

Buffalo Service Credit Union

Charge-Off Policy

I. Purpose

The charge-off policy has three main purposes:

1. to ensure the timely recognition of losses and adjustment for nonperforming assets;
2. to provide full and fair disclosure of statutory reserves on the financial statement;
3. to provide guidance for the staff to prepare recommendations to the board of directors for charge-off action.

This policy is intended to cover the charge-off of loan, including credit card, and deposit account losses.

II. Scope

Every month Buffalo Service Credit Union staff will prepare for the board of directors a written report of loans and deposit items recommended for charge-off/write-off. Prior to submission to the board, each account will be reviewed by the Chief Operating Officer and Chief Executive Officer. This report will be presented to the board as part of the regular monthly board package. Action by the board will be recorded in the board meeting minutes.

III. Policy

A loan or deposit account loss that reaches any status listed here should be referred to the board of directors and recommended for charge-off/write-off:

The member/borrower(s), including co-maker(s) or co-signer(s), has filed for Chapter 7 bankruptcy on an unsecured debt, and the debt was not reaffirmed at the first meeting of the creditors. For those secured debts where collateral is surrendered or repossessed in Chapter 7 bankruptcy, any deficiency balance shall be submitted for charge-off in the next month after the collateral has been disposed of in a commercially reasonable manner. Unsecured debts having co-makers or guarantors who did not file for bankruptcy shall not be submitted for charge-off unless and until the debt is later determined to be uncollectible.

The member/borrower(s), including co-maker(s) or guarantor(s), has filed for Chapter 13 or Chapter 11 bankruptcy and the debt is unsecured. The debt shall be submitted for charge off after the first meeting of the creditors. Secured debts that are included in a Chapter 13 or Chapter 11 Plan shall not be charged-off unless the collateral is surrendered or the court reduces the value of the secured claim or the court declared less than 100% payback. Unsecured debts included in a case that has a co-maker or guarantor who did not file bankruptcy jointly with the debtor shall be submitted to an outside attorney to pursue the joint obligor.

The borrower(s) is deceased and there is little or no likelihood of recovery from the estate or it has been determined that no estate will be opened. The borrower(s) loan does not have loan protection insurance. In the event an estate is opened, the Chief Operating Officer will ensure that a claim will be filed against the estate.

Where the credit union has had no contact for 90 days.

The loan has been assigned to a collection agency or outside attorney.

The loan has been determined to be uncollectible by the Chief Operating Officer regardless of the number of months delinquent.

All collection attempts from staff on returned checks have failed.

All collection attempts from staff on overdrawn accounts have failed.

Fraud has been committed, and there is no realistic chance of recovery within 90 days of discovery.

Prior to recommending a loan for charge-off the staff will transfer to the loan all shares legally available for transfer.

Visa credit card charge-offs will be Board approved using the current balance which includes accrued interest. Upon receipt of the final accounting through Fidelity National Information Services, only the principal balance will be charged-off. Adjustments will be made to the accrued uncollectible interest.

IV. Post Charge-off Activity

Charging off a loan or account balance does not mean that the account should be forgotten. The debt is still an asset of the credit union; although, because of its doubtful value, it is not so reflected on the books. Charged-off debts should be assigned to a collection agency or attorney, when practical.

Charged-off debts should be reviewed from time to time, including those debts assigned to a collection agency or attorney, to determine whether changes in the circumstances of the borrower or other party responsible for payment may make recovery possible.

V. Settling a Charged-off Account

When negotiating a settlement on a charged-off account the credit union may, at its discretion, accept less than the full amount due. If the settlement leaves an outstanding balance of \$600.00 or greater, a form 1099C will be filed with the Internal Revenue Service, as required.

VI. Denial of Services Policy

It is the policy of Buffalo Service Credit Union to deny credit to those members who have caused the credit union to incur a loss, except losses incurred without the member's knowledge or involvement, in our judgment, and such loss is covered by our CUMIS bond insurance coverage. Denial of services also applies to members who have not voluntarily repaid the loss or are not in the process of voluntarily repaying the loss. This policy applies whether the loss was by bankruptcy or otherwise.