



LOAN POLICY

Yurok Alliance for Northern California Housing

YANCH

144 Klamath Blvd., Klamath, CA 95548

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TABLE OF CONTENTS

- I. Purpose of this Policy**
- II. Mission and Purpose of YANCH**
- III. General Lending Standards and Guidelines**
 - a. No discrimination
 - b. Target Markets
 - c. Fraud
 - d. Structure and Servicing
 - e. Guarantees and Collateral
 - f. Role of the Board of Directors
- IV. Loan Staff and Loan Committees**
 - a. Loan Staff**
 - b. Loan Committees**
- V. Loan Intake**
 - a. Application
 - b. Initial Screening
 - c. Prioritizing leads
 - d. Coach Handoff
- VI. Portfolio Diversification**
 - a. Single Borrower Limit
 - b. Geographical Location
- VII. Loan Underwriting**
 - a. Credit Reports
 - b. Loan Rating
 - c. Final Screening
 - d. Due Diligence
 - f. Credit Memo
- VIII. Loan Approval**
 - a. Staff Recommendation
 - b. Lending Authority
 - c. Approval
- IX. Loan Closing**
 - a. Commitment Letter
 - b. Loan documentation
 - c. Disbursement
- X. Maintenance of Loss Reserve**
- XI. Loan Monitoring**
 - a. Documents and Files
 - b. Receipt of Loan Payments

YUROK ALLIANCE FOR NORTHERN CALIFORNIA HOUSING LOAN POLICY

- c. Periodic Disclosure from Borrowers
- d. Monitoring Responsibility
- e. Maintenance of Reports

XII. Portfolio Management

- a. Portfolio Status Reporting
- b. Assessment of Sufficiency of Loan Loss Reserve
- c. Loan Fund Equity

XIII. Delinquency

- a. 10 Days Late
- b. 30 Days Late
- c. 45 Days Late
- d. 60 Days Late
- e. 90 Days Late
- e. 120 Days Late
- f. 180 Days Late/ Write Off

XIV. Restructuring

XV. Loan Foreclosure

I. Purpose of this Policy

The policies and procedures outlined in this document provide a framework within which the Yurok Alliance for Northern California Housing (YANCH) will operate its loan fund. The YANCH has been organized by staff and board members of the Yurok Indian Housing Authority, and is currently under the management of Yurok Economic Development Corporation (YEDC).

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

The YANCH will comply with Tribal ordinances and all applicable regulations of the Department of Housing and Urban Development (HUD), Bureau of Indian Affairs (BIA) and Indian Health Service (IHS) involved agencies necessary to the particular project. These policies will be updated periodically to assure compliance with changes in these regulations and to respond to changing conditions within the service area. Under the provisions of the Indian Civil Rights Act, all persons involved in this program are guaranteed due process and equal treatment.

II. Mission and Purpose of YANCH

a. Mission

To promote economic and financial assistance, small business development, and build assets within the Yurok Tribal jurisdiction among Tribal members, improving the quality of life for its people and communities.

b. Purpose

To provide education, training, and various loans to support community and business development, increase financial capability and credit building, as well as offer loan options to help Tribal members achieve homeownership.

III. General Lending Standards and Guidelines

a. No Discrimination

Any person eligible to receive benefits or services from the Department of Treasury/Community Development Financial Institutions (CDFI) Fund or its recipients is entitled to those benefits or services without being subject to prohibited discrimination. YANCH shall comply with all federal, state, and local law, policy, orders, rules and regulations which prohibit unlawful discrimination because of actual or perceived race, creed, color, religion, national origin, ancestry, alienage or citizenship status, age, disability or handicap, sex, marital status, veteran status, sexual orientation, or any other characteristics protected by applicable federal, state, or local law.

b. Target Markets

YANCH's investment area includes, but is not limited to, Del Norte and Humboldt counties. YANCH's target markets are enrolled members of the Yurok Tribe, permanent residents (more than one year) of the Yurok reservation, employees of the Yurok Tribe and its affiliated entities, and Native Americans within the investment area.

c. Fraud

YANCH will not tolerate any attempts to defraud the organization in applications for, or extensions of, credit. Any person or entity suspected of submitting false applications, financial statements, appraisals, borrowing base certificates, accounts receivable agings, etc., is to be immediately reported to the Executive Director. The Executive Director will determine the appropriate reporting to law enforcement agencies.

d. Structure and Servicing

YANCH desires to instill a credit culture that follows its mission to provide financial education and training while extending credit on the basis of sound, fundamental lending principles, allowing their borrowers every opportunity to be successful. The purpose of each credit extension is to be clearly documented, must provide economic benefit to the borrower, and be acceptable within policy guidelines.

Loans are to be structured to ensure that the borrower can repay them over a reasonable and prudent period of time in accordance with the original purpose for the loan. The borrower's cash flow and financial resources should be sufficient to repay all of their term obligations, direct and contingent, as they become due and payable, over a reasonable period of time. Cash flow is generally the primary source of repayment.

All loans are to be supported by trade reports, direct trade checks, and/or credit bureau reports, as well as collateral verifications and current financial information. Loan maturities and their amortizations are to be tailored to the borrower's ability to repay, but must not exceed the estimated useful life of the asset financed. While monthly payments are recommended, an irregular schedule to fit the borrower's income stream (i.e. semi-annual payments for an ocean fisherman) is acceptable. At a minimum, interest payments will be made at least quarterly.

The Executive Director will ensure that lending staff diligently manages assigned accounts. Executive Director for YEDC may fill the roll of YANCH Executive Director until a separate ED is necessary due to the growth of the program. When deterioration of a borrower's performance is noted, lending staff will take or recommend appropriate action as needed to rehabilitate the loan, or enforce collection.

Following are descriptions of acceptable and unacceptable loan types:

i. Acceptable Loans

YUROC ALLIANCE FOR NORTHERN CALIFORNIA HOUSING LOAN POLICY

- Business loans for working capital, inventory, acquisition of equipment/machinery necessary for growth or maintenance of business, and acquisition of the assets of an existing business.
- Consumer loans for the purpose of debt consolidation, or repayment of obligations to a third party, to improve borrower's personal credit.

ii. **Unacceptable Loans** YANCH will not provide financing to business for the following purposes:

- Check cashing (pawn shops, educational loans)
- Outstanding federal, state, tribal and local government debts/obligations
- Pyramid or networking schemes
- Pornography
- Purchase of real estate other than required for operation of a business
- Any loan for a purpose that entails illegal activity

e. **Guarantees and Collateral**

i. **Guarantees**

The use of guarantees is encouraged when there is a need for secondary support for the loan being requested. Guarantees are required on extensions of credit to all closely held entities. Guarantees are required to be obtained from any entity (individual, corporation, partnership, etc.) that owns or controls 20% or more of the borrowing entity. Loans should not be solely predicated upon guarantees; however, the addition of a substantial guarantor may provide enough secondary support to allow for an extension of credit that would not otherwise meet all of the policy requirements.

Guarantees are to be supported by current financial statements and/or the collateral being pledged by the guarantor. Guarantors should be underwritten as if they were the borrower. Guarantees are to be joint and several, unconditional, and continuing, covering all current and future indebtedness of the borrower. Limited guarantees are discouraged and are treated as an exception to policy.

ii. **Collateral**

When collateral is being used to secure or guarantee a loan, a number of things must be considered:

- Value of property throughout term of the loan
- Ability to retrieve, store, and sell item(s) if collateral must be collected.
- Value of property to borrower

When calculating the real value of collateral, the following guidelines shall apply:

- Real Estate: Discounted collateral value of 80%

YUROC ALLIANCE FOR NORTHERN CALIFORNIA HOUSING LOAN POLICY

- Furniture, fixtures and equipment: Discounted collateral value of 30% - 70%

Resources to find the fair market value of collateral items:

- Property appraisal
- Kelly Blue Book
- EBay

Specific requirements regarding guarantees and collateral are detailed in the loan product descriptions.

f. Role of Board of Directors and Loan Committee

All policies and procedures are approved by YANCH Board of Directors. The Board may appoint a Loan Committee (LC) that will meet on a regular basis to approve/deny loan requests, review loan rating assignments, review sufficiency of loan loss reserve, and review delinquent loan status and collection actions, as detailed in the YANCH Bylaws, and in Section IV, part (b)(iv) of this policy.

g. Conflict of Interest

No Insider – defined as Board member, Loan Committee member, or staff member- of YANCH or any family member, business partner, or person living with an Insider shall receive a loan from YANCH. Policy exceptions may be made if the loan meets the following restrictions:

- The loan must be provided pursuant to standard underwriting procedures, terms, and conditions;
- The Insider receiving the loan, and any family member, business partner, or housemate thereof, shall not participate in any way in the decision-making process regarding the loan; and
- The Board of Directors shall approve the loan

“Family member” is defined as wife, husband, son, daughter, mother, father, brother, sister, step-mother, step-father, step-brother, step-sister, father-in-law, mother-in-law, child and step child, grandmother, grandfather, brother-in-law, sister-in-law, aunt, or uncle of the Insider.

No Insider shall solicit or accept gratuities, favors, or anything of monetary value from any actual or potential Borrower or owner in return for a loan.

No member of the staff, Board, or LC may recommend or participate in the approval or collections of any loan to a financially or otherwise related party.

Violation of any part of this policy will result in disciplinary action by the Board and potential dismissal from the held position.

IV. Loan Staff and Loan Review Committees

a. Loan Staff

The Loan Staff is responsible for implementing the lending components of the mission outlined in the YANCH's statement of purpose, articles of incorporation, and by-laws. Specific responsibilities include: analyzing and recommending loans to the loan committee and the Board of Directors, executing loans, monitoring portfolio risk, collecting repayments and managing defaults and foreclosures. All of the Loan Staff's tasks are to be carried out in accordance with this Loan Policy and at the direction of the Board of Directors.

The Loan Staff executes the responsibilities outlined above by separating duties into five functional areas: Homeowner Coach, Loan Officer, Portfolio Manager, Accounting Manager and Executive Director. One or more of these roles may be assigned to an individual staff member depending on their skills and experience; alternatively, multiple staff members may be needed to manage a single area based on the number of loans in the pipeline and portfolio.

i. Confidentiality of Borrower Information

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

b. Loan Committee

The Loan Committee (LC) is a standing committee that meets regularly to provide oversight to the Loan Staff and to carry out responsibilities as outlined below. Actions of the Loan Committee are reported at the Board's regular meetings.

i. Composition

The LC is comprised of no fewer than three (3) members and no more than five (5) members. Members cannot be elected officials. Members are nominated and approved by the Board of Directors. Members are professionals who, as a group, have the following qualifications:

- have experience in financing or providing housing for low-income communities,
- have appraisal, legal, accounting, industry or other requisite expertise,
- have loan portfolio operation and/or management experience, preferably in a community development environment,
- sit on other boards that involve lending activities
- A representative from one of the YANCH's funding source

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

ii. Regulations

YUROC ALLIANCE FOR NORTHERN CALIFORNIA HOUSING LOAN POLICY

- LC meetings will occur at least 8 times per calendar year
- The LC elects an LC Chair, and a vice-chair to officiate over meetings when the chair is not able to perform his/her duties
- The LC Chair appoints a secretary to take minutes during each committee meeting
- The LC Chair appoints a vice-secretary who is a member of the staff who confirms that minutes are taken and reported to the Board
- Minutes will be kept in a corporate record book at the YANCH's office and made available for public inspection
- Staff and LC members acknowledge that all information collected from or on behalf of the Borrower is private and confidential and should not be disclosed to anyone who is not a member of the Loan Staff, Loan Committee, Board of Directors or an authorized consultant and that this information is only to be used for the purpose of performing responsibilities outlined in this policy
- No member of the YANCH's Loan Committee may recommend or participate in the approval or collections of any loan to a related party or any area of potential conflict.

iii. Voting

- A quorum exists when 3 members are present.
- LC loan and portfolio decisions are made by a simple majority
- LC decisions to remove a member require 2/3 majority. Reasons for removal include, but are not limited to:
 - I. action that is deemed to be against to interest of the organization; (including fraud, corruption, conflict of interest)
 - II. disclosure of confidential YANCH information,
 - III. absence without excuse for two consecutive meetings, or
 - IV. absence from 50% or more of the LC meetings during any calendar year.
- Voting on a loan that previously been presented in person to the Loan Committee can take place by email or conference call, with LC signatures on the approval faxed or delivered to the YANCH's office.
- Members located 50 or more miles from the meeting location can attend by conference call with LC signatures on the approval faxed or delivered to the YANCH's office.

iv. Responsibilities

- Critically assess and analyze Credit Memo
- Approve or deny loans recommended by staff
- Approve loan rating assignments
- Annually, review portfolio risk and sufficiency of loan loss reserve
- Monthly, review delinquent loan status and approve foreclosure action when necessary.
- Report results of LC meetings to Board
- Execute other special projects assigned by Board of Directors

V. Loan Intake

a. Application

A completed application and all necessary supporting documents are required to begin the review process. YANCH Staff will attach a checklist to track the necessary documents and screenings applicable to the particular loan type. The checklist shall include a loan rating worksheet that will be completed by the Loan Officer. Applicant may require training or one-on-one assistance of staff or a consultant to complete the application; this assistance can be provided by YANCH staff.

b. Initial Screening

Upon receipt of an application, the loan coach will indicate on the checklist that the loan requested is consistent with:

- i. The loan product offerings, and
- ii. The Eligibility Requirements (see addendum “Eligibility Criteria”)

When an applicant has been approved for requested services, an interview will be scheduled with the applicant to set up a training plan. The following will be determined during the interview:

- i. Training or other technical assistance necessary for the applicant to obtain prior to and following loan funding to achieve the loan objective (This will be referred to as the Training Plan). If the applicant has received a Training Plan from the YANCH in the past, the Coach will meet with the applicant (at the business location, if appropriate) to determine:
 - Whether the borrower has completed the sections of the Training Plan required prior to closing and
 - That the application (including financial projections) is sufficiently complete and presentable for review by Loan Officer.

c. Prioritizing Leads

The Coach, together with the Executive Director, will decide which of the applicants the Coach should work with directly to help complete the application and attachments.

d. Coach Handoff

The Coach submits the completed application along with the Coach checklist to the Loan Officer.

VI. Portfolio Diversification

a. Single Borrower Limit: The YANCH limits the size of the loan(s) to a single borrower or project to 10% of its loan capital (the total of the YANCH’s funding borrowed from third parties plus net assets dedicated or restricted for lending). Exceptions will be made for circumstances in which the CDFI is being used as a pass-through account (funds were awarded for a specific project, being routed through the CDFI).

b. Geographical Location: YANCH services will be available to the entire Yurok Tribe jurisdiction, as defined in YANCH bylaws, as found in the Yurok Constitution.

VII. Loan Underwriting

a. Credit Reports

Credit reports and trade checks provide basic information about a potential or existing borrower’s or guarantor’s character and paying habits. Loan Officers are responsible for obtaining and analyzing credit reports and trade checks. Derogatory credit information is to be reconciled and documented before proceeding with a loan request. When underwriting a potential borrower for the first time, when considering renewal of an existing loan, or when the borrower is experiencing problems and the loan is in delinquent/workout status, the following reports are to be obtained and reviewed:

- i. For a business purpose loan**, a credit report will be obtained on the borrower/guarantor. If borrower is a closely held entity, a business credit report will be obtained on the business. If necessary, credit inquiries will be made to other financial institutions or trade creditors. A UCC search together with copies of existing filings may also be obtained.
- ii. For consumer loans** (Credit Builder Loans) an individual credit report will be obtained for each borrower and guarantor.
- iii. For non-loan requests for credit reports/scores:** From time-to-time, individuals wish to pull their credit report but are not seeking a loan. YANCH will follow these requests as follows:
 - Non-elder: YANCH staff will inform the customer of free credit report options. If assistance is requested, or if the customer is not able to obtain the report on their own, YANCH can pull the credit report for a fee.
 - Elders: YANCH staff will inform the customer of free credit report services. Upon request, YANCH will assist the customer as needed, and the fee will be waived as a service to elders aged 55 and older. The free credit report to elders will only be available once every two years.

b. Loan Rating Worksheet

Loan Officers will complete an overview of loan analysis and recommendation on all loans on the Loan Rating Worksheet, part of the application checklist. The overview will contain an analysis of the risks determined in the due diligence process, conditions to be satisfied prior to closing and the loan rating, which is to be detailed on the worksheet. Importantly, the overview must identify sound sources of repayment for the loan and a complete evaluation of collateral. Other topics to be included in the overview, if applicable, include loan agreement covenants, guarantor analysis, business history, banking relationships, key risks and mitigating factors, financial analysis, business plan and projections, and policy exceptions.

Each loan shall be rated by using the following guidelines as a baseline (other factors may change the loan rating, such as DTI, collateral, etc.):

Loan Rating	Credit Bureau Credit Rating	Loan Loss Reserve
A	Higher than 650	1%
B	500-649	3%
C	Less than 499	5%

Prior to recommending the loan to the Executive Director, the Loan Officer recommends a loan rating that reflects the credit rating of the borrower in comparison to the loans in

the existing portfolio. The loan rating is the basis for the loan loss reserve (LLR) amount associated with the loan upon closing. After closing, the loan rating is updated to reflect the results of monitoring efforts.

c. Final Screening

Upon receipt of the application and checklist, Loan Officer confirms the following are true:

- i. The loan requested is consistent with
 - the loan product(s) offered
 - eligibility requirements, and
 - portfolio diversification restrictions
- ii. Funding is available for the proposed loan
- iii. Borrower has completed technical assistance training required by staff
- iv. All necessary documentation has been submitted by the applicant

d. Due Diligence

The Loan Officer conducts a complete and thorough due diligence of the proposed loan, including a review of the appraisal, the Budget and Project Cost, conducting a site visit, communicating with existing lenders, researching the value of the property and structuring loan payments to comply with the Borrower's repayment ability and these policies.

The due diligence process is finalized when a Loan Rating is assigned in accordance with section VI (b) above. **Only rating of A, B or C are acceptable for new loans.**

If the due diligence results are not acceptable, the Loan Officer will notify the applicant in a letter containing the reason for the denial and changes that may make the loan acceptable upon re-application. In cases where the loan has been denied, the application fee will not be refunded; it can however be applied to a future re-application, if such re-application occurs within six months of the date of the denial letter. The complete application packet will be returned to the applicant with the denial letter. A copy of the application shall be kept in the clients file, kept in the YANCH office.

If applicant fails to remit documents or materials requested by the Loan Officer within the designated time frame, the Loan Officer will send a second and final request for needed documents. If the documents are still not provided, denial letter to the applicant along with all original documents (other than the application) and other information received to date.

e. Credit Memo

If the due diligence results are acceptable, the Loan Officer prepares a Credit Memo. The Credit Memo should contain a summarized analysis of all relevant risks ascertained by the staff during the training and due diligence and explain the proposed Loan Rating assignment. The Credit Memo also includes a list of conditions that would need to be satisfied prior to closing.

VIII. Loan Approval

a. Staff Recommendation

YUROC ALLIANCE FOR NORTHERN CALIFORNIA HOUSING LOAN POLICY

Based on the contents of the credit memo, including the loan rating recommendation, the Loan Officer may recommend a loan for approval. The Loan Officer recommends loans by submitting a draft Credit Memo to the Portfolio Manager for review and comment. Loan Officer and Portfolio Manager may work together to make changes to the structure of the loan, the risk profile of the loan and/or the Credit Memo. Following finalization of the Credit Memo, the Loan Officer and Portfolio Manager sign the Credit Memo, acknowledging their approvals.

The Loan Officer presents the loan opportunity to the YANCH Executive Director who signs the Credit Memo if he/she agrees with the recommendation. The Loan Officer schedules the loan for review at the next meeting of the Loan Committee and distributes the Credit Memo to committee members at least four days before the meeting.

b. Lending Authority

Loan Description	Approval Required
Eligible loans up to \$2000	1. Loan Officer 2. Executive Director
All Loans over \$2000	1. Executive Director 2. Loan Committee
Loans that are materially not in compliance with Loan Policies	1. Executive Director 2. Loan Committee 3. Board of Directors
Restructurings	First Restructuring: 1. Executive Director Subsequent Restructurings: 1. Executive Director 2. Loan Committee

h. Approval

Any approving party may decline a loan for the following reasons:

- i. If the loan does not fit within the YANCH's mission
- ii. The risk of repayment is unacceptable
- iii. Insufficient information
- iv. The loan is materially out of compliance with this loan policy
- v. Funding for the loan is not available

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

IX. Loan Closing

a. Commitment Letter

The Commitment Letter shall summarize the terms and conditions of the loan approval and obligates the YANCH to disburse the loan should the applicant satisfy its obligations, including pre-closing conditions, outlined therein.

Upon obtaining a loan approval, the Loan Officer will draft a Commitment Letter based on terms presented for approval and submit the Commitment Letter for review by the Portfolio Manager.

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

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

b. Loan Documentation

The Loan Officer will prepare draft Loan Documents based on templates maintained by the YANCH that reflect the terms and conditions contained in the Commitment Letter as well as other terms that are customary for lending in the geographical area.

The Executive Director has authority to sign the loan documents on behalf of the YANCH. Either of these signatories signs the loan documents after confirming that the terms and conditions outlined in the loan documents and Loan Approval are consistent in all material respects.

The Loan Officer works with the Applicant to schedule a closing date by which all conditions to closing will have been satisfied. (Loan Agreement)

c. Disbursement

Five (5) to ten (10) business days prior to closing, the Loan Officer submits to the Accounting Manager, a check request containing the information and will attach a copy of the loan approval (credit memo and signature sheet). The Accounting Manager will prepare a check for the disbursement amount in time for the scheduled closing.

The Loan Officer postpones the closing date if pre-closing conditions do not look as if they will be satisfied prior to the closing date. If the conditions are not satisfied by the expiration date (usually 30 days) stated in the Commitment Letter, the Applicant needs to renegotiate the loan with the Loan Officer. If the Applicant does not satisfy the conditions within 90 days, the loan request is considered “withdrawn” and the Loan Officer notifies the Applicant in writing.

YUROC ALLIANCE FOR NORTHERN CALIFORNIA HOUSING LOAN POLICY

On the closing date, Borrower and Loan Officer or Portfolio Manager meet to review the documentation, sign the documents, and the Loan Officer gives the Borrower the disbursement check(s).

To mitigate risk, YANCH prefers to disburse proceeds in a responsible manner, making use of dual party checks made out to the Borrower and any applicable third party for small business loans. When there are multiple disbursements from a loan closing, the Accounting Manager records the amount and reason for disbursement on a Master Disbursement Chart that is kept in the Borrower's file and updated with each new disbursement. Disbursements of residential loan proceeds will be made directly into escrow for home purchase or to third-party vendors for home improvement loans, with Master Disbursement Charts included in the Borrower loan file when appropriate.

Should the applicant plan to bring legal counsel to the closing, Loan Officer will arrange to be represented by the YANCH's legal counsel.

On the closing date, the Accounting Manager posts the loan loss reserve amount indicated on the check request form.

X. Maintenance of Loan Loss Reserves

The YANCH will maintain a reserve for loan losses in accordance with FASB standards and the Loan Rating chart below. The loan loss reserve on the YANCH's balance sheet is a contra account to the loans outstanding asset that is equal to or greater than the aggregate of the loan loss reserve (LLR) assigned to each loan. (The LLR is assigned based on the Loan Rating approved by the Board and modified from time to time as a result of staff's monitoring efforts.)

Any increase to the contra-asset account is accompanied with a loan loss expense (or provision for Loan Losses) entry on the income statement.

Loan Rating	Loan Loss Reserve
A	1%
B	3%
C	5%
D	20-50%
F	50-100%

XI. Loan Monitoring

a. Documents and Files

For each loan closed, the originating Loan Officer maintains a file containing the following information:

i. Loan File

- Research and analysis upon which credit memo was based
- Original copy of loan approval including the credit memo

YUROC ALLIANCE FOR NORTHERN CALIFORNIA HOUSING LOAN POLICY

- Executed commitment letter and loan documentation
- Any amendments or other legal agreements between the YANCH and borrower

ii. Post-Closing File

- Milestone schedules and dates of compliance
- Periodic disclosures from borrower
- Contact log between the YANCH and borrower, including inspections

Files are to be maintained in the YANCH office in a secured location.

b. Receipt of Loan Payments

The Accounting Manager is responsible for producing the aging report and recording payments in the accounting software. The Portfolio Manager is responsible for confirming whether all payments have been received, and verifying the accounting records have been transferred into the loan software.

All payments received from borrowers shall be applied first to satisfy any outstanding late fees, second to accrued interest, and finally to reduce loan principal.

c. Periodic Disclosure from Borrowers

The Portfolio Manager is responsible for confirming receipt of periodic disclosures (milestone schedules, financial statements, new product updates) required under the Loan Agreement. If disclosures are not received when due, Loan Officers will contact the borrower to discuss better performance of disclosure obligations.

The Loan Officer reviews all disclosures from Borrowers to determine whether the condition of the borrower has improved or deteriorated since the loan rating was last reviewed.

d. Monitoring Responsibility

The Portfolio Manager is responsible for ensuring the loan ratings are updated to reflect the current risk profile of each loan in the portfolio as a result of changes in the market prospects and financial health of the Borrower, payment status or environmental changes that could materially impact the Borrower's ability to meet payment obligations under the Loan Agreement.

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

Portfolio Manager will review the status of each Borrower in accordance with the following schedule but in any event, at least annually at the Borrower's fiscal year end following receipt of annual financials and report any changes in the risk profile of the loan to the Board.

YUROC ALLIANCE FOR NORTHERN CALIFORNIA HOUSING LOAN POLICY

Loan Rating	Monitoring Frequency
A-B	Annually, at Borrower's fiscal year-end
C	Semi-annually
D	Quarterly
F	Monthly, or more frequently

e. Maintenance Reports

At all times, the Portfolio Manager will maintain a list of the loans outstanding showing the original amount of the loan, the disbursement date, the outstanding balance of the loan, any disbursements to be made in the future under the existing loan documents, the delinquency status, the interest rate, the loan rating, and the loan loss reserve (in % and dollar amount); this shall be known as the **loan report**.

XII. Portfolio Management

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

a. Portfolio Status Reporting

i. At each Board meeting and at least quarterly for the loan committee, the Portfolio Manager presents:

- The Loan Report, as defined in Section XI (e)
- The Portfolio Report

A report showing current and historical total loans outstanding, current commitments, capital available, total loan loss reserve, YTD loans (number and dollar amount), income and fees, diversification. The portfolio report also includes a list of the loans that are 60-89 days late, 90+ days late and in workout.

ii. At each Board meeting and at least quarterly for the Loan Committee, the Executive Director presents:

- The Capitalization Report

A report outlining the amount available for lending, including contributions to the investment fund(s) received since the last quarter, plans for capitalization to be obtained over the next twelve months, total loans outstanding and deployment ratio.

b. Assessment of Sufficiency of Loan Loss Reserve in Light of Portfolio Risk

Monthly, the Portfolio Manager determines the change, if any, to the Loan Rating and Loan Loss Reserve to accommodate the delinquent payment status of borrowers, or any changes in the risk profile of the portfolio that are identified by the portfolio Manager's periodic portfolio reviews in accordance with the following chart:

Payment Status	Loan Downgrade	Loan Rating Recovery
60 days delinquent	Reduce Loan Rating by One Category	60 days of On-Time Payments
120 Days Delinquent	Reduce Loan Rating by One Category	120 Days of On-Time Payments
180 Days Delinquent	Reduce Loan Rating by One Category	180 Days of On-Time Payments

The Accounting Manager will post changes in the loan loss reserve as directed by the Portfolio Manager, approved by the Executive Director, accompanied by the appropriate loan loss expense.

c. Loan Fund Equity

The YANCH maintains a net asset balance in the loan fund of at least 20% of the sum of all borrowed funds plus net assets dedicated or restricted to lending.

XIII. Delinquencies

The Portfolio Manager will maintain a log of all verbal and written communication about past due payments.

a. 15 days late 10 days late

If a payment is more than ten days late, the Loan Officer will telephone the borrower to obtain a commitment for a payment date and mail a written notice of the delinquent payment to the borrower.

b. 30 days late

If a payment is more than thirty days late, the Portfolio Manager will telephone the borrower to obtain a commitment for a payment date and mail a second written notice of the delinquent payment to the borrower.

The Portfolio Manager will also review the file to confirm that collateral, security and other documentation is in place and in order, and that all insurances required by the borrower are in place so as to protect the YANCH in case of foreclosure.

c. 45 days late

If payment is more than 45 days late, the Portfolio Manager and the Loan Officer will make a site visit. The goal of this meeting is to develop a payment plan with the borrower to bring the borrower current. A third party guarantor may be required.

d. 60 days late

If a payment is more than sixty days late, the Portfolio Manager will telephone the borrower to obtain a commitment for a payment date and mail a third written notice of the delinquent payment to borrower.

The Portfolio Manager will 1) update the loan software and loan report to reflect the late payment, 2) downgrade the loan rating, and 3) recommend a change in the loan loss reserve to the Executive Director.

e. 90 days late

If a payment is more than ninety days late, the Portfolio Manager will mail (by regular and certified mail) a fourth written notice of the delinquent payment and inform the borrower that legal action will be initiated if the account is not brought current or restructured.

YUROK ALLIANCE FOR NORTHERN CALIFORNIA HOUSING LOAN POLICY

The Portfolio Manager will update the loan software and put the loan on “non-accrual” status.

At the next LC meeting, the Portfolio Manager will make a full report detailing the nature of the problem and recommend appropriate actions including:

- Increase the loan loss reserve assigned to the loan;
- Inform any additional sureties to the loan of the situation;
- Send a notice of default and intention to pursue legal action;
- In cases where staff can demonstrate it is reasonably likely that the borrower can repay the loan in the future, restructuring of the loan;
- Send the borrower a collection letter from the YANCH legal counsel and wait for an additional period without action.

f. 120 days late

If a payment is more than 120 days late, the Portfolio Manager will mail (by regular and certified mail) a fifth written notice of the delinquent payment and inform the borrower that legal action will be initiated if the account is not brought current or restructured.

The Portfolio Manager will 1) update the loan software, 2) downgrade the loan rating and 3) recommend a higher loan loss reserve to the Executive Director.

At the next LC meeting, the Portfolio Manager will present a detailed account of the borrower’s status and review of the collateral. The Board will again examine the situation and develop a strategy for further action assigned to the loan. Possible actions include:

- Increase the loan loss reserve assigned to the loan;
- Loan restructuring;
- A strategy to liquidate the collateral;
- Sending a notice of default and the intention to pursue legal action;
- Further forbearance of action based upon certainty of repayment;
- Sending the loan to collection agency

g. 180 days late – Write-Off

If the payment has not been received by the 180th day, the Portfolio Manager will write off the loan as follows: reduce the loan loss reserve by any amounts allocated to cover losses for that loan and then show an expense in the current period for any remainder.

If it is determined that an unsecured loan is uncollectable, it will be charged off regardless of the past due status. Secured loans will be evaluated for collateral coverage (collateral discounted value vs. loan balance) and the unsecured portion will be written off. Loans that are “written off” are not forgiven debt and they will continue to be worked for recovery by lending staff until it is determined that there is zero chance of recovery.

XIV. Restructuring

The YANCH does not use restructuring as a way of delaying foreclosures but considers restructuring of certain delinquent loans only if:

YUROC ALLIANCE FOR NORTHERN CALIFORNIA HOUSING LOAN POLICY

- The borrower’s financial situation has changed significantly since the closing of the loan, and
- If it appears that lowering payments and extending the loan are likely to help the borrower become current with the loan.

XV. Loan Foreclosure

In all instances, a foreclosure on collateral will be viewed as the last option. However, there are situations when foreclosure is the only remedy. YANCH staff will notify the Loan Committee and the Board when a loan is moved to foreclosure status. Foreclosing proceedings are set up to provide maximum protection of YANCH’s capital and in the interest of the affected parties, including employees and customers of the Borrower.

In the event that the court orders a foreclosure on property that was pledged as collateral, the property sale will be announced in a newspaper of wide circulation, in the county in which the borrower resides. The notice of public sale will also be placed in public places.

YANCH will use collateral liquidations to cover the cost of the outstanding loan principal, accrued interest owed, outstanding fees, and any costs associated with the liquidation process (i.e. legal, marketing, staff time).

When the foreclosure is complete, the Portfolio Manager provides a full written accounting of each transaction to the Borrower and the loan file. If collected proceeds are not sufficient to cover the entire amount owed, the remaining balance is written off as described above. If collected funds exceed the principal, interest, fees, and expenses owed to YANCH, the remaining funds are returned to the Borrower with the full written accounting within 30 days following the sale of the property.

WRITTEN CONSENT OF DIRECTORS ADOPTING LOAN POLICY

We, the undersigned, are all of the persons named as the directors in the Articles of Incorporation of a California 501 (C)3 nonprofit corporation, and, pursuant to the authority granted to the Directors by these Bylaws to take action by unanimous written consent without a meeting, consent to, and hereby do, adopt the foregoing Loan Policies, consisting of 19 pages, as the Loan Policies of this corporation.

Dated: _____

_____ Director

_____ Director

YUOK ALLIANCE FOR NORTHERN CALIFORNIA HOUSING LOAN POLICY

_____ Director

_____ Director

_____ Director

_____ Director

_____ Director

CERTIFICATE

This is to certify that the foregoing is a true and correct copy of the Loan Policies of the corporation named in the title thereto and that such Loan Policies were duly adopted by the Board of Directors of said corporation.

Dated this 19th day of November, 2018.

Don Barnes, Chairperson
Yurok Alliance for Northern California Housing Director

ATTEST:

Toby Vanlandingham, Secretary
Yurok Alliance for Northern California Housing Director