

**Red Crown Federal Credit Union
Policy Manual
Section I - Organization**

**RED CROWN FEDERAL CREDIT UNION
5001 E. 91st Street
Tulsa, Oklahoma 74137-3504**

POLICY MANUAL

The following is intended as a guide or a reference only and is not intended to create any contractual rights in favor of the employee or Red Crown. Red Crown reserves the right to change the terms of this policy at any time.

POLICY MANUAL

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**SECTION I
ORGANIZATION**

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A. Governing Rules and Regulations

1. Red Crown Federal Credit Union will be governed by its articles of incorporation, bylaws adopted by the Board and approved by the NCUA and the rules and regulations of the National Credit Union Administration (NCUA) relating to Credit Unions.
2. Nothing included in this manual is to be in conflict with the rules and regulations as identified in (A1) above.

B. Mission Statement

Red Crown has adopted a mission statement which states its basic purpose and provides guidance for planning future operations. This statement is:

“To be our Members' preferred Financial Institution”

C. Field of Membership

Persons who live, work, worship, volunteer or attend school in and businesses and other legal entities located in the following Oklahoma counties:

Creek, Okmulgee, Osage, Mayes, Pawnee, Rogers, Tulsa and Wagoner

Immediate family members of existing Red Crown members are also eligible to join.

D. Membership Retention

Members leaving the above counties may retain their membership.

E. Board of Directors, Officers, Management

1. Provisions of the bylaws relating to the Board of Directors, Officers, and Management are supplemented as follows:
 - a. Credit union employees are not eligible to be members of the Board of Directors.
 - b. The offices of Secretary and Treasurer will be held by two separate individuals.

F. Organizational Structure

1. For the organizational structure of Red Crown see Appendix A, Section I.
2. At each December Board meeting, the Board shall declare an annual meeting date within the first four months of the forthcoming year.
3. The Board of Directors will consist of nine (9) members representing the Credit Union membership.

Each year three (3) Directors are elected at the annual membership meeting for a term of three (3) years.

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Candidates for appointment to unexpired terms or nominated at the Annual Membership Meeting will meet the following criteria:

- a. Exhibit a general understanding of Credit Union philosophy, possess general knowledge of Credit Union functions and maintain management skills essential to participate as an active board member.
- b. Have the time and inclination to devote adequate attention to required board duties.
- c. Have expressed a desire and willingness to serve, in view of the above.

At the time of election or appointment, or within a reasonable time thereafter, not to exceed six months, Directors will have at least a working familiarity with basic finance and accounting practices, including the ability to read and understand the Credit Union's balance sheet and income statement and to ask, as appropriate, substantive questions of management and the internal and external auditors.

4. Each year, within sixty days after the annual meeting, the Board will appoint standing committees for the year.
5. Committee members may be, but are not required to be, from the Board. (For a list of Committees and their functions see Appendix B)
6. The Executive Committee is required to act on official and staff loans in excess of \$20,000 subject to ratification by the Board at the next regular meeting.
7. The Board Chairman is an ex-officio member of all committees except those on which he/she is a regular member.
8. Nominating Committee
 - a. A committee of three Credit Union members, one of whom is designated as Chairman, is appointed by the Board following the organizational meeting of the Board of Directors.
 - b. The committee responsibilities will include:
 - (1) Soliciting qualified candidates for the Board.
 - (2) Ascertaining the willingness and desire of candidates to serve.
 - (3) Placing names in nomination.
9. Committees and Staff Liaison

Employees with duties directly related to committee functions may be designated as staff liaison to the committees without voting rights.

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G. Relations to Credit Union Organizations and Associations

1. It is the policy of Red Crown to take advantage of all possible assistance from Credit Union organizations, associations, and NCUA. Participation in chapter, Cornerstone League, and other association affairs is encouraged.
2. The Board of Directors' prime responsibility is to Red Crown members.
3. Association dues are approved by the Board during the annual budgeting process.

H. Public Information Release

Information prepared for publication, news bulletins, interviews and press releases will be reviewed and approved by the President/CEO, Chairman of the Board, Chairman of the Policy Committee, or their designee prior to publication, posting or release.

I. Compensation - Officers, Directors and Committees

It is the general policy that officers, directors, and committee members will not be paid for their services. The primary objective of Red Crown is to serve the members; it is this motivation that guides the leadership of Red Crown, not financial compensation.

Meals may be provided when such services span a normal meal period, lunch, dinner, etc., without violating the compensation concept.

J. Authorization

In addition to authorizations covered in other sections, the Board has authorized the following:

1. Bank
 - a. The establishment of a banking relationship to meet the daily cash and operational needs of the credit union offices.
 - b. The establishment of accounts within Red Crown for the specific purpose of clearing member and account payable checks.
 - c. The establishment of a banking relationship for the specific purpose of clearing transfers, share drafts, credit and debit card activity.
 - d. Red Crown Federal Credit Union checks over \$ 10,000 require the counter signature of a bonded employee of Red Crown, other than the teller issuing the check, in addition to the facsimile signature. In the event of a malfunction of facsimile equipment, the same individuals will serve as authorized check signatories.

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- e. The facsimile signatory will not counter sign checks embossed with his/her facsimile signature.
- f. The establishment of Wire Transfer Service relationships for the purpose of moving funds between Red Crown and other financial institutions.

(1) Fund Transfer

Officers and employees in the following positions are authorized and empowered to transact wire transfer services on behalf of Red Crown Federal Credit Union:

Authorized

President/CEO

Controller/CFO

COO

Vice President Lending

Accountant

Accounting Clerk

- (2) Authorized transaction capabilities for the above personnel are listed in the Wire Transfer Procedure.
- (3) Written dual control procedures and system user / administrator functions are in place to require the involvement of two persons and prevent a single individual from making wire transfers unassisted.
- (4) Written procedures have been established to provide appropriate security features and safeguard against human error, fraud and to assure proper record retention.
- (5) The Controller/CFO is responsible for the wire transfer policy updates, procedures, and monitoring of procedures for compliance, etc.

2. Legal Counsel

Management is responsible for maintaining appropriate legal representation as needed with one or more firms. Notification to the Board of need for such representation and retention of firm(s) will be made a part of regular management reports.

3. Bond

The Board directs the President/CEO to maintain blanket bond coverage for the current asset level.

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5. Safe Deposit Box

The President/CEO and Treasurer are, if needed, authorized to rent and access jointly a safe deposit box in the name of Red Crown from a depository bank or other banks as designated.

6. Signatures

- a. (1) The President/CEO and Vice-Presidents are authorized to sign and release real estate mortgage documents on behalf of Red Crown with attestation of the Secretary.
- (2) For the purpose of signing legal documents, any Board member may serve as Secretary.
- b. Financing statements, security agreements, as well as all forms required under the Uniform Commercial Code, and release of titles may be signed by the President/CEO, Vice-Presidents or such staff persons as they may authorize.
- c. Share certificates of deposit will be authorized by the President/CEO, Vice-Presidents or staff persons as they may authorize.

7. Representatives

The President/CEO is authorized to vote on matters of interest to Red Crown at Credit Union National Association, Inc., CUNA Mutual Insurance Company, Cornerstone Credit Union League, Credit Union Service Centers of Oklahoma, chapter and other meetings. Further, the Board has the authority to designate any member of the Board of Directors, committee members, Management or employees to represent Red Crown at meetings. Such assignments may include instructions on how to vote. Any action taken under this provision is reported to the Board.

8. Security Officer

A security officer will be appointed by the Board. The officer will submit an annual written report to the Board covering at a minimum recommendations and status of compliance to Section 5193 of the Federal Credit Union Accounting Manual and Section 748 of NCUA rules and regulations.

9. Membership Officer

A Membership Officer and alternate Membership Officer will be appointed annually at the Reorganization Meeting by the Board to approve new memberships and changes to existing accounts as permitted under the Federal Credit Union Rules and Regulations.

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10. Endorsements

It is the policy of Red Crown not to provide endorsements of non-Credit Union products or services available from others. From time to time, the Board of Directors and Management may select products and services to be made available to members. Such selection is based on careful evaluation of benefits to be provided to the members of Red Crown. The final decision to use the service or select the product rests with the member. Availability does not constitute an endorsement. Notice of this statement of policy will normally accompany the release of a new service to members.

11. Service Charge and Fee Policy

Management is authorized to assess reasonable charges for services provided to members.

12. Directors' and Officers' Liability Insurance

Red Crown will provide an insurance policy to defend and transfer/mitigate the risk of legal liability brought against directors, employees, and volunteers of Red Crown, arising out of their exercise of powers and discharge of duties in accordance with the standards of care required by these policies and applicable legislation.

Every director, employee and volunteer will exercise the powers and discharge the duties of his/her office honestly, in good faith and in the best interests of Red Crown. In connection therewith, he/she shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. So long as the insured's performance conforms to this policy, it shall be Red Crown's policy to pay any coverage deductions that may apply.

13. Disclosure of Confidential Information

To hold in strict confidence all transactions of Red Crown members and to accommodate the processing of member transactions, the following persons or firms are designated as those to which confidential member transactions may be disclosed:

- a. Persons acting in a confidential or professional relationship to Red Crown including: attorneys, auditors, banks and companies with which Red Crown shares information in order to conduct its business and maintain member accounts.
- b. The credit granting industry and credit reporting agencies for the purpose of verifying or establishing the credit worthiness or credit rating of a member.

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- c. The designated persons authorized to transmit such information are:
- (1) for matters concerning the Board of Directors, the Chairman,
 - (2) for matters concerning the specific committees, the chair of each respective committee, and
 - (3) for matters concerning the operational transactions of Red Crown, the President/CEO and such staff persons as he or she may authorize.
- d. Secrecy and Confidentiality - No officer, director, committee member or employee shall disclose to anyone not entitled thereto, confidential information regarding Red Crown and its members.

Any violation thereof is cause for dismissal (in the case of an employee) or removal from office (in the case of an officer or committee member).

14. Board Report

Management will prepare, or have prepared, written monthly reports on the operations of Red Crown. These reports will include but not be limited to:

President's Report
Statement of Financial Condition
Statement of Income
Budget comparison report
Membership report
Delinquent loan report
Loan charge-off and recovery report
Membership Activity reports
Action items from prior meetings

All financial reports will be prepared in conformance with generally accepted accounting principles and the accounting requirements of the NCUA and applicable legislation.

15. Red Crown Image

Red Crown is a part of the business, financial and social aspects of the overall community in which it operates. To project a sound image, Red Crown adheres to the following policies:

- a. Special Interest Groups- Red Crown will not become involved in any support to special interest groups, be they religious, political, or otherwise, except where they form part and parcel of the Credit Union system.

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- b. Discrimination - Red Crown will not discriminate against individuals by using race, color, religion, national origin, sex, age, political persuasion, disabilities or marital status as a basis for denying or restricting Red Crown services.
- c. Third Parties- Red Crown will not take sides in any issue between its members and third parties.
- d. Display Advertising- Red Crown will not allow the display of posters, leaflets, notices and like advertisements for local, charitable, sports, or recreational activities on its premises. Also barred from posting are:
 - (1) political posters and notices,
 - (2) religious posters and notices,
 - (3) special interest groups such as unions, vendors, social action committees and the like, and
 - (4) posters or notices which suggest that Red Crown endorses the notice, or otherwise associates Red Crown with such notice or posting, unless expressly authorized by management.
- e. Memberships
Red Crown may purchase membership in local business and social organizations as approved by the Board of Directors.
- f. Legislative Process
Volunteers and management may participate in the legislative and political process via the Credit Union Legislative Action Committee (CULAC) and the Oklahoma Credit Union Political Action Committee (OCUPAC).

A Legislative Coordinator may be appointed to serve as Red Crown's focal point for legislative communications between Red Crown and the legislative process.

L. Planning Meeting

Each year there will be a special planning meeting to consider problems requiring solutions and to plan goals, objectives, and directions for Red Crown during the coming year. The meeting is not to be the regular Board meeting, and current operating problems will not be discussed, except as they relate to the future.

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M. Regular and Special Meetings of the Board

1. The time and place of each Board of Director's meeting shall be determined at the prior month's meeting and may be amended by notification via the Chairman or President/CEO at the Chairman's direction, when necessitated due to conflicting circumstances which would not permit a quorum to be present. Meetings can be conducted via face-to-face, teleconference or other acceptable medium. The minutes should document the medium by which each member is participating if different from the total membership.

2. Preparation and Distribution of Agenda

a. It is the decision of the Board of Directors that the Board meetings are closed to member participation for the protection of the members' interests due to the confidentiality of the deliberations (consistent with the ruling of the regulatory agency).

b. It is the joint responsibility of the Chairman of the Board of Directors and the President/CEO of Red Crown to prepare the agenda for distribution in advance of all meetings.

c. The President/CEO and staff of Red Crown will prepare the necessary reports, exhibits, and supporting documents for each meeting for distribution with the agenda; the President/CEO, Controller/CFO, *COO*, Vice-Presidents and Supervisory Committee Chairman are expected to attend the Board meetings and present their respective reports.

3. Notification of Meetings

a. It is the responsibility of the President/CEO of Red Crown to provide written notice at least five (5) days in advance of any regular Board meeting.

b. Special meetings will normally be preceded by written or verbal notice at least three (3) days in advance. Where notice of three (3) days is given, the majority of a quorum of the Board is adequate to take action. In the event of an emergency, the Chairman can call a special meeting at his/her pleasure and without notice. An effort will be made to contact each Board member. The vote of at least five (5) of the nine (9) members of the Board will be necessary to take action at such an emergency meeting. -

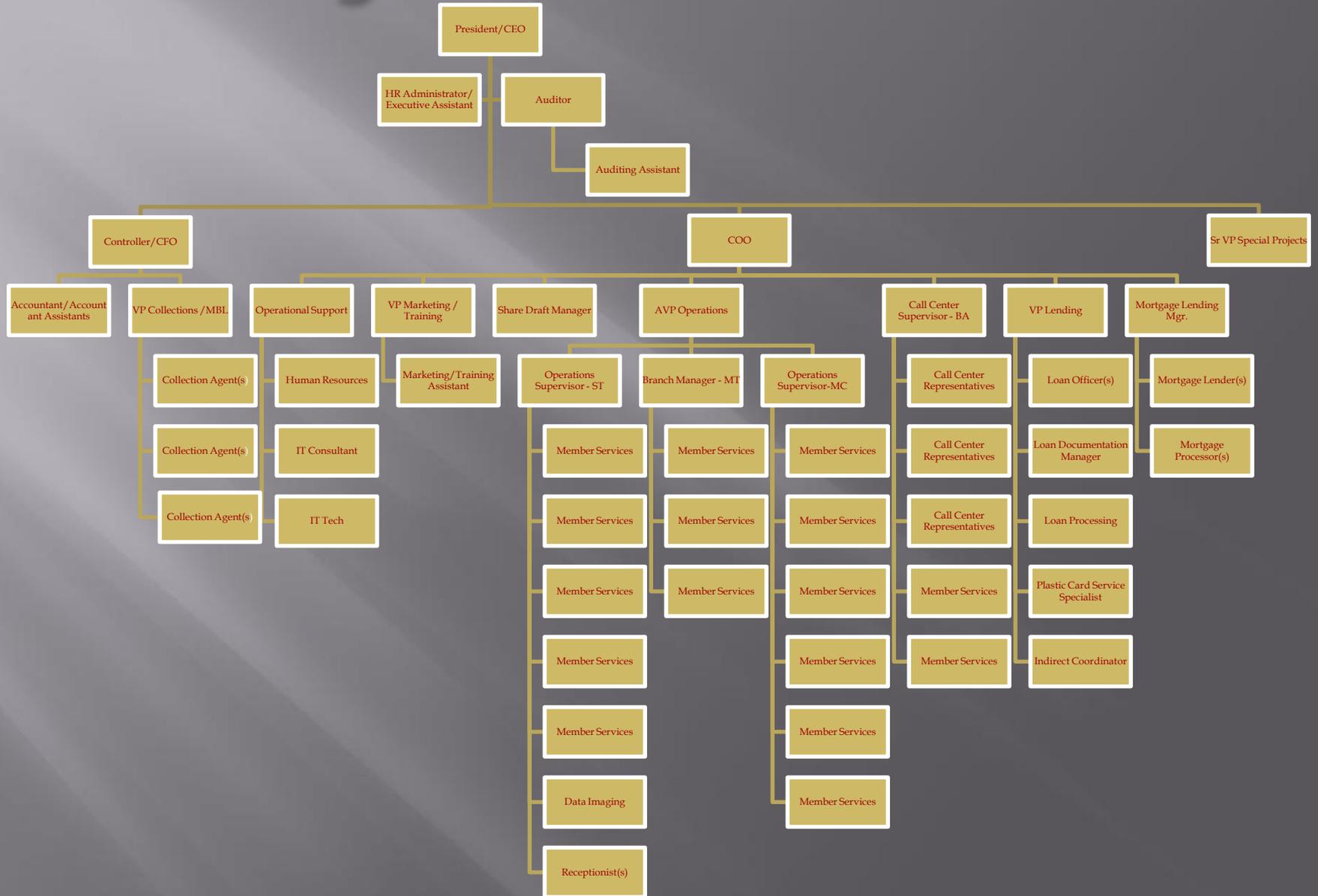
5. Minutes

Minutes of the Board meeting will be distributed prior to Board report distribution for the next month.

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**APPENDIX A
Organizational Chart**

Organizational Chart



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All Red Crown Board members and/or volunteers are invited to attend any committee meeting with the exception of the Executive Committee. Within 60 days after the Red Crown annual meeting, committee membership will be formed and voting rights will be established at the committee's first meeting. All Red Crown committees will be limited to a maximum of four voting Board members per Committee. Only volunteers on Board appointed committees will have voting rights unless otherwise stated. Operational committees may be formed for a specific operational purpose and serve at the discretion of Management. Meetings can be conducted via face-to-face, teleconference or other acceptable medium. Minutes of committee meetings will be distributed prior to and/or at the next committee meeting. The minutes should document the medium by which each member is participating if different from the total membership.

COMMITTEES

AD HOC COMMITTEES

Ad Hoc Committees may be appointed by the Board as deemed necessary. Voting rights will be established by the Board during the time of the appointment.

ASSET/LIABILITY COMMITTEE

The Asset/Liability Committee will consist of a minimum of four (4) members appointed by the Board for a term of one (1) year. The Credit Union President/CEO and his/her designates will also serve on the committee as liaisons.

The function of the Asset/Liability Committee is to review CD rates, review loan rates and recommend share rate changes to the Board. Other functions involve reviewing the maturities of investments, loans, deposits and other liabilities; and how the mix of these items affect the financial operation.

The committee also reviews the Annual Budget and changes to the existing budget, making recommendations to the Board.

The committee meets quarterly. Refer to Section X (Asset/Liability) for detailed policy language that governs the committee's function.

For further information or detailed description of duties, please refer to the following references in this manual – Section V, A.2.d, A.3., and L.4; Section VII, J, 1 and 4, Section VIII intro and B.

LOAN COMMITTEE

The Loan Committee will consist of members from the Red Crown loan staff and management appointed by the Board of Directors.

The function of the Loan Committee is to:

1. Establish Lending Officers Authority.

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2. Render decisions on loan applications, deferrals, etc. referred by the Loan Officers and those above their approved authority.
3. Render decisions on credit denial appeals.

The committee meets as necessary.

DELINQUENT LOAN COMMITTEE

The Delinquent Loan Committee will consist of a minimum of four (4) members from staff, Board members or volunteers appointed by the Board for a term of one (1) year.

The function of the Delinquent Loan Committee is to review the delinquent loans as presented by the Collections Manager and determine any action to be taken, making recommendations to the Board.

The committee meets monthly, prior to the monthly Board meeting.

For further information or detailed description of duties, please refer to the following references in this manual – Section VII.H and Section IX.

EDUCATION, MARKETING & NEW SERVICES COMMITTEE

The Education, Marketing & New Services Committee will consist of a minimum of four (4) members appointed by the Board for a term of one (1) year on an as needed basis.

The function of the Education, Marketing & New Services Committee is to assist with marketing promotions/ideas or market research and to make suggestions for new products and services to the Management Team.

The committee meets as necessary.

EXECUTIVE COMMITTEE

By invitation, staff, other Board members and/or volunteers may meet with the Executive Committee.

The Executive Committee will consist of four (4) members: the Board Chairman, Vice-Chairman, Secretary and Treasurer.

The function of the Executive Committee is to approve all loans for Board members, approve loans for Red Crown officials and staff when total loans exceed \$20,000.00 for an individual, and other duties as deemed necessary by the Board and management.

The committee meets whenever necessary and can be conducted via telephone.

For further information or detailed description of duties, please refer to the following references in this manual – Section VII.A.10.a, IX. F.3, and IX. G.3.

MEMBERSHIP COMMITTEE

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The Membership Committee will consist of one (1) member and one (1) alternate, appointed by the Board for a term of one (1) year.

The function of the Membership Committee is to approve new members and membership changes.

NOMINATING COMMITTEE

The Nominating Committee will consist of a minimum of three (3) members appointed by the Board for a term of one (1) year.

The function of the Nominating Committee is to interview, screen, and select nominees for Board of Directors as needed. They also seek interim replacements as required and make recommendations to the Board.

The committee meets whenever necessary but usually before the annual meeting.

PERSONNEL COMMITTEE

The Personnel Committee will consist of a minimum of four (4) members appointed by the Board with at least three persons being Board members, for a term of one year.

The function of the Personnel Committee is to review salary structures, job grades, job descriptions, with other personnel matters as requested by the Board or Management, and to make recommendations to the Board.

The committee will meet before salary administration is conducted and as personnel needs arise.

POLICY COMMITTEE

The Policy Committee will consist of a minimum of four (4) members appointed by the Board for a term of one (1) year.

The function of the Policy Committee is to review matters requiring new and updated policy, make recommendations, then submitting those recommendations to the Board.

The committee meets whenever necessary.

SUPERVISORY COMMITTEE

The Supervisory Committee will consist of three (3) to five (5) members appointed by the Board of Directors for a term of one (1) year. Members will automatically be reinstated for a succeeding term unless replaced by the Board at the end of each year's term.

The Supervisory Committee is responsible for making sure the Credit Union's financial records are in order and that internal controls are in place to protect the assets of the Credit Union and its members. The Committee does this by having a Certified Public Accountant conduct an independent audit once each year, and working with and supervising an Internal Auditor to regularly test internal controls.

It will conduct some audit activities itself. The committee is to ensure that the Credit Union is

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in full compliance with all relevant laws and regulations, which is primarily achieved through NCUA's annual examination. It reviews the actions of the Board of Directors, officers, and committees to make sure that they are exercising firm control over the Credit Union's affairs, that they understand their role, and promote the Credit Union for its intended purposes. It reviews the operations and monitors the overall financial condition on an ongoing basis. It reviews all new policies and changes in Credit Union procedures in terms of their effects on the quality of service to members and safety of members' funds.

The Committee maintains a 5-Year Internal Audit Plan, which has been developed from an assessment of the risks to the organization. This plan seeks to apply the limited audit resources to the areas of highest risk, and to ensure that proper coverage is given to all areas involved. A 1-Year Audit Plan details the work to be completed on a short-term basis. Progress against the short-term plan is periodically analyzed to ensure that the objectives are being met.

The Committee periodically communicates to the Board the material results of its examinations, and those of other auditors and examiners. These reports are commonly in written format. In the unlikely event that a satisfactory resolution cannot be reached with management on specific control aspects, the Committee may subsequently address those issues to the Board for a decision.

The Supervisory Committee is also responsible for controlling the mailing of account statements to members annually, and receiving complaints from members. These complaints are reported to the Board as required.

The committee meets monthly or more often if necessary, and maintains Minutes of its meetings, which may or may not be maintained in confidence, but which are always open to Board review.

For further information or detailed description of duties, please refer to the following references in this manual – Section VII.C.4, IX.H.4.c.

TECHNOLOGY COMMITTEE

The Technology Committee will consist of members from staff, including the President/ CEO, IT Manager, CFO/Controller, Vice Presidents and the Compliance Officer. A minimum of four (4) Board members or volunteers appointed by the Board for a term of one (1) year will also serve on the committee.

The function of the Technology Committee is to provide oversight of technology related projects and strategies. The committee reviews technology related products, services and vendors. When appropriate, purchases and/or changes will be recommended to the Board of Directors.

Additionally, the committee monitors risk related to the technology systems of Red Crown by reviewing audit reports and reports prepared by staff. The committee relies primarily on the Federal Financial Institution Examination Council (FFIEC) guidelines and any other regulatory requirements that govern information technology.

The committee meets quarterly.

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BUSINESS LOAN COMMITTEE

The Business Loan Committee will be comprised of the Executive Committee, the Board appointed staff and one Board approved designee.

The Business Loan Committee will be responsible for reviewing and rendering decisions on member business loans proposed by loan staff with proper documentation and package requirements as outlined in Business Lending Policy. At least one member of the Business Loan Committee must meet Business Loan Officer qualifications, as set forth in Business Lending Policy.

The committee will meet whenever necessary.

For further information or detailed description of duties, please refer to the following references in this manual – Section VII – Business Lending Policy – see table of contents at beginning of Section VII for page number.