

## CHAPTER I – PERSONAL LOANS

### I-A. PURPOSE

The Stockbridge-Munsee Community, through the Mohican Loan Department, provides enrolled tribal members with secured loans for personal use with the revolving loan fund of the Mohican Personal Loan Program.

### I-B. DEFINITIONS

1. “Applicable Federal Rate” means the rate used by the U.S. Internal Revenue Service (“IRS”) pursuant to IRC § 1274(d) to determine below market rate loans for the purpose of taxable income, as stated in Revenue Rulings published monthly by the IRS and available over the Internet.
2. “Debt Ratio” means the ratio of an applicant’s recurring monthly debt payments to gross monthly income.
3. “Department” means the Mohican Loan Department.
4. “Loan Closing” means the time when the borrower executes the promissory note and security agreement and other required documents in order to accept a loan.
5. “Member” means an enrolled member of the Stockbridge-Munsee Community.
6. “Marital Property Statement” means a form identifying whether or not a debt was incurred in the interest of the family.
7. “Promissory Note and Security Agreement” means the agreement containing the borrower’s promise to repay the loan from the Tribe and the borrower’s grant of a security interest in the borrower’s right to receive a share of any distribution from the Tribe’s enterprises.
8. “Tribe” means the Stockbridge-Munsee Community, a federally recognized Indian tribe.

### I-C. ELIGIBILITY CRITERIA

1. ELIGIBLE APPLICANTS.
  - A. Applicant must be an enrolled member of the Stockbridge-Munsee Community who is at least 18 years of age.
  - B. Applicant must be employed for a minimum of one (1) year or have other allowable income for a minimum of one (1) year or a combination of the employment/other allowable income for a minimum of one (1) year. Verification of income shall require the following information, as applicable:
    - (1) Written verification from employer.

- (2) Copies of applicant's (and spouse's if married and filing separately) federal tax returns (including all forms and schedules).
  - (3) Copies of applicant's current pension and/or Social Security benefit statements.
  - (4) Any other documentation deemed necessary to verify income.
- C. Applicant must have a debt ratio of 40% or less.
- (1) The following types of income **are considered** when calculating debt ratio: wages and tips; pension benefits; Social Security benefits; Supplemental Security Income (SSI) benefits; and unemployment benefits for seasonal workers.
    - i. Child support and alimony payments may also be considered where appropriate.
    - ii. Pre-tax amounts will be used when determining gross monthly income.
    - iii. For married applicants, income from both spouses is considered when calculating debt ratio unless legally separated.
  - (2) The following types of income **are not considered** when calculating debt ratio: unemployment benefits; income not reported on taxes; and any other temporary income.
  - (3) For the purposes of calculating debt ratio, debt includes the new loan payment, mortgage/rent payment, all open loan payments, credit and credit card payments, alimony/child support and maintenance payments, and payments to any other lenders will be included. If monthly payments on a debt have been deferred until after the final payment on the loan being applied for under this program, such deferred payments will not be considered.
  - (4) Monthly food, utility, and home telephone payments will not be considered debt for purposes of calculating debt ratio.
  - (5) All debt incurred during an applicant's marriage is presumed to be marital debt and all marital debt is included for purposes of calculating debt ratio.
- D. Applicant must demonstrate the ability to repay the loan. Notwithstanding any other provision of these policies, the Tribe shall not approve a loan unless it has made a reasonable determination that the applicant will repay the loan.
- E. Applicant shall not have an existing account in arrears with the Department.
- F. Applicant must satisfy any arrears and/or unpaid judgments either prior to submitting the loan application or upon disbursement of the loan.
- (1) If an unpaid account(s) exists with a balance of \$2,000.00 or less, credit may be approved, and the unpaid account(s) will be paid out of the loan and any remaining loan funds will then be disbursed to the borrower.
  - (2) If an unpaid account(s) exists with a balance between \$2,000.01 and \$10,000.00, credit may be extended only if the applicant has been employed for three (3) years or more. The unpaid accounts will be paid out of the loan and any remaining loan funds will be disbursed to the borrower.
- G. Bankruptcy shall affect an applicant's eligibility as follows.
- (1) An applicant, who previously received a discharge in bankruptcy of a debt owed to the Tribe, **is not eligible** for a loan **unless** the person has cured that bankruptcy discharge with the Tribe.

- (2) An applicant, who had non-tribal debts discharged through Chapter 7 bankruptcy, shall not be eligible for a loan from the Tribe for a period of two (2) years following the date of discharge.
- (3) An applicant, who has filed for Chapter 11, Chapter 12, or Chapter 13 bankruptcy on non-tribal debts and is currently under a repayment plan, shall not be eligible for a loan until the applicant has fully complied with the repayment plan for at least two (2) years.
- (4) If a Chapter 11, Chapter 12, or Chapter 13 bankruptcy repayment plan for non-tribal debts is not completed or is converted to a Chapter 7 bankruptcy, the applicant is not eligible until two (2) years have passed from the date of discharge or the date of withdrawal from the bankruptcy proceeding.

H. It is recommended that all borrowers receive credit counseling.

2. CREDIT BUREAU REPORT. Credit bureau reports on the applicant and the applicant’s spouse will be obtained for all personal loans.

3. ELIGIBLE LOAN PURPOSES. Loan funds must be used for eligible activities.

A. All legal activities are eligible (except as discussed below).

B. Refinancing of an existing loan with the Department is an eligible activity. If refinancing an existing personal loan, at least Sixty percent (60%) of the original loan amount must be paid before the loan can be refinanced. A processing fee will be assessed (see, Costs and Fees section).

## I-D. LOAN PROCESS

1. APPLICATION.

A. Applicants shall submit the following information in order to be considered for a personal loan.

(1) Completed loan application, which is available from the Department, and the application fee, if applicable (see, Costs and Fees section).

(2) If applicant is married, the loan application “Column II – Spouse” section **must** be completed.

(3) Copies of two (2) most recent pay stubs indicating year to date earnings.

(4) If self-employed, the applicant must submit a copy of the previous year tax records, including all forms and schedules.

(5) A copy of the benefit statement must be provided when Social Security, SSI, or pension benefits are a source of income. The benefit statement must specify for whom benefits are paid; the name, address, and phone number of the payor; and verification of benefit dates, as applicable. If the borrower has a protective payee, this must be identified.

(6) Additional information that the Loan Review Panel may deem necessary.

B. Once the Department has received all required application materials and completed verification, the application will be forwarded to the Loan Review Panel for consideration in a timely fashion.

C. All required information must be submitted within 30 days or a new loan application must be completed. A new application must be submitted each time a person wants to be considered for a loan.

2. APPLICATION ASSISTANCE. The Department staff will explain the loan process and requirements to the prospective applicant, assist the applicant with completing the loan application, and process the loan application for review by the Loan Review Panel.
3. LOAN REVIEW PANEL.
  - A. A Loan Review Panel shall review personal loan applications. Each application requires Panel review to assure the integrity of the loan process.
  - B. The Panel shall have access to all documents pertaining to the application. The Panel may consult with other resources as necessary to assess the application.
  - C. The Panel shall review all loan documentation for compliance with Tribal Council approved loan policies and procedures. If the Panel determines non-compliance with policies and procedures, the loan will be denied until remedied.
  - D. The Loan Review Panel shall decide on whether the loan application is approved, conditionally approved, or denied within fifteen (15) working days of receiving the application and all requested supporting materials.
  - E. The Loan Review Panel will consist of at least two persons from the following representation: the Executive Director, Tribal Treasurer, Chief Financial Officer, Accounting Manager, or member(s) of the Investment Committee. No participating member of the Panel may have a close personal relationship to the loan applicant that would make impartial consideration difficult. A panelist who recuses himself or herself shall not be present when the application is considered.
  - F. The Loan Review Panel shall meet as needed for review of loan applications.
4. PRIORITY. Applications will only begin the loan review process once a complete loan application with all required documentation is received. Applications will then be processed in the order that they were received.
5. NOTIFICATION OF APPROVAL DECISION.
  - A. Applicants shall be notified in writing whether or not they are approved for the loan by the Department within five (5) working days of the Department receipt of Loan Review Panel's decision.
  - B. If there are any conditions that the applicant needs to satisfy in order to receive the loan, the applicant will be notified of the conditions in the approval letter.
  - C. If the loan is denied, the applicant will be notified of the reasons for the denial.
  - D. Upon approval, the Loan Manager will set a date by which the loan must be closed. If both parties agree, the deadline for closing may be extended. If the loan closing does not occur by this date and the parties have not agreed to an extension, the loan approval shall be withdrawn, and the applicant shall be required to submit a new loan application.
  - E. The Department is not authorized to grant immediate approval of any applications to meet an applicant's emergency needs.
6. LOAN CLOSING.
  - A. The Loan Manager will prepare the loan documents and coordinate with the Tribe's Legal Department, as necessary.
  - B. The loan documents are as follows:

- (1) a Promissory Note and Security Agreement;
    - (2) a Marital Property Statement, if required;
    - (3) a Payroll Deduction Agreement, if applicable; and
    - (4) such other documents as the Department may require.
  - C. The Department staff and the borrower(s) shall jointly review the loan documents.
  - D. The borrower shall sign the loan documents.
  - E. Copies of the signed Loan Agreement, the marital property statement, and the projected amortization schedule for the loan will be provided to the borrower. A copy of the marital property statement will also be provided to the borrower's spouse.
  - F. Following closing, the Department shall perfect the Tribe's security interest in the borrower's right to receive distributions from the Tribe's enterprises, such as a tribal per capita payment, by filing a UCC-1 financing statement with the Wisconsin Department of Financial Institutions. In the event the term of the loan exceeds five (5) years, the Department shall file a renewal statement.
7. DISBURSEMENT OF LOAN PROCEEDS. Loan funds will be disbursed to the borrower following the loan closing, except as required under this policy (such as direct disbursement to debt holders).
8. REPORTING.
  - A. The borrower must inform the Department in writing of any change in personal information (e.g., name, address, or telephone number) or other information that would affect the loan or the borrower's repayment of the loan within 30 days after the change occurred.
  - B. Report of Identity Theft.
    - (1) If the Department receives notice of identity theft regarding a tribal loan, the Department will work with the borrower to investigate and resolve the issue.
    - (2) As appropriate, the Department can recommend that the borrower contact the credit bureau to place a fraud alert and consider placing a credit freeze on their credit report.
    - (3) Borrowers can go to the Federal Trade Commission's <https://www.identitytheft.gov> website for additional information about addressing identity theft.
9. RECORDS AND FILES.
  - A. The following records shall be maintained in a personal loan file for each applicant and/or borrower.
    - (1) Loan Application. Completed loan application, credit reports, and other supporting loan information submitted. Documentation of all fees paid by borrower as part of the application process will also be maintained.
    - (2) Loan Review Panel Documentation. Recommended actions on the loan application and a copy of the Loan Review Panel's decision, including any documented reasons in support of the decision.
    - (3) Loan Closing Document(s). A copy of the closing documents, the marital property statement (if applicable), and the amortization schedule.

- (4) Annual Statement. A copy of the annual statement identifying balance on principal, interest owed and payment history provided to the borrower upon request.
  - (5) Correspondence. All letters sent by the borrower and copies of any letters sent by Department, including any default or other notices.
- B. The Department shall maintain all records and files in a secure fashion.
  - C. The Department shall retain its files for the life of the loan and for a period of three (3) years after the final payment is received. At the end of this retention period, the Department may have the files destroyed in a manner that protects any confidential information and complies with applicable law.

## **I-E. LOAN TERMS AND CONDITIONS**

1. **LOAN AMOUNT.** The minimum credit extended on a personal loan is Two Hundred Fifty Dollars (\$250.00) with a maximum personal loan of up to Ten Thousand Dollars (\$10,000.00). **Individual may qualify for a personal loan over \$5,001 with a 620 FICO score but may be required to have credit counseling if FICO score is between 620-640**
2. **PAYMENT TERM AND INTEREST RATE.**
  - A. **Payment Term.** The payment term shall be based on the amount of the loan and is in accordance with the following schedule.
    - \$ 250.00 to \$ 500.00 not to exceed a Six (6) month payment term
    - \$ 500.01 to \$ 1,000.00 not to exceed a Twelve (12) month payment term
    - \$ 1,000.01 to \$ 2,000.00 not to exceed a Twenty-four (24) month payment term
    - \$ 2,000.01 to \$ 3,500.00 not to exceed a Thirty-six (36) month payment term
    - \$ 3,500.01 to \$ 10,000.00 not to exceed a Forty-eight (48) month payment term
  - B. **Interest Rates.**
    - a. For loans up to \$5,000, the loan will accrue interest at the fixed rate of 200 basis points (2.00%) above the current monthly Applicable Federal Rate (AFR) for mid-term investments (under the annual period for compounding), which can be found at <https://www.irs.gov/applicable-federal-rates>.
    - b. For loans between \$5,001 and \$10,000, the loan will accrue interest at the fixed rate of 300 basis points (3.00%) above the current monthly Applicable Federal Rate (AFR) for mid-term investments (under the annual period for compounding), which can be found at <https://www.irs.gov/applicable-federal-rates>.
  - C. All interest rates are subject to periodic review and adjustment by the Tribal Council, pursuant to a recommendation by the Department or annually as part of the Tribe's budget process. The rates will be adjusted as appropriate to ensure that they that they are no less than the Applicable Federal Rate, so that borrowers do not have imputed income attributable to a below-market rate loan.
  - D. The principal and interest will be fully amortized over the term of the loan.
  - E. Interest is calculated and added to the unpaid balance daily.
  - F. Interest will begin to accrue on the day the loan check(s) are disbursed.
3. **PAYMENTS.**
  - A. Borrowers shall make monthly payments in accordance with the Loan Agreement.
  - B. The Department shall not assess penalties for early payments.

- C. Advances on tribal per capita payments will not be utilized as a form of payment.
- D. The Department appropriately reports borrower's payment history to TransUnion and/or one of the other major credit reporting agencies.
  - (1) Borrowers are provided notice that negative information such as collections and account delinquencies may be furnished to a credit agency as part of reporting payment history.
  - (2) Disputes.
    - i. If borrowers believe there is an error on their credit report regarding their loan payment history, they can contact the credit agency and/or the Department to dispute the error.
    - ii. If contacting the Department, then a letter identifying all disputed information that the borrower wants fixed as well as copies of documents that support their request must be provided.
    - iii. The Department will investigate the identified dispute. If the information is found to be inaccurate or incomplete, then the Department will inform the credit agency to update or delete the information. If the disputed information is accurate, it will be reverified.
    - iv. A letter documenting the Department's determination and any follow-up actions will be provided to the borrower.

#### 4. FORBEARANCE.

- A. When a borrower is unable to make the scheduled payments, the Department may allow the borrower to reduce the amount of the payments or to stop making payments for a limited period of time. This action is called forbearance. The Tribe is not required to grant forbearance.
- B. The borrower must submit a written request for forbearance to the Department Manager. The request must include the borrower's name, address, reason for request, and the term of the requested forbearance, which will be between one (1) and six (6) months.
- C. Upon receipt of the request, the Loan Review Panel will verify that the borrower's request is true, accurate and make the determination of approval/denial. If approved, the borrower will be required to sign an agreement containing the terms of the forbearance. The forbearance agreement will identify whether the forbearance will have the effect of extending the final payment date by the time covered by the forbearance or whether the monthly payments will be increased when the forbearance period ends so that the final payment date is unchanged.
- D. Forbearance may be granted only if the borrower meets one or more of the following criteria:
  - (1) Borrower is hospitalized followed by a period of therapy/rehabilitation.
  - (2) Borrower is on an approved family/medical leave of absence from work.
  - (3) Borrower is involuntarily laid off or terminated from employment. This does not include seasonal employment.
  - (4) Borrower has encountered a natural disaster to his or her real property that affects his or her ability to repay the debt.
  - (5) Borrower divorces during the repayment period.

- (6) Borrower is an active-duty or active-service servicemember or dependent of a servicemember per the Servicemembers Civil Relief Act (50 U.S.C. 3901)
- E. The term of a forbearance agreement may not exceed six (6) months.
- F. During the period of forbearance, interest continues to accrue, and the borrower is permitted to delay or temporarily reduce the monthly payment.

5. DEATH.

- A. In the event of death of borrower, the Department will work with the Legal Department and attempt to collect the monies due from the borrower's estate.
- B. If the amount due exceeds what is available for collection from the borrower's estate, the Department will make a recommendation to the Tribal Council on how to proceed.

6. DEFAULT.

- A. A borrower defaults on his or her loan when the borrower violates any term of the Loan Agreement or these policies.
- B. A borrower is in default on his or her payments when the borrower has failed to make a payment in full within forty (40) days of its scheduled or deferred due date or when the borrower has outstanding an amount exceeding two (2) full payments which has remained unpaid for more than ten (10) days after the scheduled or deferred due date.
- C. In the event of a default, the Department will send the borrower written notice identifying the default and providing the borrower with an opportunity to cure the default.
  - (1) The notice will be sent by US Mail to the last address reported to the Department by the borrower.
  - (2) The notice shall contain the name, address and telephone number for the Department, a brief identification of the loan and the default, a clear statement of the total payment (including an itemization of any delinquency charges) or other performance necessary to cure the default, and the exact date by which the amount must be paid.
- D. If the borrower fails to make satisfactory payment and/or payment arrangements on their default loan account within fifteen (15) days of the notice, the Department may contact the tribal Legal Department to bring a collection action in Stockbridge-Munsee Tribal Court. Possible collection action remedies include having the borrower's wages garnished, interception of state income tax refund, and/or attaching any per capita payment paid to tribal members in accordance with applicable law.
- E. During any period of default, the borrower will be barred from obtaining any loans from the Tribe until the account arrears have been satisfied.
- F. If the Tribe brought a collection action against the borrower in court or exercised its right to attach the borrower's per capita payment on two (2) or more years during the loan term, then the borrower shall be ineligible to obtain any other loan from the Tribe during the time until the loan is paid in full, as well as a period of five (5) years from the date the loan has been paid in full.

- 7. LOAN SATISFACTION. Within seven (7) days of receiving a borrower's final payment on a loan, the Department shall send the borrower a notice confirming that the loan has been paid in full and shall file a UCC termination statement with the Wisconsin Department of Financial Institutions.



## **I-F. COSTS AND FEES**

1. **APPLICATION FEE.** Applicants for personal loans are required to pay a \$25.00 application fee. Applications are not complete until this fee is paid.
2. **DISBURSEMENT FEES.** A fee of \$3.00 per check will be assessed for the disbursement of checks by the Tribe to satisfy outstanding debts paid with the loan.
3. **REFINANCING FEE.** A Three percent (3%) refinancing fee is charged for all personal loans being used to refinance existing tribal loans. This refinancing fee will be calculated based on the amount of the existing loan payoff.
4. **ADMINISTRATIVE FEES.** Reasonable administrative fees may be collected to cover costs incurred processing the application, such as for credit reports and certified mail. Such fees will be equal to the costs incurred by the Tribe. These costs may be considered part of the loan, so long as they do not increase the loan amount beyond the approved amount.
5. **COLLECTION COSTS AND FEES.**
  - A. Late Payment Fee. The Department has not received the full amount of any monthly payment by the end of ten (10) calendar days after the date it is due, the borrower must pay a late fee of \$10.00. If the 10<sup>th</sup> day falls on a weekend or holiday, the receipt date is the next business day and a late fee will be assessed.
  - B. Worthless Check Fee. The Department will collect a worthless check fee, equal to the charges incurred when the check is rejected for payment, if borrower issues a check for payment that is not honored by the financial institution for any reason.
  - C. Default Costs. The Department will collect reasonable collection fees and costs, which include court costs and attorney fees, if a loan account is processed for collection.