in the future.
- 10) Privacy of Electronic Transactions
- a) Encryption  
Electronic interfaces with members (such as Internet transactions) will be encrypted using Secure Socket Layer (SSL) 128-bit encryption.
  - b) Account Access  
Member account information and transactions will be protected by a password that must be used in conjunction with a username or account number. Members must request this capability and be registered with the Credit Union for authentication purposes.
  - c) Cookies  
The Credit Union may use cookies as part of its web site interface. A cookie is a small file that is placed on the user's computer. While it contains no member information, it identifies the member's computer and allows the Credit Union to measure usage of the web site and customize the web site experience. The Credit Union will disclose whether it collects cookies on its web site when they are used.
  - d) Links  
The Credit Union will frequently link to other sites as a convenience to our members. The Credit Union will seek to link with other sites that adhere to similar privacy standards. For all third-party links, the Credit Union will disclose the following information:
    - i) The member is leaving the Credit Union's web site
    - ii) The member is linking to an alternate web site not operated by the Credit Union
    - iii) The Credit Union is not responsible for the content of the alternate web site
    - iv) The Credit Union does not represent either the third party or the member if the two enter into a transaction
    - v) Privacy and security policies may differ from those practiced by the Credit Union

e) Online Privacy of Children's Information

The Credit Union will not collect, use or disclose online information received from children under age 13 without prior parental notification and consent, which will include an opportunity for the parent to prevent use of information and participation in the activity. Online information will only be used to respond directly to the child's request and will not be used for other purposes without prior parental consent.

- i) The Credit Union will not distribute to third parties, other than its affiliate, personally identifiable information without prior parental consent.
- ii) The Credit Union will not post or otherwise distribute personally identifiable information without prior parental consent.
- iii) The Credit Union will not entice by the prospect of a special game, prize or other activity, to divulge more information than is needed to participate in the activity.
- iv) Personally identifiable information that is collected online from their children may be reviewed by a parent or guardian upon written request. The parent or guardian has the right to have information deleted and instruct the Credit Union to cease collecting further information from their child.

11) Privacy Compliance

The Credit Union and all of its affiliates will comply with all applicable laws and regulations governing the privacy, confidentiality, security, and integrity of nonpublic personal information including the NCUA privacy rule (Regulation P), the FTC privacy rule (Part 313) for affiliates, and all other applicable state and federal privacy laws and regulations as amended.

12) Administration and Amendments

- a) Protecting member privacy is an ongoing process and the Credit Union will continue to evaluate and review the measures taken to safeguard member information.
- b) The Credit Union will provide training to employees on how to recognize and control risk to nonpublic personal information, how to handle nonpublic personal information, and how to report unauthorized or fraudulent attempts to gain access to nonpublic personal information.
- c) The Credit Union will create controls and procedures whereby any new product, service, or delivery method shall be reviewed and modified to ensure that it conforms to existing Credit Union privacy policies with regards to nonpublic personal information.
- d) If nonpublic personal information is shared with vendors for business purposes, all contracts and agreements between the vendors and the Credit Union will include a guarantee that the vendor will safeguard such information.
- e) Because no policy can address every possible contingency and circumstances, Credit Union management shall use its good faith business judgment in administering this privacy policy and expects that all officers, volunteers and employees will use good faith in their actions to protect the privacy of Credit Union members.
- f) The Credit Union reserves the right to amend this privacy policy in any respect with disclosure to members as required by law.

## Missouri Electric Cooperatives Employees' Credit Union

### Privacy Notice

At MECE Credit Union, your privacy is important to us. This notice is a description of the information we collect and disclose to conduct the business of the credit union and how we protect your privacy. Federal law requires us to give you this notice.

We collect nonpublic personal information from the following sources:

- \*Applications and other forms you submit to us;
- \*Information about your transactions with us and others;
- \*Consumer reporting agencies;
- \*Information obtained when verifying the information you provide on an application or other forms.

We may disclose all of the information we collect, as described above, to companies that perform marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements. These disclosures typically include information to process transactions on your behalf, follow instructions as you authorize, conduct the operations of the credit union, and protect the security of our transactions. We do not disclose any nonpublic personal information about you to anyone, except as permitted by law.

You may opt-out of joint marketing mailings by contacting MECE Credit Union by phone at 573-634-2595, by e-mail at [mececu@mececu.com](mailto:mececu@mececu.com), by electronic submission via our web-site <http://www.mececu.com> or by regular mail addressed to: MECE Credit Union, P.O. Box 1586, Jefferson City, MO 65102. By opting-out, you acknowledge that all owners of the account will be exempt from future mailings.

MECE Credit Union protects your personal information by providing physical, electronic and procedural safeguards that comply with federal regulations.

MECE Credit Union is committed to protecting the privacy of its members. These simple guidelines can be followed by members to help:

- \*Keep your information with us current. It is important that we can reach you if we detect potentially fraudulent or unauthorized activity on your account.
- \*Protect your account numbers, card numbers, and PINs. Never keep your PIN with your debit or credit card.
- \*Be careful when disclosing your account numbers or social security numbers to people. Beware of people calling you and asking for these numbers. The Credit Union will never contact you and ask for personal information because we already have it.

Please feel free to contact us at (573) 634-2595 if you have any questions.

**MISSOURI ELECTRIC COOPERATIVES EMPLOYEES' CREDIT UNION****POLICY MANUAL****APPENDIX B – DISASTER RECOVERY PLAN****STATEMENT OF CONFIDENTIALITY:**

The following Disaster Recovery Plan is confidential and the property of the Missouri Electric Cooperatives Employees' Credit Union, its management, staff, and Board of Directors.

A copy of this Plan shall be kept at the following locations to assure its safety and preservation:

President/Manager's home

Office Manager's home

Board Chairman's Cooperative Office

Fire resistant room at MECECU

Designated disaster recovery site

Approved by MECE Credit Union Board of Directors on March 20, 2020

### **Section A – Purpose and Use of Plan**

- 1) This Disaster Recovery Plan has been prepared to provide Missouri Electric Cooperatives Employees' Credit Union management and employees with guidelines, call lists, and other data essential for prompt response in an emergency situation for an orderly recovery from a major disaster such as an earthquake, fire, tornado, pandemic or theft.
- 2) This plan is intended only to give general guidelines as actual circumstances may present better and/or different alternatives than those set forth in this plan.
- 3) The goals of Missouri Electric Cooperatives Employees' Credit Union in Disaster Recovery are as follows:
  - a) Protection of life
  - b) Safety and well-being of employees and their families
  - c) Assistance to the public
  - d) Damage assessment
  - e) Restoration of financial services of MECECU
- 4) All steps taken during a disaster should be taken with these priorities in mind. Employees should be aware that during a major disaster, communication lines may be down. After securing the safety of their family, all employees should report to work.

### **Section B – Potential Disasters**

- 1) Theft (Identity, etc)
- 2) Equipment Failure
- 3) Employee Tragedy
- 4) Tornado
- 5) Flood
- 6) Earthquake
- 7) Disgruntled Employee
- 8) Terrorism
- 9) Pandemic

### **Section C - Disaster Prevention**

- 1) To prevent a hindrance of operations in case of tragedy, no more than three critical staff members will travel together. Critical staff will include:
  - a) President
  - b) Office Manager
  - c) Senior Loan Officer
  - d) Loan Officer
  - e) Information Officer
  - f) Accountant
- 2) Each staff member will keep a paper copy of the following at their home:
  - a) Emergency procedures
  - b) Cooperative office addresses and phone numbers
  - c) Staff addresses and phone numbers

### **Section D - Identification of Critical Systems**

- 1) Electricity
- 2) Phone system
- 3) Employees/Board/CU reps
- 4) Laptops/computers
- 5) Internet access
- 6) Core data processor (member information & ACH)

Approved by MECE Credit Union Board of Directors on March 20, 2020

- 7) ATM/debit card services
- 8) Credit Union cash/liquidity
- 9) Printers
- 10) Corporate checks
- 11) Lending (including credit accounts such as Visa & HELOC)
- 12) Mail
- 13) Member records
- 14) Member wires
- 15) Server
- 16) Forms
- 17) Supplies

### **Section E - Order of Financial Service Restoration**

The following services are currently being offered by MECECU. These services are to be restored in the order of their priority to the members following a disaster:

- 1) Telecommunications
- 2) ATM/debit card services
- 3) Share/share draft/loans
- 4) Direct deposit/payrolls/electronic transfers/wire services
- 5) Visa
- 6) On-line account access/mobile banking
- 7) CDs/IRAs
- 8) HSA accounts
- 9) Christmas club accounts/vacation club accounts
- 10) Bill payment

### **Section F-Aids in Restoring Critical Systems**

- 1) Alternate operation site  
MECECU has entered into an agreement with the following to provide facilities, telephone access, office equipment, and supplies in the event that a disaster renders the MECECU facilities unusable. One of the following alternate sites will be tested annually to ensure operational efficiency:
  - a) Callaway Electric Cooperative (Fulton, MO)
  - b) Three Rivers Electric Cooperative (Linn, MO)
  - c) Conservation Employee's Credit Union (Jefferson City, MO)
- 2) Cooperatives: Co-Mo Electric, Association of Missouri Electric Cooperatives, Central Electric Power, Central Missouri Electric
- 3) ATM/Debit card processor-ATM access nationwide
- 4) Staff homes
- 5) Multiple laptop computers
- 6) Credit Union cellular phone and staff cellular phones
- 7) Company vehicle
- 8) Core processor internet session
- 9) Data processor off-site

### **Section G - Disaster Checklist**

- 1) Evacuation of MECECU (if necessary)
- 2) Shut down of operating systems (if time allows)
- 3) Initial assessment of damage
- 4) Establish command post with phone

Approved by MECE Credit Union Board of Directors on March 20, 2020

- 5) Contact local ambulance, fire department, and police
- 6) Shut off power for emergency rescue operations
- 7) If necessary, locate heavy equipment for rescue operations
- 8) Establish a temporary headquarters
- 9) Check to ensure that the telephone system is operational
- 10) Ensure computers are operational
- 11) Notify Board Chairman
- 12) Notify cooperatives
- 13) Make arrangements for temporary equipment
- 14) Notify all employees pertaining to when/where to report for work
- 15) Protect building and equipment from further damage

### **Section H - Employee Safety**

- 1) The number one priority at MECECU is the safety and well-being of employees and their families. Employees and their families should familiarize themselves with disaster protocol.
- 2) Employee safety protocol:
  - a) Disgruntled employee
    - i) If the Credit Union is made aware of a disgruntled employee that has threatened the safety of the staff or Credit Union, the threat will be documented and reported to local law enforcement.
    - ii) Senior staff will notify all staff to direct any communication from the disgruntled employee to senior staff for response and documentation.
    - iii) If a threat has been documented, the Credit Union may deny entry by the disgruntled employee onto its premises by locking all entries to the Credit Union. Staff will notify the local authorities.
    - iv) All communication and interaction will be documented and supplied to local law authorities for the proper legal procedure.
  - b) Theft
    - i) In the case of robbery, staff will cooperate with the robbers until they leave.
    - ii) As soon as the robbers leave, all entries into the Credit Union will be locked.
    - iii) Staff will contact the local law enforcement.
    - iv) Staff will be encouraged to sweep the area to ensure there is no evidence of the robbery left. If there is evidence left, staff will leave the evidence where it is found without touching it.
    - v) Staff will be asked not to communicate until they can be interviewed by local law enforcement.
  - c) Fire protocol
 

Staff will evacuate the building immediately and congregate at a designated meeting area.
  - d) Tornado
    - i) Staff will congregate at the base of the stairs in the stairwell.
    - ii) Once it has been determined that the threat has passed, the staff will meet at the designated meeting area (if needed due to building damage).
  - e) Earthquake
    - i) In the case of an earthquake, staff will take shelter under their desk or in a doorway.
    - ii) Once it has been determined that the threat has passed, the staff will meet at the designated meeting area whether damage is identified or not.
  - f) In the event of a building evacuation due to natural disaster staff will meet at the designated meeting area which will be located below the AMEC training annex, near the lineman pole yard.
  - g) In the event of a disaster a head count should be taken of all employees.
  - h) Unaccounted employees should be searched for immediately, and if needed, commence rescue operations.

### **Section I - Family Safety**

While it is of utmost importance to keep an employee on the job after a disaster, the safety of each employee's family is of top priority. A staff member designated by the President/Manager shall organize an effort to contact employees' families for the employee if they are unable

Approved by MECE Credit Union Board of Directors on March 20, 2020

to confirm their family's safety due to phone service interruption, etc. This person will also seek to assist the families in any way possible, such as providing transportation to medical facilities, etc. This person will relay information to employees concerning their family. Employees will be allowed to leave work to attend to their family if at all feasible in cases of severe injury to a family member.

### **Section J - Building Safety Evaluation**

The evaluation of the condition of the building for continued use would not be made by MECECU but by the management of the Association of Missouri Electric Cooperatives. If there is any question as to the safety of the building, arrangements would be made to use one of the alternate sites.

### **Section K - AMEC Disaster Recovery**

The following items will be under the control of the Association of Missouri Electric Cooperative's management:

- 1) Rescue operations of personnel
- 2) Determination of medical needs
- 3) Transportation of injured
- 4) Electric power to facilities
- 5) Safety of building

### **Section L - Technological Disaster Recovery Plan**

- 1) Theft
  - a) Notify authorities
  - b) Notify bond insurance
  - c) Notify member
  - d) Close compromised account
  - e) Determine cause and prevention measures
- 2) Equipment Failure
  - a) Phones
    - i) In the event that the Credit Union's phone lines are unavailable, call Co-Mo Connect to forward work phones to employee cell phones.
    - ii) Contact the cooperatives.
    - iii) Prepare a newsletter regarding disaster training for members informing them of alternate phone numbers, etc.
    - iv) Put disaster recovery plan information on the web-site.
  - b) Server
    - i) Restore back-up on external device
    - ii) Back up information on the external device
    - iii) The following senior staff members will be assigned laptops:
      1. President/Manager
      2. Accountant
      3. Office Manager
      4. Senior Loan Officer
      5. Information Officer

### **Section M - Pandemic**

Pandemic is a regional, national or world-wide infectious disease epidemic that is recognized by the World Health Organization.

- 1) The Information Officer will be responsible for keeping abreast of updates pertaining to the pandemic and distributing the information to staff. Such information will contain, but not limited to:
  - a) Symptoms of the disease
  - b) Procedures for pandemic

Approved by MECE Credit Union Board of Directors on March 20, 2020

- 2) In the case of pandemic, employees that have been exposed to the disease should contact Credit Union management for guidance on work attendance.
- 3) If the employee is showing symptoms of the pandemic disease they are to seek medical attention and if confirmed, refrain from coming into work. Staff will notify their immediate supervisor of illness.
- 4) After the employee is able to come back to work without concern of spreading the infectious disease, they will be required to present proof of the infection via doctor's note to management.
- 5) In the event of a pandemic, the government may issue quarantine guidelines with which MECE Credit Union will comply. Pay continuation benefits are extended to all employees impacted by a quarantine initiated either by MECE Credit Union or by the United States Government.
- 6) Operational Pandemic Protocol  
There will be 3 stages of pandemic protocol. They are as follows:
  - a) Stage 1 – Prevention
    - i) Credit Union staff will be encouraged to follow good hygiene habits.
    - ii) Staff will be asked to avoid congregating in common areas.
    - iii) Staff will be encouraged to stay 3-6 feet apart at all times.
    - iv) Staff will be asked to disinfect all work areas.
  - b) Stage 2 – Self Quarantine
    - i) The President/Manager will determine if there is a need for quarantine within the Credit Union.
    - ii) Staff will be isolated in offices with one person from Member Service working at the front desk.
    - iii) Staff will be encouraged to contact each other through means other than face-to-face.
    - iv) If staff are asked to work from home:
      1. One person will work in Member Service directing phone calls to staff.
      2. Additional in-office staff will consist of one representative from each Credit Union department.
      3. Staff will take home their computers from work to work from VPN connectivity.
      4. If staff does not have internet connectivity at home, the Credit Union will pay to provide access during the quarantine period.
      5. The Information Officer will be responsible to send out correspondence by all means necessary to the membership notifying them of the following:
        - a. The Credit Union's operational changes and reasoning.
        - b. Contact information for staff.
  - c) Stage 3 – Government Quarantine
    - i) The Federal government declares a mandatory quarantine.
    - ii) All staff will be required to work from home with the exception of the Information Officer.
    - iii) The Information Officer will be responsible for physically being at the Credit Union to keep vital systems running and setting up and maintaining Virtual Private Network (VPN) for Credit Union staff with laptop computers and ensuring the phones are routed and maintained
    - iv) The Information Officer will be responsible to send out correspondence by all means necessary to the membership notifying them of the following:
      - a. The Credit Union's operational changes and reasoning.
      - b. Contact information for staff.
- 7) In the case that an employee is unable to perform a critical task due to illness, the Credit Union President/Manager or Office Manager will ensure that the task is performed by another staff member.
- 8) Localized Quarantine
  - a) In the case that there is a localized quarantine the President/Manager will work with the State Health Department to determine if the Credit Union has unsafe working conditions. If the Credit Union is deemed unsafe, operations will commence off-site at the disaster recovery alternate site location.
  - b) Testing for pandemic at an off-site location will coincide with the annual scheduled disaster recovery test.
  - c) Management will work with the State Health Department to determine if the Credit Union is safe to resume operations at its original location.

### **Section N - Communications**

In the event the Credit Union would experience a disaster, the following contingency plan should be implemented:

- 1) President/Manager will contact the Office Manager, Senior Loan Officer, and Administration Department
- 2) Office Manager will contact the Member Service Department and Staff Assistants
- 3) Senior Loan Officer will contact the Loan Department

### **Section O - Disaster Recovery Primary Coordinator**

- 1) The primary coordinator of the Disaster Recovery Plan shall be based on the line of succession as listed below:
  - a) Credit Union President/Manager
  - b) Office Manager
  - c) Senior Loan Officer
  - d) Accountant
  - e) Information Officer
  - f) Loan Officer
  - g) Administrative Assistant
  - h) Senior Member Service Representative
  - i) Assistant Loan Officer
  - j) Loan Clerk
  - k) Member Service Representative
  - l) Staff Assistant
- 2) Steps of Execution
  - a) The execution of details for disaster recovery shall be the responsibility of the employees as designated specifically in this plan, unless notified otherwise, employees will report to their regular supervisor.
  - b) In the event key staff is unable to fulfill their duties, the Chairman of the Board will be contacted by the highest available employee in line of succession.
  - c) Vendors will be notified and proper procedures implemented to protect security of the Credit Union.
  - d) Each cooperative shall be notified of the location and phone number of alternate sites if applicable, and a timetable for restoration of financial services to credit union members. This phone call should stress the stability of the Credit Union.

### **Section P - Critical Numbers**

Should a tragedy occur to the following critical staff member, authorizations will be revoked and passwords will be changed immediately when necessary. The highest ranking staff member in the order of succession should contact the following companies:

Company/Associate	Department Responsible	Phone Number
Heartland Credit Union Assoc	Administration	See Section U - Vendors
MECECU Chairman	Administration	See Section S- Board Members
MDT	Administration	See Section U - Vendors
CPS	Member Service	See Section U - Vendors
Mike Jeffries (AMEC IT)	Administration	(573) 642-3127
Ascensus (IRA/HSA)	Member Service	See Section U - Vendors
Curtis Clem (IT Support)	Administration	(573) 644-4434
Steven Lang & Assoc.	Administration	See Section U - Vendors
Millennium Corp. CU	Administration	See Section U - Vendors
NRECA	Administration	See Section U - Vendors
MMS	Loan Department	See Section U - Vendors
Federal Home Loan Bank	Loan Department	See Section U - Vendors
Allied	Loan Department	See Section U - Vendors
Missouri Division of CUs	Administration	See Section U - Vendors

Approved by MECE Credit Union Board of Directors on March 20, 2020

MECECU Attorney – Todd Miller	Administration	See Section U - Vendors
MECECU Attorney – Kusnetzky, Schwartz, Rosenfeld, Sailer & Lilla	Administration	See Section U - Vendors
Oak Tree Business Systems	Loan Department	See Section U - Vendors
PHH Mortgage	Loan Department	See Section U - Vendors

### **Section Q – Emergency Numbers**

Ambulance (Jefferson City)	911
Fire Department (Jefferson City)	911
Police (Jefferson City)	911
Missouri Highway Patrol	(573) 751-1000
Sheriff (Cole County)	(573) 634-9160
Hospital – St. Mary’s	(573) 681-3000
Hospital – Capital Region Medical	(573) 632-5000
Co-Mo Connect (telephone)	(888) 638-6770

### **Section R – MECECU Staff Contact**

<b>NAME</b>	<b>E-MAIL</b>	<b>PRIMARY PHONE</b>	<b>SECONDARY PHONE</b>
Randy Marks	<a href="mailto:themarksfamily7@gmail.com">themarksfamily7@gmail.com</a>	(573) 301-6034	(573) 619-1831 (Angel)
Deven McDonald	<a href="mailto:mcdeven@yahoo.com">mcdeven@yahoo.com</a>	(573) 645-6229	(573) 644-4405 (Mandy)
Jay Ernst	<a href="mailto:jrernst71@gmail.com">jrernst71@gmail.com</a>	(573) 291-9790	(573) 291-9774 (Lisa)
Gary Bruemmer	<a href="mailto:gabruemmer@mchsi.com">gabruemmer@mchsi.com</a>	(573) 645-8120	(573) 301-6556 (Alyssa)
Ray Smith	<a href="mailto:rlgmsmith@gmail.com">rlgmsmith@gmail.com</a>	(573) 821-2595	(573) 353-2855 (Lisa)
Amy Wright	<a href="mailto:amya_65101@yahoo.com">amya_65101@yahoo.com</a>	(573) 645-1454	(573) 645-1238 (Will)
Susie Schnack	<a href="mailto:susanschnack94@gmail.com">susanschnack94@gmail.com</a>	(573) 680-1653	(573) 230-6363 (Rachel Hees)
Lisa Wieberg	<a href="mailto:lisakorte@hotmail.com">lisakorte@hotmail.com</a>	(573) 999-7351	(573) 619-3632 (Ryan)
Whitni Upton	<a href="mailto:whitni7@yahoo.com">whitni7@yahoo.com</a>	(573) 645-8028	(573) 353-3709 (Josh)
Doug Goldammer	<a href="mailto:goldoug@gmail.com">goldoug@gmail.com</a>	(573) 338-1472	(573) 338-1471 (Ashley)
Ashley Luebbert	<a href="mailto:ashley.luebbert@gmail.com">ashley.luebbert@gmail.com</a>	(573) 690-9010	(573) 301-0961 (Jordan)
Nevan Woehr	<a href="mailto:nevanwoehr1993@hotmail.com">nevanwoehr1993@hotmail.com</a>	(573) 301-9427	(573) 645-6589 (Lori Woehr)
Maddie Peeper	<a href="mailto:maddie.rae123@yahoo.com">maddie.rae123@yahoo.com</a>	(573) 826-9711	(573) 592-9329 (Andy)
Michelle Clark	<a href="mailto:michellesinger92@yahoo.com">michellesinger92@yahoo.com</a>	(573) 301-1435	(573) 821-0062 (Kyle)

Tiffany Taggart	<a href="mailto:tiffnjake@mediacombb.net">tiffnjake@mediacombb.net</a>	(573) 690-2506	(573) 690-9088 (Jake Taggart)
Katelyn Plassmeyer	<a href="mailto:katelynbplass@gmail.com">katelynbplass@gmail.com</a>	(573) 508-2364	(573) 644-4828 (Rhonda Plassmeyer)
Haley Braun	<a href="mailto:haley.braun.88@gmail.com">haley.braun.88@gmail.com</a>	(573) 619-3457	(573) 680-3514 (Shannon Braun)

### **Section S – Board Members**

<b>NAME</b>	<b>E-MAIL</b>	<b>HOME PHONE</b>	<b>CELL PHONE</b>
Tim Shafer	<a href="mailto:tshafer@whiteriver.org">tshafer@whiteriver.org</a>		(417) 239-7772
Kent A. Brown	<a href="mailto:kbrown@nwepc.com">kbrown@nwepc.com</a>	(816) 583-2853	(816) 632-8108
Cathy McKay	<a href="mailto:cmckay@grundyec.com">cmckay@grundyec.com</a>	(660) 359-6216	(660) 359-1679
Paula Peeper	<a href="mailto:ppeeper@callawayelectric.com">ppeeper@callawayelectric.com</a>		(573) 220-5169
Doug Kroese (Chairman)	<a href="mailto:dkroese@lacledeelectric.com">dkroese@lacledeelectric.com</a>	(417) 533-2162	(417) 533-2162
Rhonda L. Robison	<a href="mailto:rrobison@rallstech.org">rrobison@rallstech.org</a>	(573) 248-1516	(573) 231-2750
Joan Huck	<a href="mailto:jhuck@cecmo.com">jhuck@cecmo.com</a>		(573) 450-5146
Cody Eaves	<a href="mailto:ceaves@brec.coop">ceaves@brec.coop</a>		(573) 561-3977
Matt Sharp	<a href="mailto:msharp@osagevalley.com">msharp@osagevalley.com</a>		(913) 530-3954
Sean Friend (Supervisory Committee)	<a href="mailto:sfriend@co-mo.coop">sfriend@co-mo.coop</a>		(573) 789-4299
Debra O'Brien (Supervisory Committee)	<a href="mailto:dobrien@lewiscountyrec.org">dobrien@lewiscountyrec.org</a>	(573) 478-4444	(573) 248-4963
Randy Bock (Supervisory Committee)	<a href="mailto:rbock@cepc.net">rbock@cepc.net</a>		(573) 619-1780

### **Section T – Cooperatives**

Cooperative contact information may be obtained by utilizing the internet or by utilizing the AMEC cooperative roster that is published annually.

AMEC (Jefferson City)	Access Energy (Mt Pleasant, IA)
Atchison-Holt (Rock Port)	Barry (Cassville)
Barton County (Lamar)	Black River (Fredericktown)
Boone (Columbia)	Callaway (Fulton)
Central MO (Sedalia)	Chariton Valley (Albia, IA)
Citizens' (Perryville)	Co-Mo (Tipton)
Consolidated (Mexico)	Crawford (Bourbon)
Cuivre River (Troy)	Farmers' (Chillicothe)
Gascosage (Dixon)	Grundy (Trenton)
Howard (Fayette)	Howell-Oregon (West Plains)
Intercounty (Licking)	Laclede (Lebanon)
Lewis County (Lewistown)	Macon (Macon)
Missouri Rural (Palmyra)	New-Mac (Neosho)
North Central Missouri (Milan)	Osage Valley (Butler)
Ozark Border (Poplar Bluff)	Ozark (Mt Vernon)
Pemiscot-Dunklin (Hayti)	Platte-Clay (Platte City)
Ralls County (New London)	Sac Osage (El Dorado Springs)
SEMO (Sikeston)	Se-Ma-No (Mansfield)
Southwest (Bolivar)	Southern Iowa (Bloomfield, IA)
Tri-County (Lancaster)	Three Rivers (Linn)

Approved by MECE Credit Union Board of Directors on March 20, 2020

Webster (Marshfield)	United (Savannah)
White River Valley (Branson)	West Central (Higginsville)
KAMO Power (Vinita, OK)	Central Electric Power (Jefferson City)
NE Missouri Electric Power (Palmyra)	M&A Electric Power (Poplar Bluff)
Sho-Me Power (Marshfield)	NW Electric Power (Cameron)
Associated Electric (New Madrid)	Associated Electric (Dell, AR)
Associated Electric (Thomas Hill)	Associated Electric (Springfield)

### **Section U - Vendors**

Vendor	Service Provided	Phone Number
Access Softek	Mobile Banking Provider	(510) 848-0606
Accudata	Credit Bureau	(573) 893-7500
Allied Solutions	MN Life, GAP, Warranties	(800) 252-2148
ARTA	Mortgage Loan Software	(800) 397-2341
Ascensus	HSA & IRA	(800) 356-9140
The Baker Group	Investments	(866) 214-1153
Card Processing Solutions (CPS)	Credit & Debit Processing	(800) 881-7488
Central Bank	Depository	(573) 634-1153
Columbia EDP	Payroll Processing	(573) 474-8431
Co-Mo Connect	Telephones & Internet	(660) 433-6189
Co-Op Network	ATM Network	(800) 782-9042
CU Recovery	Collateral Repossession	(800) 377-1798
CUNA Mutual	Membership Account Cards, Payment Protection Provider	(800) 356-5012
Department of Motor Vehicles (DMV)	Vehicle Titling	(573) 526-3668
DocuSign	Electronic Signatures	(206) 582-3251
Doxim	Member Statement Production	(248) 206-7029
E-Oscar	Credit Bureau Updater	(678) 795-7291
Experian	Credit Bureau	(800) 831-5614
Federal Home Loan Bank (FHLB)	Fixed Rate Mortgage Loan Products	(800) 544-3452
Federal Reserve Bank of Atlanta	Payment Processing	(877) 372-2457
Filter Services, Inc.	Air Filter Service	(573) 657-9535
First Banker's Banc Securities	Investments	(888) 726-2880
First Data Corp.	Star Network (ATMs)	(440) 779-2126
Genworth Financial	Private Mortgage Insurance	(800) 947-4322
Harland Clarke	Member Checks & Card Stock	(877) 325-3490
Heartland Credit Union Association	Credit Union Advocate, Services, Compliance	(800) 392-3074
Iowa Bankers' Mortgage	Sellable Mortgage Lender	(800) 873-9667
iPay	Bill payment processing	(866) 851-4729
Kusnezky, Swartz, Rosenfeld, Sailler & Lilla	MECECU Attorney	(800) 274-0444
MDT	Core Support	(586) 795-9135
MDT West	Check Processing	(855) 442-3901
Marco	Printers, Copiers, Scanners	(573) 556-6482
Member Close	Property Value Provider	(888) 746-2476
Member Mortgage Services	Sellable Mortgage Lender	(866) 441-4447
MERS	Sellable Mortgage Loan	(630) 377-1666
Millennium Corporate Credit Union	Wires & Corporate Account	(800) 721-2677
Missouri Division of Credit Unions	Credit Union Overview	(573) 751-3419
MoneyPass	ATM Network	(855) 866-7877

Approved by MECE Credit Union Board of Directors on March 20, 2020

Multi Bank Securities	Investments	(800) 967-4510
NRECA	Benefits & Advocate	(866) 673-2299
Oak Tree	Loan Apps, Disclosures, Security Agreements	(800) 537-9598
PHH Mortgage	Sellable Mortgage Lender	(866) 946-0081
Precision Security	Credit Union Security	(877) 532-1500
Pro Sight	Bond Insurance	(800) 774-2755
Star Network	Card Transaction Processing Network	(866) 246-1137
Stephen Lang & Associates, LLC	Independent Auditor	(314) 205-8601
Todd Miller	MECECU Attorney	(573) 634-2838
UCC	State Lien on Non-Autos	(866) 223-6535
United States Postal Service	Mail	(573) 636-4186

### **Section V - News Media Reporting Guidelines**

Statements to the news media, either written or verbal, shall be handled by the President/Manager or his/her designee. Under no circumstances should judgment be passed, opinion given, or information volunteered by other Credit Union staff. Refer all questions to the President or his/her designee.

### **Section W - List of Necessary Forms for MECECU to Conduct Business**

- 1) Checks (only kept at disaster recovery site)
- 2) Membership Applications & Forms
- 3) Loan Forms (available on back-up at the disaster recovery site)
  - a) Loan Application
  - b) Agreement & Disclosure
  - c) Guaranty Agreement
  - d) Notice to Cosigner
  - e) Title Applications (available on the Missouri Department of Motor Vehicles website)
  - f) Subsequent Action Form
  - g) Loan Check List
  - h) Denial form
- 4) First Mortgage (available through Member Mortgage Services)
  - a) Deed of Trust
  - b) Adjustable Rate Rider
  - c) Adjustable Rate Note
  - d) Right of Rescission
  - e) Settlement Statement
  - f) Application for 1st and 2nd Mortgage
  - g) Request for verification of employment
  - h) Adjustable Rate Mortgage Brochure
  - i) Deed of Release and Partial Deed of Release
- 5) Home Equity (available through Member Mortgage Services)
  - a) Brochure and Index table
  - b) Deed of Trust
  - c) Advance Voucher
  - d) Credit Agreement and Disclosure
  - e) Right to Cancel
  - f) Home Equity application
- 6) Membership Disclosures (available online with CUNA Mutual Group)
  - a) Membership and Account Agreement
  - b) Electronic Funds Transfers Agreement and Disclosure

Approved by MECE Credit Union Board of Directors on March 20, 2020

- c) Truth-in-Savings Disclosure (Share and Share Draft Accounts)
- d) Truth-in-Savings Disclosure (Certificate Accounts)
- 7) Visa - Contact Card Processing Services (CPS)
- 8) IRA and HSA Application (available online with Ascensus)
- 9) Affidavits (available online with the Missouri Department of Motor Vehicles)
  - a) Gift
  - b) Release
  - c) Repossession
- 10) Please see the list of vendors with their contact information at the end of this section.

**Section X - List of Items Stored in Fire Resistant Room on MECECU Site**

- 1) Original signed member documents
- 2) Envelopes
- 3) Microfiche
- 4) Archived USB back-up drive
- 5) Systronics backup discs (statements & reports)
- 6) Systronics statements back-up drive
- 7) Out-of-state collateral titles
- 8) Visa gift cards
- 9) Archived and open mortgage files
- 10) Teller drawers and cash
- 11) Copy paper
- 12) Credit Union paid property tax receipts
- 13) Title to the MECECU company car
- 14) Visa credit & debit card keys
- 15) Central Bank emergency checks
- 16) Emergency supply of corporate checks
- 17) 6 months of scanned member checks
- 18) Check paper

**Section Y - List of Items Stored in Fire Resistant Room at Callaway Electric Cooperative**

- 1) Weekly USB backup drive
- 2) Copy of disaster recovery policy
- 3) Archived Systronics discs
- 4) Emergency supply of corporate checks
- 5) Copy of Visa credit & debit keys
- 6) Archived USB back-up drive with the virtual vault & closed accounts

**Section Z - Review**

The Disaster Recovery Plan shall be presented annually to all employees in order to discuss disaster preparedness, evacuation routes/procedures, and to review accuracy of the information provided in the Disaster Recovery Plan.