

**Your Community Loan Fund, Inc.**  
**Housing Lending Program**  
**Loan Policy**

**Board Approval: [Date]**

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*[NOTE: For your particular location, the following US federal home lending regulations may apply to your organization when lending against properties located outside the jurisdiction of the tribe.*

*RESPA – Settlement Procedures Act  
Truth-In-Lending  
Equal Credit Opportunity Act*

*If you are subject to these, you would need to attach these policies to this one and make sure that this policy is consistent with the regulations.*

*We also discussed that federal funders may require that you comply with US home lending regulations.*

*CONSULT LEGAL COUNSEL WITH A LENDING BACKGROUND TO DETERMINE WHETHER YOU ARE BOUND BY THESE REGULATIONS. ]*

## **I. Purpose & Scope**

The policies and procedures outlined in this document provide a framework within which the Your Community Loan Fund, Inc. (YCLF) will operate its housing loan fund.

YCLF was established by and works closely with the (organization, tribe, and affiliate entity) to achieve its mission (defined below).

This manual is meant to be a working document and a set of guidelines to be used by staff and other participants in YCLF. These policies and procedures should be flexible enough to enable the loan program to be responsive to market demands and are designed to be amended from time to time with approval from the Board of Directors.

## **II. Mission and Purpose of Financing**

(X mission is to provide loans, guarantees and other financial arrangements to individuals or organizations for the purpose of home ownership for new housing and for the rehabilitation of substandard housing.

YCLF's Investment Area is the (XYZ Reservation, county, city, neighborhood, etc.) and adjacent communities.

YCLF's Target Market:

- a) enrolled members of the (YCLF tribe, community, village, county, etc.)
- b) spouses of enrolled members of the (YCLF tribe, community, village, county, etc.),
- c) non-members [whose enrollment is pending, who can prove descendency],
- d) permanent residents of the (YCLF Reservation, village, county, community, etc.) (minimum one year)

**III. Eligibility Requirements**

**Real Estate** Must be located in Investment Area.

**YCLF Lien** YCLF requires a 1<sup>st</sup> lien on real estate or leasehold.

**Credit History** Applicants with problematic credit history must demonstrate the potential to recover from credit problems within five years.

These eligibility criteria vary by Loan Product:

	<b>Homeowner Credit Opportunity Loans</b>	<b>Home Purchase Loans</b>	<b>Rehab Loans</b>	<b>Construction Loans</b>	<b>Land Purchase Loans</b>
<b>Use of Proceeds</b>	Acquisition cost of primary residence.	Acquisition cost of primary residence.	Construction costs for non-luxury improvements that ensure habitability of existing primary residence by TERO-certified contractor.	Construction costs + land acquisition cost of primary residence (new construction only) by TERO-certified contractor.	Acquisition cost of land parcel, 5 acres or less, intended for Borrower's primary or mixed-use residence within 5 years.
<b>Min Loan Size</b>	\$10,000	\$10,000	\$5,000	\$5,000	\$1,000
<b>Max Loan Size</b>	Lower of \$100,000 or 99% of appraised value + Expenses.	Lower of \$150,000 or 99% of appraised value + Expenses.	Lower of \$25,000 or 99% of YCLF-approved construction budget + Expenses.	Lower of \$150,000 or 99% of YCLF-approved construction budget + land acquisition cost + Expenses.	Lower of \$7,500 or 99% of BIA-appraised value of land + Expenses
<b>Ownership Rights</b>	a) Fee simple ownership, b) Individual allotted land, c) (YCLF Tribe)/BIA-approved leasehold of YCLF tribal trust land.				a) Fee simple ownership, or b) Individual allotted land
<b>Debt Ratios *</b>	33/45	29/45	29/45	29/45	29/45
<b>Downpayment Required</b>	Minimum 1% of appraised value + Expenses.	Minimum 1% of appraised value + Expenses.	Minimum 1% of YCLF-approved construction budget + Expenses.	Minimum 1% of YCLF-approved construction budget + land cost + Expenses	Minimum 1% of BIA-appraised value of land + Expenses

\* Debt Ratios = Front-End x 100 / Back-End x 100

**Front-end Ratio** - Ratio of monthly housing payments (including payments on proposed loan) to monthly income.

**Back-end Ratio** - Ratio of monthly fixed payments (including payments on proposed loan) to monthly income.

#### IV. Terms and Conditions

**Interest Rate** Benchmark plus Margin, payable monthly.

Benchmark: "10-Year Bond" rate on Yahoo Finance's home page ([finance.yahoo.com](http://finance.yahoo.com)) on the date of the LC meeting.

[*Note that 10Y Treasuries were 5.2% on 7/6/06.*]

Margin: Between [0.5% and 3]%, set or reviewed by the Loan Committee at least quarterly.

**Application Fee** \$100, nonrefundable.

**Closing Fee** 1% of the loan amount, payable by Borrower in cash at closing.

**Expenses** The Borrower is responsible for paying the cost of third party legal, recording, filing, appraisal and other fees associated with loan processing and collateral perfection. Expenses can be included in the loan amount.

**Payroll Deductions** Wherever possible, YCLF will recommend that loan payments be deducted from the Borrower's payroll or other accounts.

The following terms and conditions vary by Loan Product.

	Homeowner Credit Opportunity Program	Home Purchase Loans	Rehab Loans	Land Purchase Loans	Construction Loans
<b>Term</b>	5 years	Up to 30 years	Up to 15 years	5 years	Maximum five draws during maximum 12 month-Construction Period followed by "flip" to Home Purchase Loan or other lender.
<b>Amortization</b>	Amortized over the Term with fixed monthly payments of principal.				Interest-only based on monthly average outstanding balance.
<b>Balloon Payment</b>	Balloon payment at end of 5 years		NA		Balloon payment at end of Construction Period to be taken out by Home Purchase Loan or third party lender.
<b>Subsidy</b>	YCLF forgives 1% of the outstanding balance upon closing of refinancing issued by a third party lender.		NA		NA
<b>On-going Credit Counseling</b>	Borrowers must agree to annual credit checks and to meet with Homebuyer Consultant annually.		NA		NA

**V. Portfolio Diversification**

Single Borrower Limit	After loan capital (defined as borrowed funds plus net assets dedicated or restricted to lending) exceeds \$1 million, YCLF will limit the size of any loan(s) to a single borrower or project to 10% of its loan capital.
Oglala Sioux Tribe	At least 70% of outstanding balance of loans will be to members of the YCLF Tribe.
Income Levels	At least 60% of outstanding balance of loans will be to members of the Target Market with household income less than 80% of the area median from state guidelines.
Homeowner Credit Opportunity Program	No more that 40% of YCLF's loans outstanding will be Homeowner Credit Opportunity Loans.

## VI. Loan Staff and Loan Review Committees

### Loan Staff

YCLF's Loan Staff is responsible for implementing the lending components of the mission outlined in YCLF's statement of purpose, articles of incorporation, by-laws and this policy, at the direction of the Board of Directors. Specific responsibilities include: analyzing and recommending loans to the Loan Committee and the Board of Directors, executing loans, monitoring portfolio risk, collecting repayments and managing defaults and foreclosures.

The Loan Staff executes the responsibilities outlined above by separating duties into five functional areas: Homebuyer Consultant, Loan Officer, Portfolio Manager, Finance Manager and Executive Director. One or more of these roles may be assumed by one or more individual staff members depending on their skills and experience, the number of loans in the pipeline and the size of the loan portfolio.

### Confidentiality of Borrower Information

Staff members acknowledge that all information collected from or on behalf of Applicants and Borrowers is private and confidential and should not be disclosed to anyone who is not a member of the Loan Staff, Loan Committee, Board of Directors or Consultant and only for the purpose of performing responsibilities outlined in this policy.

### Conflict of Interest

No member of the Staff may recommend or participate in the approval or collections of any loan to a related party or any other area of potential conflict.

### **B. Loan Committee**

The Board has adopted the Loan Committee's responsibilities until a Loan Committee is formed.

*The following provisions are suggestions and should be modified to fit the situation after you form your Loan Committee.*

The Loan Committee ("LC") is a standing committee of the Board with responsibilities to provide insights and oversight to the Loan Staff and to carry out responsibilities as outlined below and in accordance with this Loan Policy. Actions of the Loan Committee are reported at the Board's regular meetings.

### Composition

The LC is comprised of no fewer than five members. The Board President appoints the LC Chairperson. At least one LC member is a member of the Board.

Members are appointed by the Board Chairman and confirmed by the Board of Directors.

Members are professionals who, as a group, have a majority of the following qualifications:

1. represent the Target Market as a long-term homeowner in the community,
2. have experience in housing lending to low to moderate income communities,
3. have legal, accounting, appraisal, construction, housing development or other expertise,
4. have loan portfolio operation and/or management experience,
5. are employees of YCLF funders,
6. are members of the Board.

Together, the members have a diversified skill set and knowledge base that can actively contribute to loan approval and portfolio management decisions.

### Regulations

1. LC meetings will occur at least monthly.



2. LC member terms are limited to [three] years. LC members can serve a maximum of two consecutive terms.
3. A member of the loan staff is appointed at each meeting to take minutes.
4. Minutes will be kept in a corporate record book at YCLF's office and made available for public inspection.
5. The Board, at their discretion, may remove an LC member. Reasons for removal include, but are not limited to, a) activity that is deemed to be against the interest of the organization, b) disclosure of confidential YCLF information, c) absence without excuse for two consecutive meetings, or d) failure to attend, in person, 50% or more of the LC meetings during any calendar year.
6. LC members may not apply for loans from YCLF.

#### Voting

1. Members attend meetings in person or by phone conference only if they are located more than 50 miles away.
2. A quorum exists when [three] members are present.
3. LC loan and portfolio decisions are made by simple majority.
4. LC members may not vote or attempt to influence the votes of others on loans to related (financially or otherwise) parties.
5. Voting on a loan that has previously been presented in person to the Loan Committee can take place by email or other written method.

#### Responsibilities

1. Critically assess and analyze credit memos.
2. Approve or deny loans recommended by the Staff, including Interest Rates charged.
3. Set interest rate for loans issued until the next Loan Committee meeting.
4. Approve loan rating assignments.
5. Review and assess quarterly portfolio reports provided by Staff.
6. Provide oversight in foreclosure situations reported by Staff.
7. Provide overall policy guidance for the YCLF's loan program and submit to Board, for final approval, changes to loan policies.
8. Review grievances/appeals from loan applicants and make recommendations to the Board.
9. Meet with conventional lenders and discuss opportunities of mutual interest, i.e. lender pools, special projects, etc.
10. Execute other special projects assigned by Board.

## VII. Loan Underwriting

### A. Application Package

Applicants will be given the application in Exhibit A.

### B. Initial Screening

Upon receipt of an application, the Homebuyer Consultant confirms the following:

1. The loan requested is consistent with:
  - a) the loan product(s) offered
  - b) Eligibility Requirements, and
  - c) Portfolio Diversification restrictions.
2. Funding is available for the proposed loan.

If the applicant is applying for the first time, the Homebuyer Consultant meets with the applicant to determine training or other technical assistance necessary for the applicant to obtain prior to and following loan funding, the ("Training Plan").

If the applicant has received a Training Plan from YCLF in the past, the Homebuyer Consultant meets with the applicant (at the property location, if appropriate) to determine:

1. whether the Borrower has completed the sections of the Training Plan required prior to closing and
2. that the application (including financial projections) is complete and presentable to a lender.

The Homebuyer Consultant together with the Loan Officer will decide which of the applicants the Homebuyer Consultant should work with directly to assist completion of the application and attachments. Homebuyer Consultant submits the completed Application to the Loan Officer.

### C. Due Diligence

The Loan Officer confirms the following are true:

1. The loan requested is consistent with:
  - a) the loan product(s) offered
  - b) Eligibility Requirements, and
  - c) Portfolio Diversification restrictions.
2. Funding is available for the proposed loan.

The Loan Officer conducts a complete and thorough due diligence of the proposed loan including reviewing all materials received from the Applicant, researching borrower credit rating and current household income, visiting the property, reviewing appraisals, evaluating construction budgets and structuring a loan payment schedule to comply with the borrower's needs.

The due diligence process is finalized when the tasks on the Due Diligence List in Exhibit B are completed and a Loan Rating is assigned in accordance with the Loan Rating System detailed in Exhibit D.

If the due diligence results are not acceptable, the Loan Officer will notify the applicant in a letter containing the reason for the denial and possible changes that could make the loan acceptable upon re-application. In this case, the Application Fee will not be refunded but can be applied to one future re-application, if such re-application occurs within six months of the date of the letter. After six months from the application date, should the applicant not reapply, the Loan Officer will send all original documents (other than the application) and other information received in connection with the application.

If applicant fails to remit documents or materials requested by the Loan Officer within 60 days of the date of the application, the Loan Officer will send a denial letter to the applicant along with all original documents (other than the application) and other information received to date.

**D. Credit Memorandum**

If the due diligence results are acceptable, Loan Officer prepares a Credit Memo based on the template attached as Exhibit C. The Credit Memo contains a summarized analysis of all relevant risks ascertained by the Loan Officer during the due diligence process and explain the proposed Loan Rating assignment. The Credit Memo also includes a list of conditions that will be satisfied prior to closing.

**E. Payroll Deductions**

In order to enhance the credit of some loans, the Loan Officer may recommend that loan payments be made, in part or in full, by deduction directly from a payroll or other account of the Borrower. In this case, prior to recommending the loan to the Loan Committee, the Loan Officer will confirm directly with the Applicant’s employer and/or other entity (casino, tribe or other) currently making payments to the Applicant, that the funds can be directed to YCLF prior to being paid to the Applicant and that this action is non-cancelable by the Borrower without consent from YCLF *[this may or may not be possible in your area, tribe, situation]*. The Loan Officer will also ascertain exactly what arrangements and approvals will be necessary to effect such deductions and estimate the time required and likelihood of success of finalizing these arrangements following approval of the loan.

**F. Loan Rating**

Based on Loan Rating System Sheet attached as Exhibit D, prior to recommending the loan to the Executive Director, the Loan Officer recommends a Loan Rating that reflects the risk of the loan in comparison to the loans in the existing portfolio. The Loan Rating is the basis for the loan loss reserve (“LLR”) amount associated with the loan upon closing.

**CURRENT LOANS (On-time Payments)**

Total Points from Loan Rating Sheet	Loan Rating	Loan Loss Reserve
35-45	A	[3.0%]
25-34	B	[5.0%]
9-24	C	[7.0%]

**VIII. Loan Approval**

**A. Staff Recommendation**

Based on the contents of the Credit Memo, including the loan rating recommendation, the Loan Officer may recommend a loan for approval.

The Loan Officer recommends loans by submitting a draft Credit Memo to the Executive Director for review and comment. If necessary, the Loan Officer and Executive Director will work together to make changes to the structure of the loan, the pricing, the risk profile of the loan and/or the Credit Memo. Following finalization of the Credit Memo including the loan rating sheet, the Executive Director signs the signature page of the Credit Memo.

The Loan Officer schedules the loan for review at the next Loan Committee meeting and distributes the Credit Memo to committee members at least four business days before the meeting.

**B. Lending Authority**

Decision	Approval Required
Approval of new loans	Loan Committee and Board
Approval of loans that are materially not in compliance with Loan Policies	Board
Approval of restructurings (extensions)	<u>First or second restructuring:</u> Loan Committee <u>Subsequent restructurings:</u> Loan Committee and Board

**C. Approval**

Approving parties decline loans for any or all of the following reasons:

- if the loan does not fit within YCLF's mission
- the risk of repayment is unacceptable
- the loan would cause diversification of the outstanding loan portfolio to be outside the guidelines
- insufficient information
- the loan is materially out of compliance with this Loan Policy
- funding for the loan is not available.

Following loan approval, each approving party signs the signature page attached to the Credit Memo, making note of any additional terms or conditions imposed by the approving body (the "Loan Approval"). For the Loan Committee, the Chairperson signs the Credit Memo. Dissenting committee members are free to notate any issues they may have had with the loan on the signature page.

## **IX. Loan Closing**

### **A. Commitment Letter**

The Commitment Letter summarizes the terms and conditions of the Loan Approval and obligates YCLF to make the loan should the Applicant satisfy its obligations, including pre-closing conditions, outlined therein.

After obtaining a Loan Approval, the Loan Officer will draft a Commitment Letter based on the template drafted by legal counsel and attached as Exhibit F and submit the Commitment Letter for review by the Executive Director.

The Commitment Letter is the basis for discussions and negotiations with the applicant. Changes that would cause the terms of the Commitment Letter to materially deviate from those of the Loan Approval need to be approved by all approving parties and noted on the signature page of the Credit Memo.

The Executive Director has authority to sign the Commitment Letter on behalf of YCLF and does so after confirming that the terms and conditions of the Commitment Letter and Loan Approval are consistent in all material respects. In the interest of maintaining a check and balance system, in no event should the person who prepares the Commitment Letter also be the person who signs the Commitment Letter on behalf of YCLF.

The Applicant and any guarantors sign the Commitment Letter on behalf of the Applicant.

### **B. Loan Documentation**

Documents Loan Officer will prepare draft Loan Documents based on templates drafted by legal counsel and maintained by YCLF that reflect the terms and conditions contained in the Commitment Letter as well as other terms that are customary for lending in the geographical area. Loan documents include all disclosures required by applicable law.

Signing Authority The Executive Director has authority to sign the loan documents on behalf of YCLF and does so after confirming that the terms and conditions outlined in the loan documents, commitment letter (if any) and Loan Approval are consistent in all material respects.

Security Arrangements The Loan Officer works with YCLF's legal counsel to record liens, execute security arrangements and obtain approvals from the Tribe and the Bureau of Indian Affairs.

Payroll Deduction Should the Loan Approval have been subject to payroll deduction of all or a portion of the loan payment, prior to closing, the Loan Officer will have executed all documentation required to effect the deduction by the due date of the first payment. Furthermore, wherever possible, the payroll payer will be instructed to notify YCLF of any cessation of payments or other deduction requests from third parties.

Closing Date The Loan Officer works with the Applicant to schedule a Closing Date by which all conditions to closing will have been satisfied.

### **C. Disbursement**

At least four business days prior to the closing, the Loan Officer submits to the Finance Manager a Check Request Form containing the information outlined in Exhibit E attached to a copy of the Loan Approval (the Credit Memo and signature sheet), signed by the Executive Director. The Finance Manager prepares a check for the disbursement amount in time for the scheduled closing.

The Loan Officer postpones the closing date if pre-closing conditions do not look as if they will be satisfied on the closing date.

On the closing date, Borrower, Loan Officer and the escrow agent to discuss the documentation and sign the documents. The Loan Officer gives the disbursement check for the loan proceeds to the escrow agent to be held in escrow for the borrower. Should the applicant plan to bring legal counsel to the closing, Loan Officer will arrange to be represented by YCLF's legal counsel.

*[Discuss with local lending legal counsel.]*

On the closing date, the Finance Manager posts the loan loss reserve amount indicated on the Check Request Form.

## **X. Maintenance of Loan Loss Reserves**

YCLF will maintain a reserve for loan losses in accordance with FASB standards and Exhibit D. The loan loss reserve on YCLF's balance sheet is a contra account to the Loans Outstanding asset that is equal to or greater than the aggregate of the loan loss reserve ("LLR") assigned to each loan reflecting the Loan Rating approved by the Loan Committee and modified from time to time as a result of staff's monitoring efforts

Any new loan closing is accompanied by an increase to the contra-asset account and a Loan Loss Expense (or Provision for Loan Losses) entry on the income statement.

**XI. Loan Monitoring**

**A. Documents and Files**

For each loan closed, the originating Loan Officer sets up and, together with the Portfolio Manager, maintains a file containing the following information:

The Loan File:

1. Due diligence checklist and supporting materials upon which the Credit Memo was based
2. Original copy of the Credit Memo with original signatures on the Loan Approval page
3. Executed Commitment Letter and Loan Documentation
4. Any amendments or other legal agreements between YCLF and the Borrower
5. Security agreements and materials

The Post Closing File:

- a. Log of correspondence between YCLF and Borrower, including site visit notes.
- b. Annual notifications from insurance companies of evidence of insurance.

For Construction Loans, the Construction Manager assigned to the loan will maintain a Construction File containing a log of all correspondence he or she has with the borrower and the funder, if applicable, as well as construction budgets, drawings and plans, draw schedules, disbursements and other relevant information.

Files are maintained in the YCLF office in a fire safe-cabinet.

**B. Loan Payment Tracking**

Each month, the Finance Manager notifies the Portfolio Manager of loan payments received from borrowers. The Portfolio Manager is responsible for maintaining the aging report, recording payments in the loan software and reporting loan delinquencies from time to time to the Loan Committee. The Portfolio Manager is responsible for confirming whether all payments have been made.

All payments received from borrowers shall be applied first to satisfy all outstanding Late Fees, second to accrued interest, and finally to reduce loan principal.

The Portfolio Manager updates the Loan Loss Reserve for delinquent loans as follows:

<b>Aging</b>	<b>Loan Rating</b>	<b>LLR</b>
30-59 days	D30	[7.0%]
60-89 days	D60	[10.0%]
90+	D90	[15.0%]
Loans in Foreclosure	F	100% less the percentage of the outstanding balance certain to be collected following workout/foreclosure efforts.

**C. Periodic Disclosures from Borrowers**

The Loan Officer is responsible for confirming receipt of periodic disclosures (annual evidence of insurance, employment and social impact information) required under the Loan Agreement. If disclosures are not received when due, Loan Officer will contact the Borrower to discuss better performance of disclosure obligations.

[Make sure your loan documents include a provision for the Borrower to provide evidence of insurance, employment and social impact information annually]

**D. Monitoring Responsibility**

The Portfolio Manager, together with the Loan Officers, reviews the status of each Borrower in accordance with the following tables, but in any event, at least annually following the receipt of disclosures from Borrower – refer to section C above. Status reviews include phone calls, site visits, and disclosure and payment history reviews.

The Executive Director may report delinquent payments to a credit bureau on a monthly basis.

The Portfolio Manager is responsible for ensuring that loan ratings in the Loan Report are updated regularly in accordance with the following schedules:

**BEFORE DEFAULT (on-time payments)**

Loan Rating	Monitoring Frequency
A	Annual Monitoring
B	Annual Monitoring
C	Semi-Annual Monitoring

**AFTER DEFAULT (30+ days overdue)**

Aging	Loan Rating	Monitoring Frequency
30-59 days	D30	At least monthly
60-89 days	D60	At least monthly
90+	D90	Weekly
Loans in Foreclosure	F	Weekly

**E. Maintenance of Reports**

At all times, the Portfolio Manager will maintain a report listing the following information (“the Loan Report”):

- a) Borrower name or number
- b) original amount of the loan
- c) loan type or program
- d) the disbursement date
- e) maturity date
- f) the outstanding balance of the loan
- g) any future disbursements to be made under the existing Loan Documents
- h) the delinquency status (30, 60, 90, etc days)
- i) the Loan Rating
- j) the Loan Loss Reserve (in % and dollar amount)
- k) Social impact information (housing units created or maintained, household income of residents)



## **XI. Portfolio Management**

The Portfolio Manager is responsible for tracking and reporting to the Executive Director the performance of the loan portfolio in accordance with these policies.

### **A. Assessment of Sufficiency of Loan Loss Reserve in light of Portfolio Risk**

From time to time, the Executive Director may recommend to the Loan Committee a change to the Loan Rating and Loan Loss Reserve in response to the payment status of Borrowers, or any changes in the risk profile of the portfolio identified by the Loan Officer's periodic portfolio reviews.

The Portfolio Manager will inform the Finance Manager of any changes in loan ratings so that he/she can post changes in the loan loss reserve accompanied by the appropriate expense.

### **B. Portfolio Status Reporting**

At each Board meeting, the Portfolio Manager presents to the Board:

1. The Loan Report (defined in Section XI)
2. The Portfolio Report  
A report showing the total loans outstanding, current commitments, unused capital, total loan loss reserve, YTD loan income and fees, diversification of the portfolio, and a list of 90+ days delinquent loans and loans in foreclosure.
3. Recommendations for changes to the Loan Loss Reserve.

At each Board meeting, the Executive Director presents to the Board the Capitalization Report outlining the amount available for lending, including contributions to the investment fund(s) received since the last the quarter, plans for capitalization to be obtained over the next twelve months, total loans outstanding and deployment ratio (the "Capitalization Report").

### **C. Loan Fund Equity**

YCLF maintains a net asset balance in the loan fund of at least 25% of the sum of all borrowed funds plus net assets dedicated or restricted to lending.

### **D. Asset – Liability Matching**

YCLF does not lend funds in excess 75% of its Net Assets Restricted for Lending or for a term longer than the term of loans borrowed from funders.

### **XIII. Delinquency**

*[Review this section with local lending counsel.]*

The Loan Officer maintains a log of all verbal and written communication about past due payments.

#### **A. 2 Days Late**

In the event that loan payments are more than two days late, the Loan Officer calls the Borrower to ascertain why the payment is late and to obtain a commitment for a payment date.

#### **B. 5 Days Late**

In the event that loan payments are more than five days late, the Loan Officer calls the Borrower to ascertain why the payment is late and to obtain a commitment for a payment date.

#### **C. 10 Days Late**

In the event that loan payments are more than 10 days late, the Loan Officer and Executive Director follow up with a stating the borrower is late on their payment, the amounts past due and late fees that have been and will be incurred if payments are not received promptly.

#### **D. 30 Days Late**

In the event that loan payments are more than 30 days late, the Loan Officer and Executive Director follow up with a certified letter stating the borrower is in default, the amounts past due and late fees that have been and will be incurred if payments are not received promptly. The Loan Officer makes a site visit, reports findings to the Portfolio Manager who updates the loan report (including the loan rating and loan loss reserve) and informs the Finance Manager of late fees.

#### **E. 60 Days Late**

By the 60th day of a late payment, the Loan Officer arranges for a second site visit to include the Executive Director or Portfolio Manager. The goal of this meeting will be to develop an agreed upon payment plan to bring the borrower current.

At this point, the Portfolio Manager reviews the file to confirm that collateral documentation is in place and in order and that all insurances required by borrower are in place so as to protect YCLF's foreclosure and other rights. Legal counsel assistance may be required.

Executive Director reports the status to the Loan Committee, updates the Loan Report to reflect that the loan payment is more than 60 days past due, and updates the Finance Manager regarding late fees due.

#### **F. 90 Days Late**

If the payment has not been received by the 90th day, the Executive Director updates the Loan Rating.

At the next Board or Loan Committee meeting, the Executive Director makes a full report detailing the nature of the problem and recommending actions including:

- a) informing any additional sureties to the loan of the situation;
- b) informing the tribe and/or tribal court of the default;
- c) in cases where Staff can demonstrate it is reasonably likely that Borrower can repay the loan in the future, restructuring the loan (refer to Section XIV)
- d) a strategy to collect amounts due from the Borrower's payroll (should this remedy not already have been exhausted)
- e) sending the borrower a collection letter from YCLF's legal counsel and waiting for an additional period without action.
- f) Continuing weekly or more frequent phone calls and/or site visits.

**G. 180 Days Late**

If the payment has not been received by the 180th day, the Executive Director updates the Loan Rating and the Portfolio Manager changes the status of the loan to "non-accrual", to stop accruing unpaid interest and late fees in the loan software.

At the next Board meeting, the Executive Director will present a detailed account of the borrower's status and a review of the collateral. The Board will again examine the situation and develop a strategy for further action including:

- a) in cases where Staff can demonstrate it is reasonably likely that Borrower can repay the loan in the future, restructuring the loan (refer to Section XIV)
- b) a strategy to liquidate the collateral
- c) a strategy to collect amounts due from the Borrower's payroll or entitlements (should this remedy not already have been exhausted)
- d) a notice of default and the intention to foreclose.

#### **XIV. Loan Restructuring and Foreclosure**

##### **A. Foreclosure**

In most instances, a foreclosure of collateral will be viewed as the last option. There are, however, instances when foreclosure is the only remedy to a deteriorating situation. Foreclosure may only take place with concurrence of the Board prior to initiation of foreclosure proceedings by the staff.

All foreclosure proceedings and actions should be done in such a way as to provide maximum protection of YCLF's capital and for the interest of affected parties.

YCLF uses collateral liquidations to cover the cost of the outstanding loan principal, any accrued interest owed to the lenders, and the transaction costs of liquidation (i.e. legal, marketing, staff time).

##### **B. Loan Restructuring**

On a case by case basis, the Executive Director may decide that restructuring to lower the borrower's payments will help the borrower remain current on his or her payments. Payments can be lowered by increasing the term of the loan or by increasing payments in the future. Section VIII B details the approvals required for restructuring loans.

#### **XV. Write-Offs**

If no further collection efforts seem likely to result in the recovery of all or a portion of the unpaid balance of a loan, the Executive Director will propose to the Board that the loan be written off. The decision will be reviewed by the Loan Committee and Board and the Loan Staff will direct the Finance Manager to write off the uncollected principal from the loss reserve account and remove the loan from the balance sheet. The loan loss reserve may then have to be adjusted so that it equals the aggregate of the LLRs assigned to each loan remaining in the portfolio, generating an expense on the Statement of Activities.

Exhibit A. Application Template

**Exhibit B. Due Diligence Checklist**

[Please customize this list to fit your process.]

<u>Item</u>	<u>Date Completed or NA</u>	<u>Description</u>
1.		Loan Application Received
2.		Home Buyer Certificate
3.		Loan Application Finalized
4.		Verification of Employment
5.		Verification of Bank Balances
6.		Borrowers' Credit Report(s)
7.		Purchase Agreement/Contract
8.		Construction Contract
9.		Homesite Lease Form # _____; Recorded _____
10.		Copy of Deed
11.		Appraisal Report Requested
12.		Appraisal Report Obtained
13.		Homeowner's Insurance
14.		Preliminary Construction Cost Estimate
15.		Credit Memo Completed
16.		Loan Approval Obtained
17.		BIA Mortgage Approval Requested
18.		BIA Mortgage Approval Obtained
19.		Title Status Report Requested
20.		Title Status Report Obtained
21.		Title Insurance Requested
22.		Title Insurance Obtained
23.		Final Construction Estimate Signed by YCLF Staff and Applicant
24.		Loan Commitment (for Packaged Loan)
25.		Truth in Lending Form
26.		Good Faith Estimate
27.		Assignment – Recorded _____
28.		
29.		
30.		
31.		
32.		
33.		

Exhibit C. Credit Memo Template

**Exhibit D. Loan Rating Sheet**

*[Add Loan Rating Sheet when Finalized]*

**B. Loan Rating Assignments**



**Exhibit E. Form of Check Request**

**Date of Submittal:**

**Scheduled Closing Date:**

**Date of Final Loan Approval:**

**Disbursement Amount:**

**Assigned Loan Rating:**

**Loan Loss Reserve:**

**Signatures:**

**Loan Officer  
Date:**

**Executive Director  
Date:**

- Attachment:**
- 1. Loan Approval**
  - 2. Executed Commitment Letter**