BNA Federal Credit Union Policy Manual

Revised on:

February 13, 2008
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“The Bureau of National Affairs Federal Credit Union is a nonprofit financial institution established to provide financial services to its members at a reasonable cost.”
Funds Availability

It is the policy of BNA Federal Credit Union to hold personal funds for a period of three business days. Personal funds are those written on Personal accounts.
BNA Federal Credit Union complies with all local and federal regulations regarding the permanent availability of funds deposited in transaction accounts.

BNA Federal Credit Union complies with Regulation CC by expediting all funds available to:

- Date of deposit
- Required next day availability
- Local check clearing
- Non-local check clearing
- Payable through checks
- Extended holds
- Exception based holds
- New account treatment
- Large deposits availability
- Redeposited checks
- Repeated overdraft exceptions
- Reasonable cause to doubt collectability
- Emergency conditions
- Non-consumer transaction accounts
- Payment of interest
- For further information please review the National Credit Union Administration policy on Regulation CC.
The following section outlines the investment policy of the BNA Federal Credit Union. The contents of this statement are approved by the Board of Directors and are to be followed by operating personnel and the Investment Committee.

**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 Credit Union Manager or designee for implementing policies and executing day-to-day investment decisions. All investment decisions shall be consistent with the policy statement. The Board of Directors also appoints an Investment Committee to act as liaison between the Board and management. The functions of the Investment Committee are as follows:

1. Work with management on investment issues and problems.
2. Monitor and review criteria for investing in financial institutions.
3. Monitor investment decisions for compliance with policy statement.
4. Review the policy statement and recommend changes to the Board when appropriate.

The Board of Directors will appoint an Investment Committee annually.

**Investment Objective**

The Credit Union’s main purpose is to maintain stable and sound financial services to its members. Creating assets in the form of consumer loans and issuing liabilities in the form of shares and certificates accomplish this. 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. Therefore, 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 slack 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. To ensure liquidity, the credit union will establish a line of credit as a safety to eliminate the need to cash CD’s prior to maturity to meet loan demand.

**Portfolio Composition**

In light of the investment objective, the portfolio should be limited to securities with the following characteristics:

1. A low degree of default risk.
2. A low degree of price risk result from changes in the level of rates.
3. A reasonable degree of liquidity.

These characteristics limit the types of investments that may be acquired by the Credit Union. The emphasis is on liquidity and the safety of principal with respect to default risk and interest rate risk. The yield on investments is secondary to liquidity and safety.

In addition to the emphasis on liquidity and safety, regulations and policies of the Board of Directors further constrain investment activity.

**Authorized Investments For BNA Federal Credit Union**

The Credit Union may invest only in securities that are specifically authorized by the Board of Directors in compliance with federal regulations. The following investments are legally permitted by regulations and authorized by the Board of Directors:

1. U.S. Treasury and Agency Securities
2. Corporate Central Credit Unions (where applicable)
3. Insured CDs--Domestic. Negotiable and non-negotiable CDs of any domestic commercial bank may be acquired if the deposit does not exceed $100,000 and is insured by the FDIC.

**Maturity Of Investments**

To control the risk of loss resulting from increases in the level of interest rates and the forced sale of securities, the maturity distribution of the investment portfolio must be controlled. Management is restricted to investments that mature within five years.
**Diversification Requirements**

To avoid an unwarranted concentration of funds in a single entity that is subject to default risk, diversification requirements are imposed as follows:

1. U.S. Treasury and Agency Securities: These may be held in unlimited amounts because they are riskless, or in the case of agency securities, virtually riskless.
2. Corporate Credit Union (s): The total amount of funds invested in and on deposit with this institution will not exceed $2 million.
3. Commercial Banks and other Credit Unions: The total combined investments in CDs and other instruments in a single institution are limited to $500,000.

**Unauthorized Transactions**

Regulations pertaining to federally chartered credit unions prohibit or limit the use of certain types of investment transactions. The following transactions are unauthorized for use by the Credit Union:

1. Futures Contracts. 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:
   - **Standby Commitment**
     This is an agreement for 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.
   - **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 over-priced security from the same dealer.
Other Procedures

Other procedures must be followed to protect the assets of the Credit Union:

1. Transactions: Investment transactions will be conducted directly with borrowers, the issuers of securities, or strong, reputable securities firms.

2. Payment, Delivery, and Safekeeping: The following policies will be followed by the Credit Union:

   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.

   The Federal Reserve Bank will hold US Treasury and Agency securities in safekeeping. (These instruments exist in "book entry" form, i.e. computer entries maintained by the Federal Reserve Bank.)

3. 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 other than a Federal Reserve Bank.

4. All securities held in a safekeeping account will be evidenced by a safekeeping receipt from the safekeeping institution.

Exceptions And Review

The Board of Directors recognizes that questions may arise and minor policy exceptions may be necessary from time to time. Significant deviations from the policy statement must be avoided. This policy statement shall be reviewed periodically by the Investment Committee and the Board of Directors and amended as circumstances warrant.

REVISED ON APRIL 24, 2008
LOAN POLICY

General

It is the policy of the BNA Federal Credit Union to make sound loans for provident purposes to all qualified members who apply without regard to race, national origin, religion, sex, marital partner/status or age. BNA Federal Credit Union will seek to maximize the availability of loans consistent with ensuring the protection of its members, assets, financial stability of BNA Federal Credit Union and reasonable return to the members.

Responsibilities

BNA Federal Credit Union carries out its loan policies through the Board of Directors, the Credit Committee, and the Manager.

Board of Directors

The Board of Directors sets and oversees the implementation of loan policies. It sets loan rates, maturities, terms, security limits and other standards pertaining to allowable purposes, limits and qualifications for obtaining credit. The Treasurer, who is also the Manager of the Credit Union, has overall responsibility for ensuring implementation and compliance with the loan policies. The board also reviews appeals of denials of loan applications.

Credit Committee

With the exception of loans to officials and stock-secured and share-secured loans, the Credit Committee has sole responsibility for approving loans to members subject to the standards set forth by the Board, the bylaws and applicable statutes.

Loans to officials (Directors, Supervisory and Credit Committee members, and Credit Union Employees) will be reviewed and approved by the Board of Directors.

Stock-secured and share-secured loans will be reviewed and approved by the Credit Union Staff and the Manager.
Supervisory Committee

The Supervisory Committee’s role is to ensure that the Credit Union’s financial records are in order and that internal controls are in place to protect the assets of the Credit Union and its members. The committee is responsible for conducting an annual audit and for making sure that internal controls are tested regularly. It is also responsible for ensuring that policies established by law and by the Board of Directors are carried out faithfully.

Manager

The Manager and staff are responsible for accepting, reviewing, and processing all loan applications and forwarding completed applications requiring action to the Credit Committee. The Manager is responsible for proper disbursement and collection of approved and/or delinquent loans.

Eligibility

Loans may be made only to members of BNA Federal Credit Union as stated in the Credit Union official NCUA charter. Loans will be available to BNA employees with at least three months of service or individuals who have been BNA FCU members for three months.

Application

Applicants for loans must provide all information requested on the loan application and any information requested by BNA Federal Credit Union at the time of submittal. Forms that are not completely filled out will be returned to applicants. All applications must be initiated with the BNA Federal Credit Union for screening of past loans and balances before any other action is taken. Any Credit Committee member who has a relative applying for a loan will not participate in the decision-making process.

Loan Review and Processing Procedures

The Credit Union staff will review all received applications for completeness. All required information must be completed.

Credit bureau reports will be obtained in considering every loan application. Adverse information contained in the applicant’s credit record, including but not limited to
debts which have been sent to collection agencies, repossessions, current bankruptcy proceedings, and judgments, may result in denial of a loan application.

When a loan application is denied because of adverse information in the credit report, the applicant will be advised in writing within 30 days of submitting the application by BNA Federal Credit Union and informed as to the procedure for clearing up any out-of-date or inaccurate adverse information from the credit record. Once a satisfactory credit report reflecting the current status of indebtedness has been provided, the Credit Committee will reconsider the loan application. Signature loans will be denied on the basis of the credit applicant’s having been adjudged bankrupt during the five years immediately prior to filing the loan application. Anyone adjudged bankrupt at any time before the five years immediately prior to filing the loan application will be denied credit if they have any debt payment more than 60 days past due. Any signature loan will be denied if the applicant’s credit report shows a beacon score below 575.

Leave Without Pay is not ground for automatic suspension of payment of loan principle and/or interest. Any member on leave without pay must contact BNA Federal Credit Union to make arrangements for loan repayment while on leave.

BNA Stock used as collateral by a member who leaves the company before the loan is repaid will be sold to repay the balance if regular payments, in accordance with the terms and conditions of the original loan agreement and/or note, are not maintained.

**Types of BNA Federal Credit Union Loans**

**Signature (unsecured) loans** These loans require good financial standing but no collateral to secure them. The amount of the loan depends on such factors as length of employment and past credit history.

**BNA stock-secured loan** These loans are fully secured by BNA stock at 75% the current value of BNA stock. Members can borrow up to $100,000 maximum with a 10-year repayment period. Loans in excess of $100,000 must be reviewed and approved by the Board.

**Share-secured loan** These loans are fully secured by a member’s savings account. Share-secured loans allow the member to borrow money while maintaining a savings account and earning a monthly dividend.
New Auto Loan

The Credit Union will finance 100% of the purchase invoice, not including tax, tags, and title. A new automobile is defined as a current year vehicle not more than one year old that has never been titled.

Used Auto Loan

The Credit Union will finance the lesser the NADA Blue Book loan value or purchase invoice, not including tax, tags, and title. A used vehicle is defined as a vehicle that has been titled.

BNA Federal Credit Union members may have one unsecured loan and up to three secured loans.
A debt ratio will be calculated on all loan applications. If the applicant’s Beacon Score is below 620, the debt ratio will be considered in determining whether to extend credit. When the Beacon score is below 575 and a debt ratio exceeds 50%, credit will be denied.

Debts used shall include monthly payments on the following (but not limited to):

- Mortgages
- Rent
- Second Trusts
- Charge Cards
- Alimony
- Child Support
- Loans with Finance Companies, Banks, Credit Unions, etc.

Two family incomes will be considered in automobile loans in qualifying for the required debt ratio. The BNA Federal Credit Union staff will compute the debt ratio. A discount of five points off the debt ratio will be given to homeowners.

Gross income will consist of income as shown on the applicants most recent pay stub. Any additional income must be verified with documentation to the satisfaction of the Credit Committee. Homeowners will be given five points off their debt ratio
DELMQUENT LOANS

One of the major responsibilities for credit unions is to ensure quality controls and standards for when a loan becomes delinquent. There must be proper safeguards in place to maintain the integrity of the lending process for all eligible members.

At every regular meeting, the Board of Directors will review delinquent loans and decide on charge-offs and collections.

When an account appears on the delinquent loan list, the following actions will be taken:

- Determine the status of the member - LWOP, Terminated, Retired (note: this process can take up to one week);
- Determine account status as to collateral or non-collateral loan;
- Inform the member as to the current status of the loan account; and
- Ask that the account be brought current as soon as possible (allow up to 30 days).

- 30 days delinquent, 1st letter will be mailed
- 60 days delinquent, 2nd letter will be mailed
- 90 days delinquent, Board of Directors would discussed on how to handle the current situation

Loans secured by BNA Stock will take the following process:

- Contact and inform the member that the stock will be sold to pay off the existing loan balance (principal plus interest) if the delinquent amount is not brought current and payments made/continued within 15 business days.

Loans secured by automobiles will follow the above process for delinquent loans except that after three months of delinquency, the vehicle will be repossessed.
NEW AUTO LOANS

Automobiles, Vans, and Trucks

Loans are available for members to purchase new automobiles. The repayment period will not exceed sixty (60) months. For employees of BNA and its subsidiaries, payment will be made through payroll deduction only. Retirees of BNA and its subsidiaries will be provided with coupon book for submitting their payments.

Loan Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Interest Rate</th>
<th>Payment Schedule</th>
</tr>
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<tbody>
<tr>
<td>Two Years</td>
<td>5.25% - 8.00%</td>
<td>(52 bi-weekly payments)</td>
</tr>
<tr>
<td>Three Years</td>
<td>5.50% - 8.25%</td>
<td>(78 bi-weekly payments)</td>
</tr>
<tr>
<td>Four Years</td>
<td>5.75% - 8.50%</td>
<td>(104 bi-weekly payments)</td>
</tr>
<tr>
<td>Five Years</td>
<td>6.00% - 8.75%</td>
<td>(130 bi-weekly payments)</td>
</tr>
</tbody>
</table>

The Credit Union will maintain a schedule of current interest rates. Interest is calculated on the outstanding loan balance on a daily basis. No penalty charge will be assessed for prepayment on any loan. The interest rates applicable to all types of loans will be set and changed as often as is deemed necessary by the BNA FCU Board of Directors in accordance with governing laws and regulations and changing financial conditions.

An applicant must have worked at BNA and/or its subsidiaries for three years before being eligible for a car loan.

Financing

The Credit Union will finance 100% of the purchase invoice not including tax, tags, and title. The Credit Committee may approve/disapprove an amount not to exceed $50,000 for a new auto loan. Amounts that exceed $50,000 will be referred to the Board of Directors for approval/disapproval.
A down payment may be required based on your credit record. Down payments are subject to the following guidelines:

1. The degree of risk to the Credit Union will be considered. If the credit report has a rating of 3 at any loan in the last 12 months, a 10% down payment will be required. If the credit report has a rating of 2 at any loan in the last 12 months, a 5% down payment will be required. The Credit Union will not consider applications for auto loans if the applicant has received a credit rating of 4 or above during the last 12 months.

2. Trade ins and deposits made directly to the dealer will apply toward the down payment requirement.

3. A member who is required to make a down payment will not be permitted to apply for a separate personal loan for this purpose.

**Special Requirements**

The BNA Federal Credit Union’s lien must be recorded on the title and the latter kept by the Credit Union until the loan has been paid off.

Comprehensive and Collision Insurance (not more than a $500 deductible) is required for the duration of the loan, and proof of same is required when the loan is taken out. The insurance policy must list BNA FCU as the loss payee.

The dealer’s Purchase Order must accompany the loan application.

**Procedure for Automobile Loan Application**

1. A member files a loan application with the Credit Union. (NOTE: The Credit Union will pre-approve automobile loans. The pre-approval will only be in effect for 30 days.)

2. The Credit Committee or an appointed loan officer evaluates the loan.

3. Loan funds will not be disbursed without the dealer’s buyer or purchase order. The dealer will register the title with the Credit Union as the lien holder. The check must be issued in the name of the applicant and the automobile dealer.

4. The check must be issued with a stamped payee endorsement, which places the responsibility of acquiring the security interest filing upon the dealer or other party. Otherwise, the acquiring of the security interest filing is the responsibility of the Credit Union.
5. An insurance binder is required before or at the time the loan check is issued. Comprehensive and collision insurance (not more than a $500 deductible) is required for the duration of the loan, and proof of the same is required when the loan begins. The insurance policy must list BNAFCU as the loss payee.

6. Joint application- Both applicants must provide their last pay stub. In some cases, the Credit Union may require copies of the last two years’ tax returns.

7. A lien-filing fee will be added to your loan when the Credit Union takes a security interest in your collateral. The amount of the filing fee will be based upon the amount of fee required by state law for the Credit Union to obtain a lien on your property. The amount of the filing fee will be disclosed on the loan agreement.
The Credit Union will only make loans on used vehicles that are up to four years old. The repayment period will be up to five years. Payment may be made through payroll deduction unless the member is a BNA retiree.

**Loan Terms**

<table>
<thead>
<tr>
<th></th>
<th>Two Years</th>
<th>Three Years</th>
<th>Four Years</th>
<th>Five Years</th>
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<tbody>
<tr>
<td></td>
<td>7.00% - 8.75%</td>
<td>7.25% - 8.25%</td>
<td>7.50% - 9.25%</td>
<td>7.75% - 9.50%</td>
</tr>
<tr>
<td></td>
<td>(52 bi-weekly payments)</td>
<td>(78 bi-weekly payments)</td>
<td>(104 bi-weekly payments)</td>
<td>(only available on current model year; 7.00% - 8.75% 130 Bi-weekly payments)</td>
</tr>
</tbody>
</table>

The Credit Union will maintain a schedule of current interest rates. Interest is calculated on the outstanding balance on a daily basis. No penalty charge will be assessed for prepayment on any loan. The interest rates applicable to all types of loans will be set and changed as often as deemed necessary by the BNAFCU Board of Directors in accordance with governing laws and regulations and changing financial conditions.

An employee must have worked at BNA and/or its subsidiaries for at least three years before being eligible for a car loan.

**Financing**

The Credit Union will finance the lesser of 100% of the NADA BLUE BOOK loan value, not including tax, tags, and title. A used auto is defined as a vehicle that has been previously titled. The Credit Committee or Loan Officer may approve/disapprove an amount not to exceed $30,000 for a used auto loan. Amounts that exceed $30,000 will be referred to the Board of Directors for approval/disapproval. A down payment may be required based on your credit record.
Down payments are subject to the following guidelines:

1. The degree of risk to the Credit Union will be considered. For a credit rating of 3 in the last 12 months, a 10% down payment will be required. For a credit rating of two in the last 12 months, a 5% down payment will be required. The Credit Union will not consider applications for auto loans if the applicant has received a credit rating of 4 or above during the last 12 months.

2. Trade ins and deposits made directly to the dealer will apply toward the down payment requirement.

3. A member who is required to make a down payment will not be permitted to apply for a separate personal loan for this purpose.

Procedure for Automobile Loan Application

1. A member files a loan application with the Credit Union. (NOTE: The Credit Union will pre-approve automobile loans. The pre-approval will only be in effect for 30 days.)

2. The Credit Committee or an appointed loan officer evaluates the loan.

3. Loan funds will not be disbursed without the dealer’s buyer or purchase order. The dealer will register the title with the Credit Union as the lien holder. A used automobile purchased from an individual will require additional procedures. The Credit Union manager will provide these additional requirements.

4. The check must be issued in the name of the applicant and the automobile dealer.

5. The check must be issued with a stamped payee endorsement, which places the responsibility of acquiring the security interest filing upon the dealer or other party. Otherwise, the acquiring of the security interest filing is the responsibility of the Credit Union.

6. An insurance binder is required before or at the time the loan check is issued. Comprehensive and collision insurance (not more than a $500 deductible) is required for the duration of the loan, and proof of the same is required when the loan begins. The insurance policy must list BNAFCU as the loss payee.

7. Joint application. Both applicants must provide their last pay stub. In some cases, the Credit Union may require copies of the last two years’ tax returns.

8. A lien-filing fee will be added to your loan when the Credit Union takes a security interest in your collateral. The amount of the filing fee will be based upon the amount of fee required by state law for the Credit Union to obtain a lien on your property. The amount of the filing fee will be disclosed on the loan agreement.
SIGNATURE LOANS

The current rate of all signature loans will be reviewed on a regular basis by the Board of Directors and reflected in the written record of the Board.

**Eligibility**

Signature loans will only be made to eligible BNA Federal Credit Union members in good standing. Unsecured signature loans can be renegotiated every six months. Anyone applying for a loan renegotiation will be reviewed for credit history, which includes obtaining a new credit report.

**Application Process and Terms**

Applications for signature loans must provide all information requested. All applications must be initiated with the Credit Union.

<table>
<thead>
<tr>
<th>Maximum Loan Amount</th>
<th>Minimum Length of BNA Service</th>
<th>Bi-Weekly</th>
<th>Loan Durations</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000</td>
<td>Three months</td>
<td>26 biweekly payments</td>
<td>12 months</td>
</tr>
<tr>
<td>$2,000</td>
<td>One year</td>
<td>41 biweekly payments (18 months)</td>
<td>18 months</td>
</tr>
<tr>
<td>$4,000</td>
<td>Two years</td>
<td>67 biweekly payments (30 months)</td>
<td>30 months</td>
</tr>
<tr>
<td>$6,000</td>
<td>Three years</td>
<td>90 biweekly payments (42 months)</td>
<td>42 months</td>
</tr>
<tr>
<td>$8,000</td>
<td>Four years</td>
<td>116 biweekly payments (54 months)</td>
<td>54 months</td>
</tr>
<tr>
<td>$10,000</td>
<td>Five years +</td>
<td>130 biweekly payments (60 months)</td>
<td>60 months</td>
</tr>
</tbody>
</table>

- The maximum signature loan amount is restricted to borrowers with good credit records.
- Signature loans can be renegotiated after a period of six months.
Credit reports are required in considering loan applications. An application will be rejected for the following reasons:

- Debts which have been forwarded to a collection agency
- Repossessions
- Current bankruptcy proceedings
- Judgments
- Beacon score is below 575 and debt ratio is over 50%
- Liens
- A credit rating of three or higher

When a loan application is denied, the applicant will be informed in writing by the Credit Union within 30 days of submitting the application. Once a satisfactory credit report reflecting the current status of indebtedness has been provided, the Credit Committee will reconsider the loan application.

Signature loans will be denied on the basis of the applicant having been adjudged bankrupt during the five years immediately prior to filing the loan application.

Any signature loan can be denied if the applicant’s credit report reflects a credit rating of three or higher, with nine being the highest adverse rating.
Holders of BNA stock can get stock-secured loans of up to $100,000 maximum at the current interest rates set by the BNA FCU Board of Directors. The Board of Directors has the discretion to approve stock-secured loans of more than $100,000.

Members can borrow up to 75% of the value of each share of BNA stock pledged.

Loans secured by BNA stock may not be renegotiated until 10 percent of the original loan amount has been repaid.

As with all loans, applications for stock-secured loans will be reviewed for completeness. A credit report will be obtained, and the application will be sent to the Credit Committee for determination of the loan’s credit worthiness.
In accordance with the National Credit Union Administration’s Rules and Regulations, the Board of Directors has adopted the following policy and procedure to comply with the provisions of the Bank Secrecy Act, the USA PATRIOT Act, and the regulations from the Office of Foreign Assets Control (OFAC).

OBJECTIVE

To maintain an effective program which will assure maximum compliance with the Bank Secrecy Act, USA PATRIOT Act and OFAC, their amendments, and the regulations issued pursuant to the law.

DESIGNATION AND RESPONSIBILITY OF COMPLIANCE OFFICER

The board of directors designates Rodrigo Jauregui to serve as the Bank Secrecy Act/USA PATRIOT ACT/OFAC compliance officer for this credit union. It will be the responsibility of this person to be knowledgeable of the provisions of the Bank Secrecy Act, the USA PATRIOT Act, and the OFAC regulations, to coordinate and monitor the credit union’s operations for compliance, due diligence programs, and the training of credit union personnel.

The responsibilities of the BSA compliance officer include:

1. Reviewing and signing FinCEN Form 104 – Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs).
2. Reviewing and signing Form TD F 90-22.53, Designation of Exempt Person, for both initial exemptions and biennial updates.
3. Developing procedures and internal controls for identifying and reporting large cash transactions
4. Acting as a contact person for Join Agency Control List actions under OFAC.
5. Ensuring comparison of credit union member database and transactions with the most current OFAC list, using OFAC screening software
6. Ensuring compliance with OFAC rules by blocking/freezing funds remitted by or on behalf of a blocked individual or entity, to or through a blocked entity, or in connection with a transaction in which a blocked individual or entity has an interest.

7. Developing an ongoing compliance training program for employees.

8. Supervising recordkeeping activities.

The Board of Directors designates Rodrigo Jaurigue to serve as the USA PATRIOT Act Section 314 information request contact person. It will be the responsibility of this person to conduct a search of the credit union’s records when a 314(a) request is received from FinCEN and report any match to FinCEN.
COMPLIANCE PROCEDURES

1) Reporting

The credit union will complete a Currency Transaction Report (CTR) Form 4789 on all transactions that involve United States currency or foreign currency of more than $10,000. Such transactions include, but are not limited, to deposits, withdrawals, or other payments in which currency is involved. This also includes multiple transactions in the same day that total more than $10,000 in currency and are conducted by, or on behalf of, any one or more persons if the credit union has knowledge of this fact.

The Bank Secrecy Act compliance officer will review and countersign all CTR forms completed by any member of the staff or board. The CTRs will be filed electronically by the compliance officer, within the 15 day time limit, through the Patriot Act Communication System (PACS) at the Financial Crimes Enforcement Network (FinCEN) website, www.fincen.gov

The Bank Secrecy Act compliance office will make a copy of each completed CTR and maintain that copy for five years from the filing date.

2) Identification

The Bank Secrecy Act requires adequate identification before completing a transaction that requires a CTR; therefore, the credit union will refuse to complete a reportable transaction unless acceptable identification with picture is presented to allow appropriate reports to be properly completed.

The identity of aliens must be verified by passport, alien identification, or other official document evidencing nationality or residence (e.g. provincial driver’s license with indication of home address.)

Credit union signature cards may be relied on only if the signature card was issued after documents establishing the identity of the individual were
examined and notation of the specific identifying information was made on the signature card. Specific identifying information used in verifying the identity of the member must also be noted on the CTR. Merely noting “known member” or “credit union signature card on file on the CTR is not sufficient.

3) CTR Filing exemptions

The credit union does not offer CTR filing exemptions and does not need to write a policy regarding this matter.

4) Foreign Currency

The credit union does not deal with foreign currency transactions and does not need to write a policy regarding this matter.

5) Recordkeeping

The following records must be maintained for five years:

   a. All signature cards
   b. Member transaction statements
   c. Credit Union and share drafts over $100
   d. Records that allow tracing of deposited share drafts over $100
   e. Name, address, taxpayer ID#, date of transaction, description of instrument, and method of payment for purchases and redemptions of share certificates.
   f. Deposit or credit checks for transactions, or equivalent transfer, over $100, which specify the amount of currency involved.

The credit union does not purchase cashier’s checks, traveler’s checks, or money orders in currency and does not need to write a policy regarding this matter.

In addition, the credit union does not offer transmittals of funds (wire transfer) to other financial institutions and does not need to write a policy regarding this matter.

6) Suspicious Activity Reporting

The credit union will file a Suspicious Activity Report (SAR) for any suspicious transactions. A transaction is reportable if:
(1) It involves insider abuse of any amount;
(2) Violations (fraudulent transactions, etc.) aggregating $5,000 or more where a suspect can be identified;
(3) Violations (fraudulent transactions, etc.) aggregating $25,000 regardless of a potential suspect;
(4) Involves or aggregates at least $5,000 in funds or other assets that involve potential money laundering or violations of the Bank Secrecy Act that are conducted or attempted by, at, or through the credit union and the credit union knows, suspects, or has reason to suspect that:
   a. The transaction involves funds derived from illegal activities or is intended or conducted in order to hide or disguise funds or assets derived from illegal activities as part of a plan to violate or evade federal law or regulation or to avoid any transaction reporting requirements;
   b. The transaction is an attempt to evade the reporting requirements under the Bank Secrecy Act and its regulations; or
   c. The transaction has no business or apparent lawful purpose or is not the sort in which the particular member would normally be expected to engage, and the credit union knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.
(5) Computer Intrusion

The SAR is to be filed with the Financial Crimes Enforcement Network (FinCEN) no later than 30 calendar days after the date of the initial detection by the credit union of the facts that may constitute a basis for such filing. In a situation that requires immediate attention such as ongoing money laundering schemes, the credit union must notify an appropriate law enforcement authority by telephone in addition to filing a timely SAR.

The credit union will retain a copy of any SAR filed for five years from the date of the filing. In addition, the credit union will retain a copy of the original or business record equivalent (which can be photocopies or computer disks) of any supporting documentation for five years. This supporting documentation must be identified as such and maintained at the credit union. No supporting documentation shall be attached to the SAR when it is mailed. However, all supporting documents shall be deemed to have been filed with the SAR, and law enforcement authorities are not required to make their access requests
through subpoena or other legal processes. If the suspicious activity continues, the credit union will continue to file a SAR every 90 days.

SARS will be filed electronically through the Patriot Act Communications System (PACS) at FinCEN’s website, www.fincen.gov

The credit union will not give notice to any person involved in a transaction about which a SAR is being or was filed. If the credit union receives a request or subpoena regarding SAR filing from anyone other than law enforcement, the credit union will refuse to give any information regarding whether a SAR has been filed and will immediately contact the NCUA and FinCEN.

7) Information Sharing with Law Enforcement

Section 314(a) of the USA Patriot Act authorizes law enforcement authorities to communicate with financial institutions about suspected money launderers and terrorists.

A request for information under Section 314(a) (referred to as a “314(a) request”) will be made by FinCEN. Generally, the requests will be batched and issued every two weeks and the credit union will have two weeks to respond to the request. Searches will be limited to specific records and, unless otherwise noted, will be a one-time search.

Searches need only encompass current accounts and accounts maintained by a named subject during the preceding twelve (12) months, and transactions not linked to an account conducted by a named subject during the preceding six (6) months. Any record that is not maintained in electronic form need only be searched if it is required to be kept under federal law or regulation.

If the credit union identifies a match for a named subject, it should stop its search of accounts for that suspect and respond to FinCEN that it has a match and provide point-of-contact information for the requesting law enforcement agency to follow up directly with the credit union. We should not close the account or take any other action with respect to the account or transaction.

The credit union does not need to maintain the list of named subjects for the purpose of evaluating whether to open an account or to conduct a transaction, unless specific instructions accompanying the FinCEN request state otherwise. However, a log will be maintained by the compliance officer to indicate the date the lists were received and the date they were reviewed and if there were any matches to show verification of compliance with the lists.
The credit union is not permitted to disclose to any other person the fact that FinCEN has requested or obtained information, except to the extent necessary to comply with FinCEN’s request.

Appropriate documentation of the request and record search should be maintained for five years. We may use third party vendors to conduct these searches provided the vendor agrees to maintain the confidentiality of the process.

8) **Information Sharing with other Financial Institutions**

The credit union will not share information with other financial institutions and does not need to write a policy regarding this matter.

9) **Customer Identification Program**

Refer to our Customer Identification Program Policy for compliance with Section 326 of the USA Patriot Act

10) **Training and Monitoring For Compliance**

The Bank Secrecy Act compliance officer will conduct the necessary training in all aspects of the Bank Secrecy Act requirements for directors, officers, and appropriate personnel to include, but not be limited to: tellers, savings officers, loan officers, new account supervisors, managers, and assistant managers, as well as any internal audit staff on an annual basis. All new employees will receive BSA training during their initial orientation.

Each officer or employee will sign a statement that attests to their completion of a training session in the credit union’s policy and procedures for compliance with the regulations of the Bank Secrecy Act.

11) **Audit/Review**

The credit union’s board of directors will perform, or cause to be performed, an independent testing to verify its system of internal controls and test for ongoing compliance with BSA procedures, at least annually, on an irregular and unannounced basis. The board of directors may:

(1) Incorporate the monitoring of Bank Secrecy Act compliance procedures into its regular audit, or
(2) Conduct a separate review by the supervisory committee for Bank Secrecy Act compliance, or

(3) Hire a third party to ensure Bank Secrecy Act compliance.

Copies of the audit will be signed, dated and maintained for review by the NCUA examiners, with copies sent to management, the BSA compliance officer, the supervisory committee, and board of directors.

**IN GENERAL**, to assure the credit union’s compliance with the Bank Secrecy Act, all of the officers of the Board and all members of the credit union staff shall be ever watchful to recognize and report to the proper board or staff member any unusual cash activities or any other activity that may fall within the bounds of the Bank Secrecy Act, the Money Laundering Control Act of 1986, and any amendments or regulations.

Adopted ____________________________

Reviewed ____________________________

Reviewed ____________________________

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Reviewed ____________________________

Reviewed ____________________________

Reviewed ____________________________

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A. PURPOSE OF THIS POLICY

The Board of Directors of the BNA Federal Credit Union has adopted this Customer Identification Program (CIP) policy, as required by Section 326 of the USA Patriot Act. This CIP policy is effective immediately and is incorporated into our overall Bank Secrecy Act policy. This CIP policy will help our credit union detect and prevent money laundering and terrorist financing schemes.

BNA FCU understands that CIP requires the credit union to follow these basic steps when a member opens a new account or when a new member is added to an existing account:

- Provide a CIP disclosure
- Obtain basic information about the member
- Verify the identity of the member
- Check if a member appears on a government terrorist list
- Retain records for 5 years after the account has been closed

B. POLICY GOALS

- Verify the identity of any member opening a new account at BNA FCU
- Maintain records of information used to verify the identity of members opening new accounts for a period of 5 years after the account has been closed
- Cross-check names of members opening new accounts against lists of known or suspected terrorists/terrorist organizations provided by agencies of the U.S. government.
- Provide for internal procedures/controls to ensure ongoing CIP compliance by the BNA FCU staff
C. GENERAL PROVISIONS

1. Applicability

This CIP policy applies to:

a. Any new member opening an account at BNA FCU
b. Any new member added to an existing member’s account

EXCEPTION: This CIP policy does not apply to existing members of BNA FCU opening new accounts as long as:

- Existing member identity was previously verified
- Employee of BNA FCU has a reasonable belief that he or she knows the identity of the member

2. Member Notice

To our account holders and potential account holders:

In accordance with Section 326 of the USA Patriot Act of 2001, which requires the BNA Federal Credit Union to help the government fight the funding of terrorism and money laundering activities, BNA FCU is required to obtain basic identifying information from you and verify that information when you open a new account.

This means the BNA FCU staff will ask you for some basic information such as your name, address, date of birth, and other information designed to help us identify you. BNA FCU staff will also ask to see documents identifying you such as a social security card, driver’s license, passport, and/or some other government-issued document.

In some cases, identification will be requested for those individuals conducting business with BNA FCU prior to the effective date of the member identification requirements. This is because original documentation was not obtained with the opening of the account or BNA FCU is unable to form a reasonable belief that it knows the true identity of the existing account holder.

In all cases, protection of our member’s identity and confidentiality is the Credit Union’s pledge to you. BNA FCU appreciates your patience and understanding as we all do our part in complying with the new account identification procedures required by the federal USA Patriot Act of 2001.

Respectfully,

The Board of Directors, Staff and Members of the BNA FCU
Notice shall be given to new account owners in any of the following ways:

- Oral notice given to new account owners, in person or on the phone
- Notice posted in the BNA FCU Bulletin Board
- Written notice attached to the signature card

D. PROCEDURES

1) Opening a New Account – Collecting Basic Information

a. Any member who wishes to open a new account with BNA FCU must provide the following basic information BEFORE opening an account:

1. Name as it appears on the driver’s license, social security card, or other official document, such as birth certificate or passport
2. Date of Birth
3. Address, which shall be:
   a) For an individual, a residential or business street address;
   b) For an individual who does not have a residential or business street address, an Army Post Office (AP0) or Fleet Post Office (FPO) box number, or residential or business street address of next of kin or of another contact individual; or
   c) For a person other than an individual (such as a corporation, partnership or trust), a principal place of business, local office or other physical location.
4. Identification Number
   a) U.S. Persons:
      • Driver’s License
      • Passport Number
   b) Non-U.S. Persons (1 or more of these):
      • 9-Digit Individual Tax Identification Number
      • Passport Number & Country of Issuance
      • Alien Identification Card Number (Green Card)
      • Document Number & Country Issuing any “other” document

b. If the member is applying for a TIN/SSN or a card is not available, BNA FCU will accept a letter from the Social Security Administration
documenting that the card has been applied for or reissued. We will require the member to produce the card within three months time. In the case of an infant or adopted minor, identification numbers will be required from the parent(s) on the account. Minors without an identification number will be monitored on a monthly basis with Member Service Representatives contacting the parents each month until the card is produced at the credit union.

2) **Verifying Required Information – Methods Used**

When a new member opens an account, BNA FCU staff shall use both “document” and “non-document” methods to verify the identity of all new account owners. If an account is requested through the mail or by phone, it will not be opened until document information and a signed account card are received.

a. Document Identification includes requiring any of the following (listed in order of preference)
   - Unexpired Government Issued Drivers License
   - Unexpired Government Issued Identification Card
   - Passport
   - Employer Identification Card
   - Other National Identification Document
   - For person other than an individual (such as corporation, partnership, or trust)
     1. Certified articles of incorporations
     2. Government-issued business license
     3. Partnership agreement
     4. Trust instrument

b. Non-Document Identification includes any of the following:
   - Contact new member’s employer
   - Check references at other financial institutions
   - Contact new member’s family member
   - Compare member information against credit report, public database or other source
   - Obtain a financial statement
c. Additional verification for certain customers: Based on the credit union’s risk assessment of a new account opened by a customer that is not an individual, the credit union will obtain information about individuals with authority or control over such account, including signatories, in order to verify the customer’s identity. This verification method applies only when the credit union cannot verify the customer’s true identity using the verification methods described above.

3) **Special Circumstances – Lack of Verification**

   In situations where BNA FCU cannot form a reasonable belief regarding the identity of a new account owner (either due to lack of document identification or non-document verification) the staff at BNA FCU will:

   a. Open the account, but the member will only be allowed to perform the following transactions while the credit union attempts to verify the member’s identity:
      - Deposits
      - Withdrawals
      - Transfers
   
   b. If attempts to verify the member’s identity have failed, the account will be closed within 60 days of the date of opening.

4) **Comparison with Government Lists**

   BNA FCU will crosscheck the name(s) of any new member against any list of known or suspected terrorists or terrorist organizations issued by any Federal government agency and designated as such by Treasury in consultation with the Federal functional regulators. This determination will be made at the time the account is opened. BNA FCU will follow all Federal directives issued in connection with such lists. Any member whose name appears on any of the above-mentioned lists may not be permitted to open an account at BNA FCU.

5) **Record Retention**

   CIP requires BNA FCU to “make and maintain” a record of all identifying information received from new account owners for a period of five years AFTER an account is closed.
Record retention shall consist of a description of any document used to establish identity, to include:

- Type of document (e.g., driver’s license, passport)
- Any identification number on the document
- Place document was issued, expiration date of document

When using non-documentary methods to verify identity (e.g. credit report, calling employer), and requesting additional verification for certain customers, BNA FCU shall:

- Identify the non-document method used
- Document results of this verification method

When any substantive discrepancy is discovered when verifying the identifying information, a description of the resolution will also be maintained.

E. RESPONSIBILITY

The BNA FCU Manager will be responsible for implementing the CIP and will assume responsibility for ongoing compliance with the CIP.

F. TRAINING

All credit union personnel who might, in the daily course of business, open new accounts are to be given intensive training in the requirements of the CIP. Additionally, all employees will be given an overview of the CIP on an annual basis.

G. ANNUAL REVIEW

This policy will be reviewed by the Board of Directors on an annual basis.
INTRODUCTION

The Office of Foreign Assets Control (OFAC) of the Department of the Treasury administers and oversees a series of laws that impose economic sanctions against hostile targets to further U.S. foreign policy and national security objectives. OFAC is responsible for promulgating, developing, and administering the sanctions for the Treasury under eight federal statutes.

The OFAC laws and regulations promote national and international security by requiring asset freezing of: oppressive governments, international terrorists, narcotic traffickers, and other specially designated persons. It is the policy of the BNA FCU to comply with the requirements set forth by OFAC

SUMMARY OF OFAC REGULATIONS FOR CREDIT UNIONS

Credit Unions must monitor all financial transactions performed by or through them to detect those that involve any entity or person subject to the OFAC laws and regulations.

For most situations, a Credit Union should accept deposits and funds subject to OFAC regulations, but freeze the funds and accounts, so that absolutely no funds can be withdrawn (this is called “blocking”). However, a few situations require the Credit Union to reject the transaction or funds instead of accepting and blocking them. Exact regulations vary, in accordance with requirements imposed by the eight federal statutes and the specific sanctions. A detailed description of specific regulations for each program is available on the official OFAC website: www.treas.gov/ofac.

The compliance officer is responsible for overseeing compliance with the OFAC laws and regulations.

TRANSACTIONS SUBJECT TO OFAC

Every type of financial transaction allowed by BNA FCU policy should be reviewed for OFAC compliance including, without limitation, the following:
• Deposit accounts transactions
• Loans
• Lines of credit
• Letters of credit
• Wire transfers
• ACH transfers
• Depositing or cashing checks
• Purchase of money orders or cashier checks
• Loan payments
• Guarantors and collateral owners
• Credit Cards
• Trust accounts
• Safety Deposit Boxes

The names of all parties to a transaction should be checked against the list of names of individuals, entities, geographical locations, or countries that have been identified by OFAC. This includes, but is not limited to the following (as applicable):

• Beneficiaries
• Collateral Owners
• Guarantors / Cosigners
• Receiving Parties
• Sending Parties

COMPLIANCE PROCEDURES

1) Check Current and New Members

The Credit Union will check all of the names in its member database as well as each new member. The credit union will re-check its database every month.

If the name is determined to be a true match, appropriate action must be taken to block (or reject, if applicable) the transaction, and then file the appropriate report with OFAC. All accounts for the matched name should immediately be frozen and placed in a locked account, so that no funds can be withdrawn from these open accounts. In all cases, the compliance officer should be notified.
immediately. The name of the member and the transaction and account details will be needed to file the appropriate report.

2) **Specific Transaction Handling**

If the transaction is a *deposit*, the Credit Union is to accept the funds and immediately place the funds in a blocked account so that no funds can be withdrawn. This applies unless it is one of the few transactions that are to be rejected, in which case the Credit Union should refuse to take the funds and proceed with the transaction.

If the transaction is a *transfer* of funds (*by, through* the credit union), then the Credit Union is to accept the funds, but instead of transferring them put them into a blocked account so that no funds can be withdrawn. Again, this applies unless it is one of the few transactions that are to be rejected, in which case the Credit Union should refuse to take and proceed with the transaction.

In general, the member should be advised immediately of the blocking of the account or funds.

3) **Interest on Blocked Funds**

Any funds placed in a separate blocked account will collect reasonable commercial interest as mandated by OFAC regulations. This regulation applies regardless of whether it is the credit union’s policy to pay interest on these accounts or not.

4) **Maintaining Current OFAC Lists**

The Credit Union will monitor on an ongoing basis new announcements and changes to the entity listings as posted by OFAC. This will allow the Credit Union to make the appropriate changes to its compliance system. [www.ofaccompliance.com](http://www.ofaccompliance.com) monitors OFAC changes and provides a free data change notification service.

**SPECIAL LICENSING**

If a Credit Union wishes OFAC to consider releasing funds that have been blocked, it is possible to apply for a specific license. The Credit Union must provide certain information including, *without limitation*, the following:

- Name of the blocked entity/account holder
• Amount of blocked funds
• Date of blocking
• Copies of documentation related to the underlying transaction
• Documentation of the transaction
• Justification for the release of funds

IMPORTANT OFAC REPORTS

There are a number of important reporting requirements for OFAC. However, the three that are the most important are:
1. Any transaction that has been blocked or rejected must be reported by OFAC within 10 business days, from the date the property became blocked.
2. An annual report of all property blocked as of June 30 are due by September 30 of each year.
3. OFAC requires the retention of all reports and blocked or rejected transaction records for five years.

OFAC SUBMISSION REPORTS

Any transaction that has been blocked or rejected must be reported to OFAC within 10 business days.

Blocked Transaction Reporting Information

1. The Credit Union’s name and address (as holder of the account)
2. The name, title, and phone number of the person that OFAC should contact for further information regarding the transaction or account
3. Full information about the transaction including:
   a. Full name of the owner or account party
   b. A description of the property
   c. The location of the property
   d. Type of transaction, account, or description of the property
   e. Amount (actual or estimated)
   f. Date of transaction
   g. Date of report filing
   h. Status and location of the account
   i. Any information necessary to identify the property
4. Confirmation that the property has been placed into a clearly identifiable, new, or existing blocked account containing the name of (or interest of) the entity subject to blocking.

5. Name and phone number of the Contact Compliance Officer

6. A photocopy of any written instruction received concerning the transaction.

Rejected Transaction Reporting Information

1. Full information about the transaction including:

   a. Name and address of the Transferee Credit Union
   b. Date of transfer
   c. Amount of the transfer
   d. Basis for rejection

2. A photocopy of the payment and/or any transfer instructions received

3. Name and phone number of the Contact Compliance Officer at the Transferee institution.

In addition to a submission report, the Credit Union must also submit photocopies of any applicable transfer/payment instructions, and confirmation that the funds are placed in a clearly marked account upholding the name/interests of the entity subject to blocking.

DEMONSTRATING OFAC COMPLIANCE

To ensure compliance, the Credit Union will have a clear and thorough policy and procedure manual, educate and train employees accordingly, and possess an efficient, in depth compliance system that allows for the proper handling of all transactions and members.

In further demonstration of OFAC compliance, the Credit Union will maintain a list of all the false positive matches to help to identify other false positive matches in the future, and to help demonstrate that it is checking its current member lists and transactions for potential OFAC matches.
OFAC VIOLATIONS

If the Credit Union believes it may have violated OFAC laws or regulations we will contact the OFAC counsel immediately.

OFAC may take the following factors into consideration when determining whether to levy civil or criminal penalties for an OFAC violation:

1. The extent of the Credit Union’s compliance efforts.
2. The comprehensiveness of the OFAC compliance policies and procedures.
3. How the Credit Union monitors transactions for compliance with the OFAC regulations and laws. (e.g. what software it uses, etc)

Annual Independent Audit

An annual independent audit to verify this credit union’s system of internal controls and test for ongoing compliance with the OFAC regulation will be conducted by the supervisory committee. A written report of this audit will be signed, dated and maintained for review by the NCUA examiners, with copies sent, to the management, the BSA compliance officer, and the supervisory committee.

Paperwork Reduction Act Statement

The paperwork requirement has been cleared under the Paperwork Reduction Act of 1980. The Office of Foreign Assets Control of the Department of the Treasury requires this information be furnished pursuant to 50 U.S.C. 1701, and CFR Parts 500 to 600. This information collected will be used for U.S. Government planning purposes and to verify compliance with OFAC Regulations. The information will be held confidential. The estimated burden associated with this collection of information is 4 hours per respondent or record keeper. Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be directed to the Compliance Programs Division, Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220 and the Office of Management and Budget, paperwork Reduction Project (1505-0164), Washington, D.C. 20503. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by OMB.