

# Jafari No-Interest Credit Union

## Volunteer Fees Policy

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Revised: 03/16

Members can start their participation in a volunteer fee program at any time, and change, suspend or stop their participation at any time, as long as the CU receives a 15 day written notice from the member.

Unless stated otherwise, the CU may change the fee amounts and the calculation methods used to calculate the fee amounts, discounts, etc. at the discretion of the CU Board. Participating members shall be provided reasonable prior notice before the change is implemented.

The CU may use the latest finalized previous month's or previous quarter's financial and other numbers for the calculations. The CU may not calculate exact discounts and fees every month, and may use monthly or quarterly averages in its calculations, and amounts may be rounded up or down to the nearest dollar, nearest ten dollar, etc.

### **NET WORTH PROGRAM**

The purpose of this program is to build and maintain the CU's Net Worth Ratio at a minimum of 14%.

Please see the **Appendix** for the definition of **Net Worth** and **Net Worth Ratio**. Net Worth, in simplistic terms, means cash or other assets that **belong to the CU**. The NCUA requires a credit union to have a Net Worth Ratio of at least 7% to be considered Well-Capitalized.

The monthly **Net Worth Program Fee** for each member is **\$7**. However, the monthly fee will not be charged if the member has already paid a certain amount and the CU's Net Worth is at least 14%, as described below. Please note that a member newly enrolling in this program can expect to pay this monthly fee for **several** months (as long as the member voluntarily chooses to continue paying the fee).

### Calculation

1. The CU will determine the target fee amount. The current **target fee amount** is fourteen percent (14%) of the credit union's total assets **plus** the net cumulative Net Worth Fees, Regular Lending Fees, Financial Hardship Lending Fees and Financial Hardship Lending Donations received by the CU, less the CU's Undivided Earnings and Net Income.

2. The amount per member will be calculated by dividing the **target fee amount** by the number of CU members – this will be determined by counting the number of Savings accounts that have a balance of \$100 or more.

3. The member will be charged a fee if the member has paid less than \$1000.00 to date. If the member has already paid \$1000.00 or more, the member will be charged the fee if

(a) the CU's Net Worth is below 14%, or

(b) the cumulative fee paid by the member is less than 400% of the amount per member.

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*Note: The CU will determine once every 12 months if the member should be charged the monthly fee or not. That is, if the CU determines the member should be charged the fee, the member will be charged the fee for at least 12 months.*

### Donating to the Net Worth Program

The CU will accept donations, at the discretion of the CU Board, for its Net Worth Program from members, non-members and community organizations. A member can donate funds directly to the CU or the member can donate the funds to a tax-exempt organization, like a religious center, and ask the organization to pay the funds to the CU as Net Worth Program Donation.

A member's donation amount must be \$50 or higher. Donations from others must be \$250 or higher.

### Fee Refunds

The Net Worth Program Fees and Net Worth Program Donations are **non-refundable**.

Please see the CU's Capital Distribution Policy for treatment of Net Worth Program Fees and Net Worth Program Donations if the CU is **liquidated or merged**.

### **REGULAR LENDING PROGRAM FEE**

The purpose of this program is to build and maintain the credit union's Net Worth as well as provide additional capital to the credit union for issuing loans.

Note: A member who enrolls in the Regular Lending Program will be **automatically** enrolled in the Net Worth Fee Program.

Members can choose to enroll with fee amounts of a minimum \$10/month to \$250/month. The member can increase, decrease or stop the monthly amount at any time as long as the member provides a 15 day notice to the CU.

The fee charged to the member for the month will be reduced by each of the following. If the resulting fee is zero or negative, the member will not be charged any fee for the month. If the resulting fee is positive the member will be charged the fee or \$5, whichever is higher.

1. If a member is charged a fee for the Net Worth Program, the member's fee for the Regular Lending Program, for the same month, will be reduced by this amount. For example, if a member enrolls in this program for \$50/month, if the member is charged a Net Worth Program Fee of \$7 in the month, the member's Fee for the Regular Lending Program will be reduced to \$43 for the month (\$50 less \$7).
2. Fees charged for this program will be reduced each month based on the total monthly loan payments received for Regular loans. If the total balance outstanding for Regular loans at the end of the previous month is less than the total Regular Lending Program Fees paid by all members, the total fee discount to be applied for the month will be the total Regular loan payments.

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Otherwise, the total fee discount will be calculated by dividing the previous month's total Regular loan payments by the previous month's total balance outstanding for Regular loans, and multiplying this by the total Regular Lending Program Fees paid by all members.

For example, if the previous month's total balance outstanding for Regular loans is \$100,000, the total fees paid by all members is \$80,000 and loan payments are \$3,000, the total fee discount will be \$80,000 divided by \$100,000, times \$3,000 = \$2,400.

The total fee discount will be allocated to each member proportionately. The fee discount for each member will be calculated by dividing the total fee discount by the total fees paid by all members, and multiplying this by the total fee paid by the member.

For example, if the total fees paid by all members is \$80,000, the total fee discount is \$2,400 and the total fee paid by the member is \$800, the fee discount for the member will be \$2,400 divided by \$80,000, multiplied by \$800 = \$24. If the member has enrolled in this program for \$50/month, the member's monthly Fee for the Regular Lending Program will be reduced to \$26 (\$50 less \$24).

***Note:** The CU will calculate the average monthly fee discount for the member every 6 months, using the information for the most recent 6 months, rounded down to the nearest \$5. This average amount will be used for the next 6 months to determine the member's Regular Lending Program monthly fee.*

3. If any Financial Hardship Program fee paid by the member is converted to Regular Lending Program Fee, as described below, the member's fee for the Regular Lending Program will be reduced by this amount. For example, if a member enrolls in this program for \$50/month and \$10 of the member's Financial Hardship Fee is converted to Regular Lending Fee, the member's Fee for the Regular Lending Program will be reduced to \$40 for the month (\$50 less \$10).

***Note:** The CU will calculate the average monthly Financial Hardship Fee converted to Regular Lending Fee for the member every 6 months, using the information for the most recent 6 months, rounded down to the nearest \$5. This average amount will be used for the next 6 months to determine the member's Regular Lending Program monthly fee.*

### Fee Refunds

A member who stops participating in this program may request a refund in writing. A refund will be issued subject to the limitations described below.

1. Availability of refunds is limited based on the CU's Net Worth and Net Income, and **it is possible that a member may not receive a requested refund.**
2. The CU is not obligated to issue any refunds in its first three years of operations.

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3. The maximum amount of total refunds the CU may issue will be limited such that issuing the refund does not cause the CU's current Net Worth Ratio to fall below 14%.

Additionally, the maximum amount of refund the CU may issue in the current year will be limited to a percentage of the CU's previous year Net Income, based on the CU's Net Worth at the end of the previous year:

- i. Fifty percent of net income if Net Worth is over \$1,000,000.
- ii. Twenty five percent of net income if Net Worth is over \$500,000.
- iii. Ten percent of net income if Net Worth is over \$250,000.
- iv. Five percent of net Income if Net Worth is less than \$250,000.

The Board may approve the issuance of higher refund amounts than as described above as long as all regulatory requirements for Net Worth are met and the CU's current Net Worth remains at or above 14%.

4. The maximum refund that may be paid to member per month is \$100. If more than one member has asked for refunds the refunds will be paid in proportion to the cumulative Regular Lending Fees paid by each member. For example, if \$100 is available to the CU to issue in refunds and two members, with cumulative fees paid of \$400 and \$600, request refunds, the first member will be paid a refund of \$40 and the second member will be paid a refund of \$60.
5. Any refunds due to the member will be deposited in the member's CU deposit account. Refunds may not be issued if the member's account has been closed by the member. A member who has previously closed his/her account can reopen his/her account as long as the member meets the criteria to reopen the account, and then request refunds.
6. The Board may make exceptions to these rules to issue refunds to a member who is in a financial hardship or a member who is over 65 years old.

Also, please see the CU's Capital Distribution Policy for treatment of Regular Lending Program Fees if the CU is **liquidated or merged**.

### **FINANCIAL HARDSHIP LENDING (FHL) PROGRAM**

The purpose of this program is to provide funds to the CU to issue loans that don't meet the CU's normal loan type or credit criteria and the loan applicant is experiencing a financial hardship. Such loans will be issued to the extent Financial Hardship Lending Program funds are available.

This program allows members, non-members and other community organizations to assist fellow members get loans if the loan applicant does not meet the CU's normal requirements. The **Financial Hardship Lending Program Fee and Donations** will provide the funds and capital the CU needs to issue the loan.

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Members may pay this fee monthly or may pay this fee in response to a communication from the CU informing members that the CU loan committee believes a member loan applicant is in a financial hardship situation but the CU cannot issue a loan using its normal loan type and/or credit criteria, and the loan will be issued if sufficient funds are available in the CU's FHL Program.

The CU communication will describe the loan type and amount, the amount of funds the CU currently has available in the Financial Hardship Program and amount of new funds required, and the interest rate of the loan applicant's current high-interest loan, if any. The communication will not provide any personal details about the loan applicant or the hardship situation.

If a member pays a fee in response to a specific CU communication and the loan is not issued, for whatever reasons, the CU will return the fee within a month.

Funds available for new Financial Hardship Loans = FHL Fees received by the CU less total loan balances for Financial Hardship Loans funded from FHL Fees.

### Donating to the FHL Program

The CU will accept donations, at the discretion of the CU Board, for its FHL Program from members, non-members and community organizations. A member can donate funds directly to the CU or the member can donate the funds to a tax-exempt organization, like a religious center, and ask the organization to pay the funds to the CU as FHL Program Donation.

A member's donation amount must be \$50 or higher. Donations from others must be \$250 or higher.

An organization donating funds may designate the use of the funds for specific types of Financial Hardship Loans; for example, loan for assisting members pay for college expenses. The available types of FHL loans will be determined by the CU.

A donor organization may also designate funds for borrowers specifically referred by the donor organization. **Note:** all loan applicants must meet the requirements of the CU's Loan Policy – just because a borrower is referred by a donor organization does not mean the CU will approve the loan; for example, the loan applicant must be a CU member, must meet the CU's intent to pay and ability to pay requirements, and the loan terms (loan amount, monthly payment, collateral, etc.) will be determined by the CU's Credit Committee.

A natural person donating to the FHL program can designate the use of funds for a specific type of Financial Hardship Loan but not for a specific borrower.

Designated donations will be used for the appropriate Financial Hardship loans. Any donations received by the CU that are not designated for a specific type of Financial Hardship Loan and any FHL Fees received by the CU may be used by the CU for any type of Financial Hardship Loan. The **CU Board may change the designated loan type** for any donations received in the past if the CU decides to discontinue loans of the designated loan type or if the Board determines that the funds are not being actively used for funding new Financial Hardship Loans.

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Funds available for new Financial Hardship Loans for a loan type = FHL Donations received by the CU for the loan type less total loan balances for Financial Hardship Loans of the loan type.

**Note:** A FHL loan will be categorized as either (a) funded from FHL Fees or (b) funded from FHL Donations. This categorization is used in subsequent calculations.

### Conversion of Financial Hardship Lending Donation to Financial Hardship Lending Charge-Off Donation

The CU may have to charge-off a loan if the CU determines the loan will not be paid back. If any Financial Hardship Loan categorized as funded by FHL Donations is charged off by the CU, the CU will convert FHL Donations to FHL Charge-Off Donation as described below.

The amount converted for a donor organization will be calculated as follows: The total loan charge offs for Financial Hardship Loans in the previous month, net of loan recoveries, will be divided by the cumulative total FHL Donations paid by all donor organizations, and multiplied by the cumulative FHL Donations paid by the donor organization. This allocates the amount proportionately to each donor organization. If the amount allocated exceeds the organization's cumulative FHL Donation, the amount will be reduced to the organization's FHL Donations. For this purpose, the CU will be treated as the donor organization for any FHL Donations received directly from natural persons.

For example, if total loan charge-offs for the previous month are \$1,000, the total FHL Donations paid by all organizations is \$20,000, and the total donations paid by a donor organization is \$2,000, the amount converted to FHL Charge-Off Donation for the donor organization will be \$1,000 divided by \$20,000 times \$2,000 = \$100. This will reduce the cumulative FHL Donations paid by the donor organization to \$1,900 (\$2,000 less \$100).

**Note:** If an organization has designated funds for a specific Financial Hardship Loan or loans of a specific type, any loan charge-offs for such loans will be used to proportionately convert the organization's FHL Donation amount to FHL Charge-Off Donation. (For this purpose, the CU will be treated as the donor organization for any FHL Donations received directly from natural persons.) Any shortfall between these amounts will be included in the Charge-Off Donation calculation, described above, used for the other organizations who have donated funds to the FHL Program.

If, for any reason, the loans charge-offs for Financial Hardship Loans exceed the FHL Donations and FHL Fees converted to FHL Charge Off Donations and FHL Charge Off Fees, as described above, any remaining amount will be used to proportionately convert each donor organization's FHL Donation amount to FHL Charge Off Donation, **regardless** of any designation by the donor organization.

Financial Hardship Lending Charge-Off Donations are **non-refundable**.

### Conversion of Financial Hardship Lending Fee to Financial Hardship Lending Charge-Off Fee

The CU may have to charge-off a loan if the CU determines the loan will not be paid back. If any Financial Hardship Loan, categorized as funded by FHL Fees, is charged off by the CU, the CU will convert FHL Fees to FHL Charge-Off Fee as described below.

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The total loan charge offs for Financial Hardship Loans in the previous month, net of loan recoveries, will be divided by total cumulative FHL Fees paid by all members, and multiplied by the cumulative FHL Fees paid by the member. This allocates the amount proportionately to each FHL program member. If the amount allocated exceeds the member's cumulative FHL Fees, the amount will be reduced to the member's cumulative FHL Fees.

For example, if the amount to be converted to Charge-Off Fee is \$1,000, the total FHL fees paid by all members is \$20,000, and the total fees paid by a member is \$200, the amount converted to FHL Charge-Off Fee for the member will be \$1,000 divided by \$20,000 times \$200 = \$10. This will reduce the cumulative FHL Fees paid by the member to \$190 (\$200 less \$10)

Financial Hardship Lending Charge-Off Fees are **non-refundable**.

### Conversion of FHL Fee to Regular Lending Fee

The CU will convert a member's FHL Fee to Regular Lending Fee once a month based on loan payments received by the CU for Financial Hardship Loans categorized as funded from FHL Fees.

The amount converted for a member will be calculated as follows: The total loans payments received by the CU for Financial Hardship Loans in the previous month will be divided by the cumulative Financial Hardship Fees paid by all members, and multiplied by the cumulative Financial Hardship Fees paid by the member. This allocates the amount proportionately to each Financial Hardship Fee program member. If the amount allocated exceeds the member's cumulative Financial Hardship Fees, the amount will be reduced to the member's cumulative Financial Hardship Fees.

For example, if total payments for the previous month are \$1,000, the total fees paid by all members is \$10,000, and the total fees paid by a member is \$200, the amount converted to Regular Lending Fee for the member will be \$1,000 divided by \$10,000, times \$200 = \$20.

### Fee Refunds

The Financial Hardship Lending Fee and Financial Hardship Lending Donations from natural persons are **non-refundable**. Please see the CU's Capital Distribution Policy for treatment of FHL Program Fees and FHL Program Donations if the CU is **liquidated or merged**.

For Financial Hardship Lending Donations received from organizations, the CU board, at its discretion, **may choose** to issue refunds to the donor organization under the following conditions:

- (a) If the donated funds received from the organizations have not been used yet to issue Financial Hardship Loans.
- (b) To the extent loan repayments have been received and the funds have not been redeployed yet for the Financial Hardship loan(s) or Financial Hardship loan types specifically designated by the organization.

The refund request must be made in writing by the board of directors of the organization and must state the reason the organization is requesting a refund.

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**The CU is not obligated to issue any refunds.** The maximum amount of refunds the CU may issue will be limited such that issuing the refund does not cause the CU's current Net Worth Ratio to fall below 14%. And, the refund amount cannot exceed the cumulative Financial Hardship Lending Donations paid by the organization.

### **CONVERSION OF VOLUNTARY FEES TO MEMBER DONATIONS AFTER MEMBER ACCOUNT IS CLOSED**

One year after a member's account is closed or on the death of all members on the account, whichever comes first, any past voluntary fees paid by the member or donated to the CU will be converted to Member Donations.

Any voluntary fee or donation converted to Member Donations will not be refundable to the member(s).

If a former member re-joins the CU again within one year any voluntary fees not converted to Member Donations will continue to be treated as the member's voluntary fees. If the closed account had more than one member when it was closed then all living persons on the closed account must re-join the CU.

A member may also choose to convert all voluntary fees to Member Donations at any time by submitting this request in writing to the CU. All members on the account must sign the request.

For example, if a member has paid \$100 in Net Worth Fee, \$1,000 in Regular Lending Fee and \$250 in Financial Hardship Fee, all of these amounts will be converted to Member Donations and will no longer be treated as Voluntary Fees paid by the member.

### **CONVERSION OF VOLUNTARY FEES TO MONTHLY ACCOUNT MAINTENANCE FEES**

If the member's deposit account(s) does not have sufficient funds to pay the monthly Account Maintenance Fee or the deposit account(s) have been closed, the CU may convert any past Voluntary Fee paid by the member to the monthly Account Maintenance Fee, reducing the amount of Voluntary Fee paid by the member. The amount converted will be the amount of the monthly Account Maintenance Fee.

Any voluntary fee converted to Account Maintenance Fee will not be refundable to the members(s).

For example, if a member has paid \$100 in Regular Lending Fee and the member's Share account does not have any funds or the Share Account has been closed, \$3 of the Regular Lending Fee will be converted to Account Maintenance Fee, reducing the member's Regular Lending Fee paid to \$97.



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### APPENDIX

#### **Net Worth and Net Worth Ratio**

Definition of Net Worth and Net Worth Ratio per the Texas Administrative Code

[http://info.sos.state.tx.us/pls/pub/readtac\\$ext.TacPage?sl=T&app=9&p\\_dir=N&p\\_rloc=133086&p\\_tloc=&p\\_ploc=1&pg=40&p\\_tac=&ti=7&pt=6&ch=91&rl=501](http://info.sos.state.tx.us/pls/pub/readtac$ext.TacPage?sl=T&app=9&p_dir=N&p_rloc=133086&p_tloc=&p_ploc=1&pg=40&p_tac=&ti=7&pt=6&ch=91&rl=501)

*(1) Net worth means the retained earnings balance of the credit union as determined under generally accepted accounting principles. Retained earnings consist of undivided earnings, regular reserves, and any other appropriations designated by management, the insuring organization, or the commission. This means that only undivided earnings and appropriations of undivided earnings are included in net worth. Net worth does not include the allowance for loan and lease losses account.*

*(2) Net worth ratio means, with respect to a credit union, the ratio of the net worth of the credit union to the total assets of the credit union.*

*(3) Total assets means the average of the total assets as measured using one of the following methods:...*

A CU builds its Net Worth using its cumulative net income from year to year less any income distributed to its members as dividends.

A CU's Net Worth Ratio is the ratio of the CU's Net Worth to the CU's Total Assets. A CU is required to maintain a Net Worth Ratio that meets State and/or Federal requirements. For example, the NCUA requires a CU to have a Net Worth Ratio of not less than 7% for the CU to be designated as Well-Capitalized.