CSKT
TRIBAL CREDIT POLICY MANUAL

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Tribal Credit Policy Manual

INTRODUCTION TO THE TRIBAL CREDIT POLICY MANUAL

TRIBAL CREDIT PHILOSOPHY

Tribal Credit was established in 1936[1] to provide loans and raise the social and economic status of Confederated Salish and Kootenai Tribes' members. The Tribal Credit Department still provides lending services to enrolled CSKT members with that premise in mind. Loan types include Personal, Home Ownership, Educational, and Commercial/Business. All secured long-term loan requests are reviewed by a three-person committee who are selected by the Tribal Council.

MISSION STATEMENT

Tribal Credit's mission is to enhance the social and economic well-being of CSKT membership by providing fair and accessible loans through a sustainable revolving fund. We focus on supporting underserved members who lack access to conventional lending.

PURPOSE

The purpose of the "Tribal Credit Policy Manual" is to provide a comprehensive framework that guides the administration and management of the Credit Department offered by the Confederated Salish and Kootenai Tribes.

OBJECTIVE

This manual is crucial for several reasons:

1. **Regulatory Compliance**: By clearly defining policies, the manual ensures that all program activities are compliant with tribal laws, federal regulations, and financial best practices. This compliance is essential for maintaining the integrity of the program and for protecting it against legal and financial risks.
2. **Governance and Oversight**: The manual outlines the governance structure of the Credit Department, detailing roles, responsibilities, and accountability mechanisms. This structure supports effective oversight, enabling proactive management of the program's resources and obligations.
3. **Training and Reference**: For new and existing Committee members, Council members, and Tribal Credit staff, the manual serves as a training guide and a reference tool that facilitates onboarding and ongoing professional development.
4. **Transparency and Trust**: Providing clear and accessible information about how the Credit Department operates fosters transparency. This transparency is instrumental in building and maintaining trust among tribal members, stakeholders, and regulatory bodies.

ANNUAL REVIEW OF THE TRIBAL CREDIT POLICY MANUAL

The annual review ensures that the Policy Manual remains current, relevant, and effectively aligned with both the strategic goals of the tribe and evolving regulatory, economic, and technological environments. The review process

[1] CSKT Tribal Council Minutes, 010236 Council Minutes.pdf, 051536 Council Minutes.pdf, 080736 Council Minutes.pdf

may coincide with the first quarter of the fiscal year of the tribe, facilitating integration with budgeting processes and strategic planning cycles starting in the third quarter.

AUTHORITY & LEGAL STATUS

ESTABLISHMENT

The CSKT Tribal Credit ("Program") is a tribally owned and operated component unit of the Confederated Salish, Ql̓ispé, and Ksanka Nations (CSKT), established in 1936[2] under the inherent sovereign authority of the Tribes.

GOVERNING LAW

This Program is governed by:

- CSKT Constitution and Bylaws.
- CSKT Tribal Codes and Ordinances.
- CSKT Credit, Finance, and Judicial Codes (as applicable).
- Applicable Tribal Court Rules and Orders.
- Tribal law governs exclusively, unless expressly waived by Tribal Council.

JURISDICTION

All loan agreements:

- Are deemed entered into within CSKT jurisdiction.
- Are enforceable through the CSKT Tribal Court.
- Require borrower consent to Tribal Court jurisdiction for enforcement and default proceedings.

POLICY FRAMEWORK

CORPORATE CULTURE

Core Values and Standards

- **INTEGRITY** is established with transparency (documented decisions), consideration, and fairness.
- **SERVICE** is marked with honesty, confidentiality, timely communication, professionalism, procedural awareness, and compliance.
- **DILIGENCE** is shown by strength of character in support, cooperation, consistency, accurate underwriting, and consistent enforcement.
- **KNOWLEDGE** is gained through sharing facts and experience and building upon education and training. It cannot stand on its own but needs **integrity, service,** and **diligence** to be helpful.

[2] CSKT Tribal Council Minutes, 010236 Council Minutes.pdf, 051536 Council Minutes.pdf, 080736 Council Minutes.pdf

OBJECTIVES

Viability of Loan Program: Provide reasonable loan terms to economically benefit CSKT Members and build capital reserves for the Revolving Loan Program.

Economic Development: Strengthen the reservation economy by lending to CSKT Members, enhancing the earning power of individuals and businesses.

Improve Housing Needs: Loans to enable homeownership, enhance housing quality, increase pride of ownership and raise community standards across the Reservation.

Improve Access to Education: Support educational advancement for Tribal members to boost their earning potential and contribute to the economic expansion of the community.

Bridge Lending Gaps: Provide loans to tribal members who are unable to use traditional or conventional lending and help the borrowers gain access to such lending for future borrowing needs to advance their economic status.

SCOPE

This operations plan supersedes all previous policies and plans of operations for the Tribal Credit program. It applies to all operations within the Credit Department for the Confederated Salish and Kootenai Tribes of the Flathead Nation, ensuring the use of funds for credit purposes and program operation is aligned with tribal goals.

RESOLUTIONS AND AMENDMENTS

The Credit Policy Manual may be amended, at the request of the Tribal Credit Department Manager. The proposed amended policy manual shall be submitted in its entirety, with a draft resolution for adoption, to the Tribal Council at a regularly scheduled meeting, for consideration. Amendments approved by Tribal Council shall become effective upon approval of resolution, with the intended amended policy nullifying and replacing all former versions, so as to eliminate confusion related to prior policy. (Existing contracts and decisions prior to adoption of new policy will stand according to the policy existing at the time of agreement.)

GOVERNANCE & ROLES

CREDIT COMMITTEE

The Credit Committee was established at the onset of the program in 1936 and recently formalized by charter[3] with support of CSKT Bylaws and resolutions. The committee is classified as an advisory body to recommend and direct actions regarding business items accomplishing loan management (especially secured loan approval and delinquency management). It reviews long-term credit lending activities and education loans requested in amounts exceeding personal loan limits and potentially warranting additional security. Committee members are appointed by official action of the CSKT Tribal Council. The committee is comprised of three members, with an alternate member available to serve in the absence of a committee member. Members of the Tribal Council cannot be appointed to the committee.

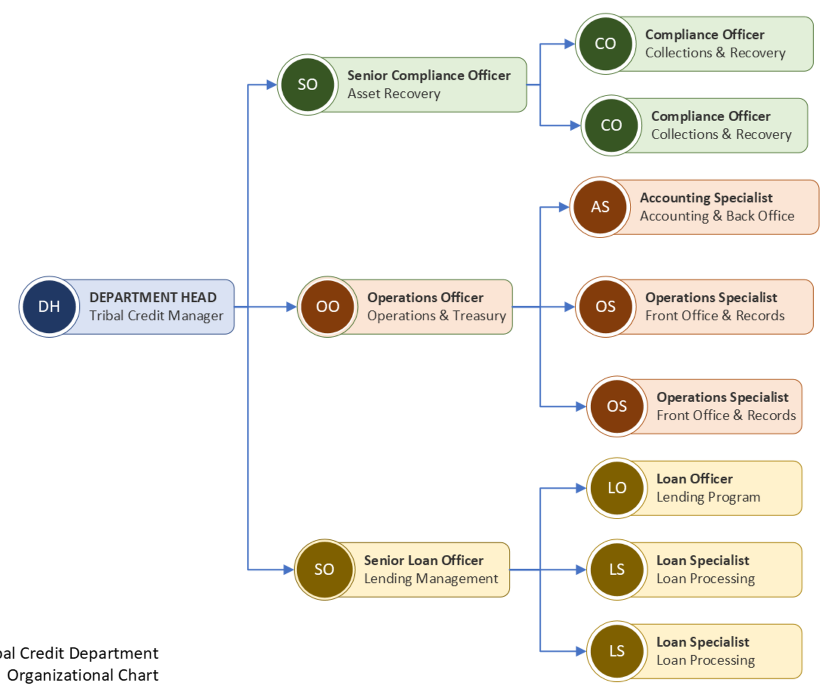
[3] Tribal Credit Committee Charter, Addendum 1.0

DEPARTMENT OR PROGRAM DESIGNATION

The program has had a variety of governance formats, having been initially a committee of Tribal Council representatives advised by executives of the newly formed tribal government. It has operated as a department and as a program. It is presently a department with unique attributes of a "discrete component unit". This classification indicates a legally separate organization that serves the purposes of the government, with distinct financial reporting needs to account for its business-like form and function. While it is legally separate, it shares the federal tax identification number and the non-profit status, such as a component of the governing body with associated limited sovereign immunity, which is in effect unless waived by the tribal governing body. The department/program is not a tribal corporation and not a standard department, and most properly reflects a TRIBAL MEMBER LENDING SERVICE enterprise fund, for which the CSKT is financially responsible, but the enterprise is self-sustaining with a budget derived from interest income revenues, managed investment funds, and related loan administration fees.

The CSKT Ordinance, 69D (as amended) governs the program's human resources. Personnel are managed according to the ordinance. The organizational structure and annual operating plan and budget is approved by the CSKT governing body or designee. Presently it is led by a Department Head who reports to an Executive Director. The Department Head manages three divisions to accomplish the annual operating plan: Lending, Lending Services & Finance, and Compliance. The Department Head and division managers schedule Credit Committee meetings and report relevant business items and carry out directives of the committee, specific to the business items. Other business reports are provided to the Executive and the Tribal Council for accountability to the annual operating plan and related policy and procedures.

Organization structure is shown in the following graphic.



CSKT Tribal Credit Department
Organizational Chart

Approved by CSKT Resolution # ______
Dated __________

CREDIT COMPLIANCE REVIEW TEAM

In addition to the Credit Committee, established by the CSKT Tribal Council to support managing secured loans, the Credit Department shall form and utilize a Credit Compliance Review Team comprised of the Department Head, Compliance Officer, and the Lending Services/Financial Operations Manager, to assist with managing unsecured loans. The role of this team is to receive recommendations from Collections staff regarding non-performing loans which have transgressed to the extent of uncollectible. The action of the Credit Compliance Review Team will determine whether the loan is in fact uncollectible according to the methods of collection attempted and whether the loan should therefore be written off and turned over to the Collections & Recovery Officer for legal collections.

CONFLICT OF INTEREST

From time-to-time, Credit Department and its employees may encounter situations that would involve a conflict of interest between the individual officer or employee and the Credit Department. For purposes of this Loan Policy, a conflict of interest shall be a situation that would influence the judgment of an agent representing Credit Department. The following guidelines should be considered in connection with possible conflicts of interest which could arise between an agent and a customer:

- Under no circumstances should a loan officer make a loan to themselves or a member of their immediate family which shall include spouses, children, (grand)parents, brothers and sisters and spouses of such persons. Any loan request from such persons should be referred to the CREDIT DEPARTMENT HEAD or his/her designated superior who will subsequently make the credit decision or designate a particular officer to service such account.
- Under no circumstances shall the Credit Department staff extend credit to a director, officer or fellow employee on terms more favorable than those to other customers under similar circumstances.
- Under no circumstances shall the Credit Department staff actively participate in a business venture with a customer or supplier without prior approval of the CREDIT DEPARTMENT HEAD or his/her designated superior. Passive participation shall also be fully disclosed and approved, in advance. If a business engagement pre-existed this policy, disclosure, approval, and exceptions shall be sought, documented, and monitored with the intention that any renewal or extension of a contractual engagement receive appropriate review and action.
- Credit Department staff shall comply with all other CSKT policies including but not limited to safeguarding customer information.

BORROWER ROLES, DEFINITIONS & DISTINCTIONS

ELIGIBLE BORROWERS

- Enrolled CSKT members.
- Members residing on or off reservation.
- Members residing outside the United States (subject to additional risk review).

PRIMARY BORROWER

- The Primary Borrower is the individual who receives the loan proceeds and is primarily responsible for repayment under the terms of the loan agreement. Tribal Credit serves enrolled tribal members, who are primary borrowers, minimum age of 18.

CO-BORROWER

- A Co-Borrower applies jointly with the Primary Borrower and shares equal qualification criteria and equal responsibility for the loan. The Co-Borrower signs the promissory note and is equally and fully liable for repayment. Either borrower may be pursued for repayment, partial or full, in the event of default. Tribal Credit accepts close relatives such as spouses, parents, children as eligible co-borrowers, regardless of tribal enrollment status, minimum age of 18.

CO-SIGNER (GUARANTOR)

- A Co-Signer agrees to guarantee repayment of the loan if the Primary Borrower fails to meet their obligation. The Co-Signer does not receive loan proceeds, and his or her borrowing eligibility is fully evaluated. Co-Signer signs the promissory note, and is fully liable upon borrower default, with no ownership interest or benefit from the loan. Tribal Credit accepts close relatives such as spouses, parents, children as eligible co-signers, regardless of tribal enrollment status, minimum age of 18.

LOANS TO MINORS/INELIGIBILITY

- Persons who are incapable of entering into valid contracts because of age, incapacity, or any other reason solely determined by the Credit Committee, shall be ineligible for loans. However, education loan applications from Tribal Member minors may be approved if supported by eligible co-signers.

FINANCIAL MANAGEMENT STRATEGY

OBJECTIVE

This section delineates the financial management practices necessary to uphold the Tribal Credit Department's commitment to robust fiscal health and operational stability.

RESERVE REQUIREMENTS

- **Minimum Reserve Requirement:** At a minimum, reserve levels shall be equivalent to one year of projected operating expenses, plus an additional 5% of the total assets loan portfolio.
- **Primary Reserve Goal:** The primary goal is to build reserves to hold 10% of total assets.
- **Long-Term Investment Strategy:** To achieve the primary reserve goal and ensure long-term financial health, 15-20% of monthly net profit (when possible) shall be transferred into long-term investments. The ultimate aim is to maintain 10% of total assets in long-term investments while ensuring sufficient liquidity for day-to-day operations.

BUDGET AND LENDING CAPS

- **Annual Budget Cap:** A cap on the total amount of funds available for lending each year will be set, based on the Program's financial health, reserve levels, and strategic goals. This cap helps manage risk and align lending activities with available resources.
- **Lending Cap:** Operating strategies outlined in the annual operating plan shall establish the lending cap on each loan type to provide for responsible and sustainable loan portfolio management.
- **Ceasing Lending Activities:** If the reserves fall below the designated Minimum Reserve Requirement, lending activities may be temporarily suspended to safeguard the Department's financial stability. Activities will resume once reserves are adequately restored.
- **Quarterly Review:** Reserve adequacy will be assessed quarterly by the financial management team to ensure ongoing compliance with these guidelines.
- **Transparency and Reporting:** Outcomes of reserve reviews, as well as any adjustments to lending caps or temporary suspensions of lending activities, will be reported to the Credit Committee and documented in the annual financial statements to maintain transparency.

LOAN PORTFOLIO MANAGEMENT

Periodic and regular review of the loan portfolio shall result in management decisions which may change the loan types and terms available to borrowers. These decisions will be based on industry best practices, financial trend analysis, and CSKT priorities. Tribal Credit Department Head has authority to determine the loan portfolio management objectives and shall report decisions and outcomes to maintain transparency and diligence. The primary objective of loan portfolio management is sustainability of the program and continued service to the membership, as well as responsible stewardship of the program funds. See LOAN TYPES & RATES Addendum 2.0[4], which is taken from the Tribal Credit Operating Procedures, section LOAN PORTFOLIO MANAGEMENT.

LOAN PRODUCTS

- Mortgage and housing-related loans, including First Time Home Buyer (FTHB).
- Secured Commercial loans.
- Personal (consumer) loans.
- Personal (education) loans.
- Other approved member loan products (see policy addendum).

CASH MANAGEMENT

The Tribal Credit Department's Cash Management policy is designed to preserve capital, minimize financial risks, and ensure sufficient liquidity for continuous operations. The details are outlined as follows:

DEPOSIT ACCOUNTS AND SIGNATORY AUTHORITY:

Creation of deposit accounts and signatory authority will be authorized with a CSKT Tribal Council Resolution, managed under the direction of the Credit Department Head.

INVESTMENTS:

The Credit Department reserve funds are managed under the direction of the CSKT Director of Financial Management, governed by the approved investments policy of CSKT. Reserve deposits and draws are initiated by the Credit Department Head.

IMPROVING LIQUIDITY THROUGH THE SALE OF SELECT PERFORMING LOANS:

To enhance liquidity, mitigate risk exposure, and optimize financial operations, the Credit Department will implement a strategy for selling select performing loans to local banking institutions. The core elements of this strategy include:

- Packaging performing loans to sell at a discounted rate to increase capital availability.
- Reducing overall risk exposure through strategic divestment of loan assets.
- Enhancing the Credit Department's capacity to support a greater number of tribal members through improved financial flexibility.

[4] Addendum 1.0 - this addendum is for sample purposes and does not reflect the current loan portfolio management strategy. For current strategy reference, see TRIBAL CREDIT OPERATING PROCEDURES.

LIQUIDITY & CREDIT RISK MANAGEMENT:

ALTERNATIVE FUNDING SOURCES

The Tribal Credit Department is committed to financial stability. To uphold its mission of providing continuous support for economic health, the Department must remain financially viable under all circumstances. In periods when the Tribal Credit reserves are insufficient to sustain its operations and services, the Program is authorized to actively pursue alternative funding sources. This includes seeking grants, endowments, contributions from tribal funds, and government funding, among other potential revenue streams. This approach will ensure that the Program remains robust and capable of meeting the community's needs without interruption.

ALLOWANCE FOR LOAN LOSSES

Tribal Credit recognizes the importance of accuracy in reporting current assets (liquidity), making the allowance for loan losses calculation an important part of monthly adjustments to balance sheet accounts. Presently, Tribal Credit applies a risk factor (probability) value to a percentage of the aged loans, with the highest probability and percentage on the 90-days-plus delinquent unsecured loans in the portfolio. The smallest probability and percentage is applied to the 30-89-days delinquent secured loans. This treatment satisfies the CECL method required by ASC 326, FASB. The method of estimation should be consistently applied and any change should be well documented in the financial records and reporting.

NON-PERFORMING LOANS

This policy aims to establish guidelines for handling past due and delinquent accounts to promote uniformity and efficiency in the Credit Department's collections area. The principal goals of the policy are to minimize losses, maximize personnel time, provide timely reports to the executive branch, and provide personnel with guidelines for appropriate customer service in all circumstances.

Borrowers in arrears will be given immediate notification when a regularly scheduled payment is past due. Loan Servicing staff members will deploy a variety of communication methods to warn the borrower of potential default. If initial collection efforts fail to bring the loan back to good standing, within a prescribed time, collection activity will be stepped up in accordance with the policy. Full compliance with all relevant laws is required.

DEFAULT & NONMONETARY DEFAULT

Default occurs when a borrower fails to meet their financial obligations, such as making timely loan repayments. Nonmonetary default, on the other hand, occurs when a borrower fails to meet their obligations that are not directly related to repayments. These could include unauthorized use of loan funds, insurance lapse, security depletion, death, abandonment, and conversion, among others.

In the occurrence of default or nonmonetary default, the Credit Department will take necessary action to mitigate risks and losses. This may include contacting the borrower, assessing their financial situation, restructuring agreements, calling the note due, or initiating foreclosure.

It is important for the Credit Department to maintain clear policies and procedures for addressing defaults and nonmonetary defaults to ensure transparency, accountability, and compliance with lending standards and regulations. These policies should aim to prevent defaults and minimize losses to the program and borrowers while enabling efficient and effective collection of debts

DEFAULT PREVENTION

Communication is key. Tribal Credit staff will assist borrowers in understanding how to maintain compliance and how to prevent default to the greatest extent possible. Borrowers must realize they bear ultimate responsibility for the debt obligation and Tribal Credit bears ultimate responsibility to minimize loss for the loan program.

- Borrowers are encouraged to communicate any expectation they may have difficulty meeting their obligations at the earliest possible time in order for solutions to be sought by cooperating with Collections and Compliance staff members who are trained for such services.
- If the borrower makes efforts in paying on loans, the Credit Department Head or the Credit Committee may agree to a restructuring agreement or extension justification. Personal loans are under authority of the Department Head and secured loans are under authority of the Credit Committee.
- In case of nonmonetary default, such as unauthorized use of loan funds, insurance lapse, security depletion, death, abandonment, conversion, etc., notice of default is mailed, and the borrower is given 30 days to take corrective action.

DEFAULT NOTICE SCHEDULE

The following outlines the schedule of default notices in the event of loan delinquency:

Reminder notices: Borrowers in arrears will be contacted by phone or mail with reminder notices along with monthly statements.

30 days past due: A borrower-default notification will be mailed, and credit staff will contact the borrower by telephone. A meeting may be scheduled within 15 days of the notification, during which the borrower may be asked to provide a summary of current income and expenses. Attempts to schedule a meeting, reasons for delays, agreements reached, and actions taken will be documented in the borrower's file. The credit staff will present a report on the delinquency and prospective plan to the Credit Compliance Review Team comprised of the Department Head, Compliance Officer, and the Loan Servicing Manager.

60 days past due: If no meeting has been held or if meeting results are inconclusive, a second default notification will be mailed when the account reaches 60 days past due.

- Credit Department will attempt mediation prior to initiating judicial remedies such as foreclosure, wage garnishment, or involuntary per capita hold.
- A plan for correcting the default will be put in place. Failure to comply with the plan shall reactivate the default proceedings at the point of notifications when the correction plan was initiated (i.e. If at 60 days the correction plan is initiated and at 95 days past due, the correction plan terms have not been kept, the 90 days-notice will be immediately issued.)

90 days past due: At this time, the loan will be placed in non-compliance status, moved from the accrual loans category and submitted to COMPLIANCE DIVISION for legal actions. Collection activities utilized by the Compliance Division may include foreclosures, wage garnishments, per capita holds, and deed in lieu of foreclosures, as well as other common and legal means, including but not limited to the following:

- Notice of Intent to Foreclose on mortgage loans will be sent to the borrower(s).
- Filing a complaint in the Tribal Court to initiate legal proceedings and provide borrowers due process.
- If a borrower fails to participate in the judicial process, a motion for default judgement may be filed.

- For any delinquent loan(s), court-ordered collections such as wage or bank garnishments may be requested.

FORECLOSURE PREVENTION LOAN

Borrower members may have the opportunity to refinance their delinquent loan to bring current and help reduce payment amount, if possible. The loan shall be based off the ability to repay.

Borrower may qualify for immediate assistance of foreclosure prevention. When a foreclosure prevention loan is established, the borrower must satisfy the debt prior to being considered for any additional loans. The reason for the limitation is to support a “foreclosure prevention” scenario. Exceptions may be considered when the borrower presents new information showing sustainable and favorable financial conditions.

The Foreclosure Prevention Loan is a final attempt to assist the borrower to maintain ownership of the pledged collateral asset. While Tribal Credit staff may recommend the prevention loan, it is not automatically generated, nor is it required or guaranteed. The Foreclosure Prevention Loan is an instrument designed as a “stop-gap” to foreclosure proceedings. When the terms of the Foreclosure Prevention Loan are not kept by the borrower, the stop gap is removed, and foreclosure proceedings persist.

Ability to repay will remain the priority consideration. Origination fees and administrative fees will apply and may be waived by the Credit Committee, if it is essential for meeting the DTI requirement. The interest rate will be according to the approved interest rate schedule at the time the loan is written.

WAGE GARNISHMENT POLICY

The Credit Department may pursue wage garnishment, where a portion of the borrower’s wages (up to one month’s payment plus one month’s interest due) is withheld by the borrower’s employer. The borrower will receive written notice detailing the process, amounts owed, and their rights before any legal action is taken. The Credit Department will strictly adhere to all applicable laws, maintain open communication with the borrower, and regularly review the effectiveness of this strategy.

BANKRUPTCY, FORECLOSURE, AND DEFAULT

Any applicant that has filed bankruptcy will be requested to verify that he/she has established a good payback history for a three-year period from the date of Final Order from the Bankruptcy court, before a loan can be considered. If applicant has filed for bankruptcy within a three-year period, they shall not be eligible for a loan until final order from bankruptcy court is noticed. Any applicant that has had foreclosure or default action taken against him/her, may be requested to verify that he/she has established a good payback history for a three-year period, from the date of the Final Order, before a loan can be considered.

LOAN WRITE-OFF POLICY

The Credit Department maintains a policy for managing uncollectable loans through write-offs. This policy complies with fiduciary and legal requirements under generally accepted accounting principles (GAAP) by ensuring the accurate presentation of loan and interest receivables, allowance and loss reserves, and bad debt expense. In addition, it clearly distinguishes between performing and non-performing loans, identifies borrowers classified in the highest risk category, and outlines management’s strategy for stratifying these high-risk loans to maximize capital recovery, including the use of legal professionals, where appropriate.

<u>Write-Offs of Unsecured Debt</u>

Collections and Loan Servicing staff shall recommend a loan be placed in a non-accrual status when unsecured debt which has been declared in default, has failed to result in a repayment plan which is robust so as to bring the loan current within 180 days, or has failed to provide additional security, such as a per capita assignment, that will supplement monthly payments so as to bring the loan current within 360 days.

In addition, loans must be reclassified as non-accrual when any of the following occurs:

- Death of note holder when there is no surviving co-borrower.
- Upon receipt of a bankruptcy order stating the debt has potential for discharge.
- Upon expiration of the 90-day redemption period for a repossession.
- Before liquidation of any collateral under the requirements of demand letters.

Once a loan is Written Off (changed to non-accrual), no further advances may be made to that borrower or any co-borrower or co-signer, and the loan will be classified as "substandard" or "doubtful" depending on the relationship between balance, net collateral value and probability of collection.

- Upon the conclusion of collection efforts for unsecured loans, the Credit Department may write off the uncollected principal and interest from the loss reserves. This action does NOT stop the recovery of debt. It initiates the change from interest accrual loan to non-accrual loan (for accounting purposes) and places the borrower into the sub-standard loan category, which reflects highest risk. This prevents the borrower from receiving additional services, either as primary borrower, or as co-borrower or co-signer. The borrower will be impacted for as long as the debt is owed, and potentially for a period of time after the debt is paid.
- Loans designated for Write-Off will be removed from the active loan accounts and held in an Accounts Receivable account and will not bear interest. However, the Credit Department will still act to collect the debt from the member borrower, as the borrower owes the debt until it is paid off, settled, or discharged in bankruptcy proceedings.
- The remaining balance of the unliquidated debt in the loan account reverts to the Write-Offs. The Compliance Officer will attempt to recover the remaining balance of the liquidated mortgage, which is now unsecured debt, by pursuing a Court Order to collect residual from the borrower as an unsatisfied judgment.

LOAN FORGIVENESS POLICY

- In extreme instances, the Credit Department may exercise a FORGIVENESS of uncollectable/bad debt. These loans cannot be collected or are unreasonably difficult to collect due to reasons such as collateral diminishment or unresolved probate of a (federal) trust estate.
- FORGIVENESS applies to borrower debt discharged by Bankruptcy Court order.
- FORGIVENESS may also be determined to best serve the program for reasons of liability or cost-benefit.
- FORGIVENESS is a serious action that impacts the lender and the borrower. It also is highly monitored for fiduciary compliance so as not to be used for matters that could be considered a CONFLICT OF INTEREST or FRAUDULENT BEHAVIOR of the fiduciary. Therefore, it is not to be mandated by the owner or non-managerial stakeholders of the company. FORGIVENESS shall be strictly policy driven with consequences.
- FORGIVENESS of debts are subject to 1099-C Reporting, according to the Internal Revenue Service Code.

- An exception to this policy was initiated in 2022 when the Tribal Credit Department agreed to WORKFORCE FORGIVENESS for EDUCATION LOANS, and ELDER EDUCATION LOANS. See Addendum 3.0[5] for details of this practice. Workforce Forgiveness is subject to I.R.S. income reporting, and shall not indicate a higher risk borrower for future loan consideration.
- Credit Department procedures will guide the eligibility of borrowers whose non-compliance previously warranted a write-off/forgiveness. The reasonable expectation is there will be a stringent review of the borrower's financial status due to the history of highest risk borrower behavior. This may prevent future borrowing privileges.

ESCROWS

The Credit Department does not engage in traditional escrows, at this time. Funds held in escrow by the Credit Department refers to a suspense account for the member borrower to track funds awaiting to be expended for approved loan transactions or in the case of an overpayment that is awaiting refund procedures and various administrative purposes, such as loan servicing fees or collection fees.

INTEREST RATE MANAGEMENT

GENERAL APPROACH TO INTEREST RATE DETERMINATION:

- Interest rates for all Credit Department loans are reviewed and set periodically by the CSKT Executive Director and the Credit Department Head, based on the fiscal year (October 1-September 30).
- The Credit Department will have a fixed base rate established according to nationally recognized benchmark. (**For example**, the base rate might be the WSJ Prime rate, and our spread rate might be 1.50%. WSJ Prime for 30-year fixed mortgage might be 6.20%, making Tribal Credit rate for 30-year fixed mortgage 7.70%. The rates will be established by a committee analyzing local rates for similar products to determine the +/- formula for rate determination.)
- As a Tribal Credit institution with limited capital, our rates may be higher than conventional lenders.

JUSTIFICATION FOR HIGHER RATES:

- The Tribal Credit Department is a private lending institution with limited capital.
- Tribal Credit does not report to credit reporting agencies, and a large segment of our (personal) loans are awarded without the support of credit report scoring, which is a conventional standard for lending decisions. This model places the loan activity in a higher risk environment, which also requires greater operational and collections/compliance expense to manage the loan portfolio.
- Tribal Credit does not utilize conventional lending risk mitigation tools such as credit life insurance policies for unsecured personal loans. This loan type is supported by a "Credit Life Fee" or Administrative Fee designed to offset unsecured loan loss, which results in limited recovery of receivables and elevated risk of loss.
- Tribal Credit's primary borrower may not have commercial grade credit, which results in higher risk.

[5] Addendum 3.0 - this addendum is for sample purposes and does not necessarily reflect the current WORKFORCE FORGIVENESS guidelines. For current guidance, see TRIBAL CREDIT OPERATING PROCEDURES.

- As a result of the conditions mentioned above, interest rates may be higher to ensure the sustainability and financial health of the program.

CURRENT RATES:

Interest rate determination is closely associated with loan portfolio management (Section, FINANCIAL MANAGEMENT STRATEGY). See LOAN TYPES & RATES Addendum 2.0[6], which is taken from the Tribal Credit Operating Procedures, section LOAN PORTFOLIO MANAGEMENT.

COLLATERAL AND SECURITY POLICY

The Credit Department prioritizes secured lending to mitigate risk and ensure loan repayment. This priority is reflected in the budget and lending caps reflected in the annual operating plan (see Section, FINANCIAL MANAGEMENT STRATEGY). All loans, except for unsecured personal and education loan products, must be backed by sufficient collateral or security. The following outlines acceptable forms of collateral and security, along with any specific requirements or exceptions:

ACCEPTABLE COLLATERAL/SECURITY TYPES:

1. **Co-signers:** For loans where the primary borrower's qualifications are insufficient, a co-signer can act as a guarantor, assuming responsibility for the loan if the primary borrower defaults. (See section, Borrowers Roles and Definitions).
2. **Co-borrowers:** Joint applicants on mortgage loans share the responsibility for the loan and property, potentially allowing for lower rates and higher loan amounts. (See section, Borrowers Roles and Definitions).
3. **Voluntary Per Capita Assignment:** Tribal members can voluntarily assign per capita payments to supplement loan repayments. This assignment can be released if the borrower presents ability to pay with other income and remains current on the loan. Unless otherwise instructed, the assignment will be considered 100% of the per capita distribution.
4. **Involuntary Per Capita Assignment:** For delinquent loans, the Credit Department may seek a legal assignment of the borrower's per capita payments to supplement repayment, which does not release the delinquent borrower from other forms of repayment agreements to comply with loan terms. This judgement may be released, at the discretion of Tribal Credit, if the borrower presents ability to make regular monthly payments not including the per capita payments and remains current on the loan for a minimum of 3 years. Unless otherwise instructed, the assignment will be considered 100% of the per capita distribution.
5. **Real Property:** Loans may be secured by mortgageable property within the Flathead Indian Reservation. Real property mortgages may include leasehold mortgages. All real property mortgages are backed by Promissory Notes and recorded in the appropriate records and titles branch of the associated jurisdiction.
6. **Business Equipment:** Loans can be secured by first position on business equipment with a Montana security lien, subject to Credit Committee approval and providing detailed information about the equipment.

[6] Addendum 1.0 - this addendum is for sample purposes and does not reflect the current loan portfolio management strategy. For current strategy reference, see TRIBAL CREDIT OPERATING PROCEDURES.

7. **Other Collateral/Security:** The Credit Committee may approve other forms of collateral if they are legally acceptable and deemed sufficient to secure the loan, and if the administration and management of the form of collateral aligns with Tribal Credit loan servicing capacity.

COLLATERAL/SECURITY REQUIREMENTS AND EXCEPTIONS:

- **Undivided Interests:** Undivided interest shares in trust property cannot be used as collateral.
- **Purchase of Unrestricted (Fee) Real Property:** Requires an up-to-date title insurance policy showing marketable title and an appraisal at the expense of the borrower, not older than two years.
- **Purchase of Restricted (Trust) Property:** Requires an up-to-date Title Status Report from the Bureau of Indian Affairs (BIA) showing marketable title and an appraisal at the expense of the borrower, not older than two years. All restricted property used as security must be approved by the BIA.
- **Partial Release of Mortgage:** May be considered if sufficient collateral remains to secure the remaining debt. Estimates of value or appraisals at the expense of the borrower, will support such requests.
- **Second Lien Subordination:** Tribal Credit does not take a second lien position as security for a loan.

APPRAISAL REQUIREMENTS

QUALIFIED APPRAISERS

1. All appraisal reports shall be prepared by qualified individuals who hold a current Certified General Appraiser license in the state where the property is located and are in good standing.
2. Appraisers must meet the qualifications outlined in the Uniform Standards of Professional Appraisal Practice (USPAP).

APPRAISAL REQUIREMENTS FOR DIFFERENT PROPERTY TYPES

Fee Simple Properties:

- **Purchase/Finance:** An appraisal is required to determine the fair market value of the property, including both land and improvements.
- **Refinance:** A new appraisal is required if the refinancing involves financing more than the original loan amount.
- Any home refinance for a property that is 10 years or older may require an inspection report (by a licensed inspector) to ensure the asset is maintained. If the inspection report shows deterioration of the structure, loan proceeds must first be used to fix the asset before any other use.

Individual Trust Properties:

- **Purchase/(Re)Finance:** A **yellow book appraisal** is required to determine the fair market value of the entire property (land and improvements). This is necessary for establishing a fair purchase price or comprehensive value of a first-time financing of borrowers' owned properties. (Federal requirements for trust land management guides the appraisal requirements.)

Leasehold-Trust or Leasehold-Fee Mortgages:

- **Purchase/Finance/Refinance:** A **cost approach appraisal** may be used, focusing on the value of the improvements (e.g., the house, garage) on the land, excluding the land value itself (which is leased rather than owned and not factored into the borrowers owned assets), or an estimate of value by a qualified professional. This provides a current estimate of value and equity position of the borrower.
- For new construction or placement of existing improvements for which a cost can be determined by qualified estimates and invoices, the Credit Committee may approve the documentation in lieu of a full appraisal.
- A new appraisal is required if the refinancing involves financing more than the original loan amount; if the lease term is being extended requiring a new lease and therefore a new leasehold mortgage.
    - Any home refinance for a property that is 10 years or older may require an inspection report (by a licensed inspector) to ensure the asset is maintained. If the inspection report shows deterioration of the structure, loan proceeds must first be used to fix the asset before any other use.

Commercial/Business Loans:

- **Purchase/Finance/Refinance:** Appraisals by a licensed commercial appraiser is required for most commercial/business (agricultural) loans in order to fairly assess the market value of assets (accounts, receivables, inventory) and the factors which support profitability. The Credit Committee has the latitude to use other forms of value assessment, as they feel qualified or comfortable to assess. Other forms may include business financials, Schedule A or Schedule C or Schedule F reports prepared by a Certified Public Accountant or Certified Tax Preparer for the purpose of filing with the Internal Revenue Service (IRS). The number of years reported will be a minimum of three years, whether business or personal filings.

FEES, INSURANCE AND TAXES

ADMINISTRATIVE OR OTHER FEES

Administrative fees will be determined by the Credit Department Head or Credit Committee and may change without notice. Administrative fees are **not** the same as ORIGINATION fees. Administrative fees may be assessed at the time of the loan origination to offset additional expenses which may be incurred to close the loan or when loan servicing reveals additional expenses. Administrative fees are allowable according to promissory terms under the modifications clause. Failure to pay such obligations will be cause for the Credit Department to default the loan.

All recording or filing costs (including lien search fees, lien filing fees, title insurance, credit report fees) shall be paid by member borrower at or before approval of loan and may be added to the loan with Credit Committee approval.

FORCED PLACE INSURANCE

Borrowers who default due to no insurance will have forced place insurance applied to their property equal to the appraised value of the property. The borrowers will be notified of default of mortgage terms and will be required to repay the forced place insurance expense to Tribal Credit within 90 days, as well as provide evidence of a new or reinstated policy. Repetitive defaults of this type may result in legal proceedings. Failure to pay such obligations shall be cause for the Credit Department to default the loan. Repeated default will result in legal recourse.

PROPERTY TAXES AND LEASE PAYMENTS

Member borrowers are required to pay all taxes, assessments, and lease payments against the mortgaged property. Failure to pay such obligations may result in Tribal Credit initiating payment on behalf of the borrower. Any amounts paid on behalf of the borrower shall be charged to the borrower account. The borrowers will be notified of default of contract terms and will be required to repay the property insurance expense to Tribal Credit within 90 days Failure to pay shall be cause for the Credit Department to default the loan. Repeated default will result in legal recourse.

APPEALS

ACTIONS APPEAL PROCESS AND TIMELINE:

- Members may submit a written appeal to the Credit Department Head for review of any actions.
- The Credit Department Head will assess the appeal and make a recommendation to either uphold or overturn the initial decision.
- If the appeal alleges a potential violation of policy by any Credit Department staff member, the appeal may be reviewed by the Executive Director. Confirmed violation of policy will be addressed according to policy guidelines.
- If the appeal addresses exceptions to policy which were not granted by the Department Head, the appeal shall be reviewed by the Executive Director.
- The Executive Director's decision on the appeal is final.
- If the appeal addresses exceptions to policy which were not granted by the Credit Committee, the appeal shall be reviewed by both the Department Head and the Executive Director in order to ascertain whether a change in policy is advisable.
- If a mortgage or other secured loan application is disapproved, the applicant may appeal to the Credit Committee to present additional information.
- The Credit Committee's decision on the appeal is final.

EXCEPTIONS TO LOAN POLICY

This policy outlines the process for approving exceptions to loan policies. Exceptions to loan policy refers to the request of the borrower to be considered for exceptional loan terms, such as maximum amount to be borrowed for a particular loan type or for a special interest rate, or for a deferral of payment for a certain period of time. An example of a loan policy exception is an exception allowing deferred principal payment during a construction period which is defined by a performance contract. The result would be an INTEREST ONLY period, which is **not** otherwise allowed by the loan policy.

LOAN POLICY EXCEPTION PROCESS:

- Any exception to loan policy for loans which DO NOT EXCEED $25,000 must be approved by the Credit Department Head and reported to the Credit Committee.
- The Credit Committee is responsible for approving loan policy exceptions for any loan exceeding $25,000.
- A written explanation of the exception will be included with the Consumer Credit Worksheet or Commercial/Ag Credit Memo.
- Approval of the exception will be documented in the loan file and in an addendum to the policy document for annual review and consideration of policy changes.

ADDENDUM 1.0

Credit Committee Charter (under development)

The committee is appointed by resolution of the CSKT Tribal Council. It is comprised of three enrolled tribal members, with two alternate tribal members available to serve in the absence of a committee member. Members of the Tribal Council cannot be appointed to the committee.

Each appointment to the committee is for three years, and each year members select a chairperson and vice-chairperson from among themselves. At any meeting, two members constitute a quorum, and a uniform vote of at least two members is required for any action to be effective. The Tribal Council may suspend or remove a member of the committee for cause. Qualifications for committee members include having a reputation for industry, dependability, and integrity, along with at least three years of responsible, successful experience in business decision-making or financial roles and providing three credit references or a credit report with a minimum FICO credit score of 700. Committee members must be enrolled members of the tribes and at least 30 years of age. A member of the credit committee shall abstain from voting on any action that involves their family members. Mileage and compensation shall be paid to committee members at a rate established by the Tribal Council. Committee members must give the Council advance written notice of their intent to resign from the committee.

Committee Meetings:

- The Loan Committee meets to review and approve long-term loan applications.
- The Committee also makes field trips to view properties for which lending funds are disbursed.
- The Loan Committee reviews delinquent loans with the Credit Compliance Officer.
- Meeting minutes from each previous meeting are read and approved by the Committee at the next meeting.
- Meeting minutes reflect members who are present and absent, and the reason for any absences.
- The Credit Department Head is responsible for keeping minutes of all meetings.

FINAL APPROVAL DECISION:

- The Credit Committee holds the final decision-making authority on loan approvals and has the discretion to:
  - **Waive fees:** The Credit Committee may waive certain loan fees at its discretion, considering the applicant's circumstances and the specifics of the loan.
  - **Finance fees:** In certain situations, the Credit Committee may allow the applicant to finance loan fees into the loan amount.
  - **Override DTI limits:** The Credit Committee may approve loans for applicants whose DTI ratios exceed the standard limits, provided there are compensating factors such as significant equity in the collateral or a strong credit history.
  - **Waive appraisals or inspections:** In cases where the property is well-known to the Committee or the loan amount is relatively small, the Credit Committee may waive the requirement for a formal appraisal or home inspection.
- If the loan meets the established criteria, the Credit Committee may make a final approval decision. The loan officer will then communicate the approval to the customer.

- If the loan does not meet the criteria for approval, the loan officer will inform the customer of the reasons for disapproval and may offer recommendations or suggest enrolling in financial literacy programs offered by the Tribal Credit financial literacy specialists.
- If the loan requires further discussion or clarification, the loan officer will facilitate communication between the Credit Committee and the customer.

The Committee may take appropriate actions for collection, foreclosure, or write-off for loans in default. These policies will be evaluated and updated as necessary on an ongoing basis.

CREDIT COMMITTEE FINAL DECISIONS:

The Credit Committee holds the final decision-making authority on actions related to delinquent loans and foreclosures. This includes but is not limited to:

- Approving or denying collection actions.
- Authorizing foreclosures and write-offs for loans in default.
- Implementing any necessary policy changes related to delinquent loan management.

ADDENDUM 2.0

Loan Type and Rates

The following is a sample of the loan types and rates which contribute to the overall loan portfolio and related management decisions. Loan portfolio management is an essential function of Tribal Credit Department management in order for the program to remain sustainable and able to serve the priorities and needs of the government and its citizens. For current approved loan types and rates, please refer to the Tribal Credit Operating Procedures.

Personal Loans (unsecured)

Cash Advance Loans -- This product is designed for borrowers in need of immediate cash assistance in smaller increments and for shorter terms. It replaces previous loan types referred to as “Credit Establishment” and “Revolving Loans” for the purpose of merging the segment of loan types serving the same segment of borrower. The primary segment of borrower served is one that has occasional unforeseen needs requiring a cash influx which was unplanned. The borrower has the income and debt structure to support the additional short term loan and has the ability to repay the loan quickly. It eliminates the need for the borrower to utilize conventional credit card debt options for unforeseen and necessary purchases. Cash Advance Loans are subject to Loan Origination Fees and Administrative Fees. Borrowers are limited to one Cash Advance Loan at a time. This loan type is designed to be paid in full and may not be refinanced. Borrowers may qualify for Cash Advance and Personal Short Term, if debt to income and payment history show favorable risk for multiple loans.

Loan Type	Borrowing Limits	Repayment Term	Interest Rate
Cash Advance 90	$200 to $1000	Up to 90 days	TBD
Cash Advance 180	$500 to $2000	Up to 180 days	TBD
Cash Advance 360	$1000 to $3000	Up to 360 days	TBD

Personal Short Term – This product is designed for borrowers in need of immediate cash assistance in smaller increments and for shorter terms. It replaces previous loan types referred to as “Credit Establishment” and “Revolving Loans” for the purpose of merging the segment of loan types serving the same segment of borrower. The primary segment of borrower served is one that has occasional unforeseen needs requiring a cash influx which was unplanned. The borrower has the income and debt structure to support the additional short term loan and has the ability to repay the loan quickly. It eliminates the need for the borrower to utilize conventional credit card debt options for unforeseen and necessary purchases. Personal Short Term Loans are subject to Loan Origination Fees and Administrative Fees. Borrowers are limited to one Personal Short Loan at a time. This loan type is designed to be paid in full and may not be refinanced. Borrowers may qualify for Cash Advance and Personal Short Term, if debt to income and payment history show favorable risk for multiple loans.

Loan Type	Borrowing Limits	Repayment Term	Interest Rate
Personal Short Term 3	$1000 to $8000	Up to 2 years	TBD
Personal Short Term 5	$3001 to $10,000	Up to 5 years	TBD

Mortgage Loans – This loan type serves personal and commercial borrowers who need larger amounts of financing and have land-base collateral (whether owned or leased) to offer as security. The mortgage loan can be established for shorter or longer terms, depending on the use of the funds. For example, a residential mortgage loan can be written for a term up to 30 years. A commercial (agriculture of other business) loan can be written for a term up to 10 years.

Loan Type	Borrowing Limits	Repayment Term	Interest Rate
Mortgage (Fee, Trust, Leasehold, FTHB)	up to $500,000	Up to 30 years	TBD
Commercial (Ag, Business)	up to $500,000	Up to 10 years	TBD

Tribal Credit acknowledges the following HUD Section 184 loan program eligibility guidelines for FIRST TIME HOME BUYERS (FTHB).[7]

- Has **not owned a principal residence** during the **3-year period** before the purchase of the new home.
- A **single parent** who has only owned a home with a former spouse while married.
- A **displaced homemaker** who owned only with a spouse.
- Someone who owned a residence not permanently affixed (e.g., a mobile home).
- Someone whose prior ownership was in housing that did not meet local/state code and couldn't be brought into compliance for less than the cost of constructing a permanent structure.

[7] HUD definition of FTHB, https://www.hud.gov/hudclips/handbooks/housing
Reference guide is Handbook 4000.1

ADDENDUM 3.0

Workforce Priority and Elders Education Loan Forgiveness Program

This program was established in 2022 and designed to support priority areas of CSKT Workforce Enhancement by offering conditional education loan forgiveness. It has been the practice of Tribal Credit to also offer this program to Tribal member Elders. The following is a sample of the program guidelines. For current guidance, please refer to the Tribal Credit Operating Procedures.

Workforce Priority and Elders Education Loan Forgiveness Policy

Purpose
The Workforce Priority and Elders Education Loan Forgiveness Program is intended to encourage CSKT members to obtain education or training that supports critical workforce needs within the Flathead Reservation and to retain qualified employees within the CSKT workforce.

Authority
The Workforce Priority and Elders Education Loan Forgiveness Program shall be administered by the CSKT Credit Department. Specific loan forgiveness determinations may be exercised by the Credit Department in accordance with this policy. Workforce priority and Elder Education loan forgiveness criteria shall be established by the Credit Department Head, subject to approval by the supervising Executive.

Eligibility Requirements
To be considered for Workforce Priority and Elders Education Loan Forgiveness, an applicant must meet all of the following requirements:

Tribal Membership
The borrower must be an enrolled member of the Confederated Salish and Kootenai Tribes.

Age Qualification (for Elders only)
If applying as an Elder, the age of the applicant must be 70 years or older.

Employment Location and Status
The borrower must be employed with the Confederated Salish & Kootenai Tribes or one of their Tribal government departments, programs, enterprises, or other entities wholly owned, operated, or controlled by the Tribes, within the exterior boundaries of the Flathead Reservation. Elders must demonstrate they pre-qualified while they were active in the workforce.

Loan Compliance
The borrower must be in full compliance with all Tribal Credit Program loans, including current payment status and adherence to loan terms, regardless of age.

Educational Completion
The borrower must have successfully completed the approved degree or certificate program for which the loan was issued. Documentation verifying completion is required.

Employment Commitment
The borrower must be continuously employed for a period of five (5) consecutive years by the Confederated Salish and Kootenai Tribes, including Tribal government departments, programs, enterprises, and other entities wholly

owned, operated, or controlled by the Tribes, following completion of the degree or certificate program. Elders must demonstrate they pre-qualified while they were active in the workforce.

Employment verification shall be provided by CSKT Personnel Department, or appropriate human resources authority of the affiliated employer.

For purposes of this policy, transfers or changes in employment between eligible Tribal departments, programs, or enterprises shall not be considered a break in continuous employment, provided there is no lapse in service.

Forgiveness Determination
Loan forgiveness is not automatic. Upon verification that all eligibility requirements have been met, the Credit Department Head or the supervising Executive may approve loan forgiveness in accordance with established criteria. Forgiveness will not be withheld based on criteria not otherwise identified in this policy.

Documentation and Review
Borrowers seeking loan forgiveness must submit all required documentation, including proof of education completion and employment verification to the Tribal Credit Department. The eligibility review will be performed by Credit Department staff, with a recommendation for approval or disapproval submitted to the Department Head. Final determinations will be issued in writing.

Tax Reporting

Tribal Credit will follow the reporting requirements of the Internal Revenue Service applicable to loan forgiveness.