

RESOLUTION OF THE
BUDGET AND FINANCE COMMITTEE
OF THE NAVAJO NATION COUNCIL

23RD NAVAJO NATION COUNCIL - Fourth Year, 2018

AN ACTION

RELATING TO BUDGET AND FINANCE COMMITTEE; AMENDING THE NAVAJO
NATION OFFICE OF THE CONTROLLER'S CREDIT SERVICES DEPARTMENT
PERSONAL LOAN PROGRAM OPERATING POLICIES AND GUIDELINES

BE IT ENACTED:

SECTION ONE. AUTHORITY

The Budget and Finance Committee has oversight of the Office of the Controller. The Credit Services Department is a department in the Office of the Controller. 2 N.N.C. § 301(B)(13).

SECTION TWO. FINDINGS

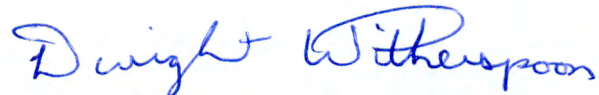
- A. The Budget and Finance Committee previously approved Program Operating Policies and Guidelines (Guidelines) for the Credit Services Department in Resolution BFN-45-13.
- B. The Credit Services Department has proposed new Guidelines, which are attached as **Exhibit A**.
- C. A marked up copy indicating the changes made to the previous Guidelines is attached as **Exhibit B**.

SECTION THREE. APPROVAL

The Budget and Finance Committee of the Navajo Nation Council approves the amendments to the Credit Services Department Personal Loan Program Operating Policies and Guidelines in **Exhibit A**.

CERTIFICATION

I, hereby, certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 3 in favor and 0 opposed, this 3rd day of May 2018.



Dwight Witherspoon, Vice Chairperson
Budget and Finance Committee

Motion: Honorable Lee Jack, Sr.
Second: Honorable Leonard Tsosie

**PERSONAL LOAN PROGRAM
OPERATING POLICIES AND GUIDELINES**

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SECTION 1 – AUTHORITY; ESTABLISHMENT

- A. The Credit Services Department (“Department”) was established within the Office of the Controller, Division of Finance of the Navajo Nation Government, pursuant to Resolutions CF-13-85, and ACD-234-85.
- B. The Budget and Finance Committee (“Committee”) of the Navajo Nation Council is the oversight Committee for the Department and Program, and operates according to 2 N.N.C. §300 as amended. These Operating Policies and Guidelines are adopted pursuant to authority delegated to the Committee by 2 N.N.C. §300(B)(12)(2012 Title 2 Amendments), and 2 N.N.C §164 (A), as amended by C0-45-12.

SECTION 2 – PURPOSE

- A. The purpose of the Personal Loan Program (“Program”) is to:
 - 1. Provide Regular Personal Loans, and Special Personal Loans, to qualified individuals who demonstrate credit worthiness with the ability to repay the loan in accordance with the loan terms.
 - 2. Be self-supporting, protect the Navajo Nation’s assets, and maintain the Department’s and Program’s accountability to the Nation.
 - 3. Secure and collect funds due and owing to the Navajo Nation.

SECTION 3 – TYPE OF LOANS

- A. Regular Personal Loans
 - 1. The Department shall provide Personal Loans throughout the year based on ordinary financial needs of qualified Navajo individuals.
 - 2. The minimum loan will be five hundred dollars (\$500.00) and the maximum loan of seven thousand dollars (\$7,000.00).
- B. Special Personal Loans
 - 1. Special Personal Loans will be provided from October 1st to December 15th on an annual basis to meet the financial needs of qualified Navajo individuals during the Thanksgiving/Christmas Holiday season.
 - 2. The minimum loan amount will be five hundred dollars (\$500.00) and the maximum loan of fifteen hundred dollars (\$1,500.00).
 - 3. The Borrower(s) shall execute a new and separate Promissory Note for the Special Personal Loan.

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4. All Special Personal Loans shall be recorded separately in the Loan Ledger System for accounting and revenue purposes.
5. All other requirements and conditions outlined in the Operating Policies and Guidelines will apply to the Special Personal Loans.

SECTION 4 – POLICY

It shall be the policy of the Navajo Nation that:

- A. The Program shall be administered pursuant to the Operating Policies and Guidelines; and all applicable laws.
- B. The Department shall consider the Applicant's creditworthiness, credit risk, employment, and past loan repayment history in making credit decisions.
- C. The Department extends loans to qualified Applicant(s) pursuant to Loan Application Requirements, Section 6 (A)(1-5).
- D. The Department shall service and maintain loan accounts to protect the assets of the Navajo Nation by promptly identifying delinquencies and initiating collection efforts.
- E. All Borrower(s) shall be limited to no more than one outstanding loan from the Regular Personal Loan and the Special Personal Loan, whether they are the primary Borrower(s), or a Cosigner for another Borrower.
- F. A Borrower's total indebtedness to the Navajo Nation shall not exceed two~~hree~~^{hundred} hundred thousand dollars (\$~~32~~^{200,000.00}) from all sources within the Navajo Nation Government.
- G. Each Borrower's loan history shall be reported monthly to Transunion Credit Reporting Agency, including, but not limited to: delinquency, bankruptcy, Charge-Offs, and Write-Offs.
- H. Loans from the Program shall be repaid by payroll deduction, or allotments through respective employers. If specified repayments are not available, repayment must be guaranteed by a qualified Cosigner.
- I. All loan applications are subject to the Navajo Nation Privacy and Access to Information Act, except as disclosed on the loan application and/or consented to by the Borrower(s) in writing.
- J. No application will be recommended for approval by the department or designee, until it is determined that the Applicant(s) is eligible under the Navajo Business and Procurement Act, 12 N.N.C. §1501 *et seq.*

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- K. Married Borrowers shall be held jointly and individually responsible for their debts to the Nation. Such responsibility is not diminished or extinguished by a divorce decree. The Navajo Nation expects loan agreements to be honored and repayments to be made accordingly.
- L. Upon receipt of written notice of orders calling a Borrower to active military service, the interest rate for the loan will be reduced to five percent (5%) for the length of the active military service. Upon the cessation of military service the interest rate will resume at the regular rate at which the loan was made, should there be a balance remaining on the loan account. The Borrower must provide a military order to make these changes.
- M. The Department will provide prospective Applicant(s) with individual Credit Counseling upon request, and will disseminate information to the Navajo public on financial responsibility and money management.

SECTION 5 – SCOPE

These Operating Policies and Guidelines shall govern all transactions under the authority of the Department.

SECTION 6 - LOAN APPLICATION REQUIREMENTS

A. Eligibility Determination

1. Applicant~~(s)~~ must be either an enrolled tribal member of the Navajo Nation, or a permanent, full-time Navajo Nation employee. If the applicant is not a tribal member of the Navajo Nation, but is employed by the Navajo Nation, Applicant shall be eligible provided that the Applicant:
 - a. Meets all other eligibility requirements;
 - b. Shall be on bi-weekly payroll deduction with the Navajo Nation for repayment of the loan; and
 - c. Shall consent in writing to submit to the exclusive jurisdiction of the Navajo Nation Courts for collection purposes and in the event of any dispute over the loan.
2. Married Applicants, including ~~ng~~ spouses in common-law marriages, shall apply jointly. One partner to the marriage must be an enrolled member of the Navajo Nation or a Navajo Nation employee meeting requirements of § 6(A) (1).
3. All Applicants shall be at least the age of majority (18 years).
4. All Applicants shall be employed or the recipient of fixed income subject to the following criteria:
 - a. Applicant(s) must provide documentation proving current full-time employment, and full-time employment for the previous two years; or

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b. Applicant(s) must provide documentation proving receipt of a fixed income, i.e., Social Security, pension, or other fixed benefit.

5. Seasonal employees and other Applicant(s) not meeting the criteria above are required to secure a qualified Cosigner (see Section 7; Type of Guarantees §B).

B. Application Process

1. Loan requests shall be made on the Department's Personal/Special Loan Application and completed in accordance with the Application Requirement Checklist.
2. The Department will not accept any incomplete applications. If an application is incomplete, it will be returned to the Applicant(s). Completed applications, will be referred to the Loan Officer for further evaluation.
3. The Loan Officer, or designee, will ensure that the application is supported with all the required documentation as outlined on the Personal Loan Application Requirement Checklist.
4. All monthly household living expenses (food, utilities, transportation, insurance payments, childcare, etc.) shall be included on the loan application and shall be accurate. All monthly financial debts and obligations (vehicle payments, credit cards, installment payments, finance companies, etc.) shall be disclosed on the loan application.
5. In order to avoid the appearance of undue influence and conflict of interest, loan applications from appointed or elected officials, Judges of the Navajo Nation, and Department staff, shall include a notarized Ethical Certification form attesting that no special consideration will be requested, in accordance with the Navajo Ethics in Government Law.
6. The Loan Officer, or designee may require additional documentation to support the evaluation of any loan application.
7. Any false information or knowing concealment of material facts made with respect to the loan application shall be grounds for ineligibility, and will prohibit the Applicant(s) from reapplying for six (6) months.

C. Evaluation Process

1. Eligibility conditions set forth in Section 6, Loan Application Requirements, shall be met before any loan is recommended for approval. The Loan Officer, with the concurrence of the Credit Manager, or designee shall have the authority to qualify or disqualify any application.
2. All loan applications shall be evaluated by the Loan Officer as follows:
 - a) Navajo Business and Procurement Act, 12 N.N.C. §1501, clearances through the Department's Loan Ledger system and the Navajo Nation Accounts Receivable Section, Purchase Card Section, and Veterans Administration.

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- b) Review and evaluate the Applicant's ~~s~~ Credit Report, from a Credit Reporting Agency, to determine the eligible loan amounts according to the Credit Scoring Guide. For married Applicants, the higher Credit Score will determine the loan amount.
- c) Compare the Applicant's ~~(s')~~ monthly financial debts and obligations to monthly household net income (excluding household living expenses) to compute the debt-to-income ratio. The Applicant's ~~(s')~~ debt-to-income ratio shall not exceed ~~sixty~~ fifty percent (~~560~~%) including the estimated monthly loan payments.
- d) Provide loan recommendation with a written loan summary to the Credit Manager, or designee if the Applicant(s) are deemed eligible.

3. a.
~~3.~~ Eligible Applicant(s) shall be qualified for a loan using the Credit Scoring Guide.

CREDIT SCORING GUIDE

CREDIT RISK SCORE			MAXIMUM AMOUNT OF LOAN
650	-	and Above	\$6,000.00 to \$7,000.00
550	-	649	\$3,000.00 to \$5,000.00
500	-	549	\$1,000.00 to \$2,000.00
475	-	499	\$500.00

- b. Regardless of a Borrower's credit score, the Credit Manager may recommend, and the Controller may approve, an increase in the maximum loan amount available to a Borrower provided that:

- (i) the Borrower has demonstrated a positive history of a loan repayment with Credit Services by paying off at least two loans in a timely manner; and
- (ii) the Borrower has never defaulted on a Navajo Nation loan; and
- (iii) the Borrower shall be on a payroll deduction of the new Credit Services loan; and
- (iv) the increase shall not exceed one level up on the Credit Scoring Guide, and the maximum loan amount shall not exceed \$7,000.00.

4. If the Applicant(s) is disqualified, the Department shall notify the Applicant(s) in writing and the notice shall include the specific reasons for disqualification. With the exception of Section 6 (B)(7) disqualification does not prohibit the Applicant from reapplying for a subsequent loan.

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D. Administrative Review Process

1. The Credit Manager, or designee, shall submit the approved written summary sheet through the Navajo Nation's Administrative Review process for concurrence by the Controller, or designee.
2. No loan application shall be considered approved until all reviewers listed in Sub-section D (1) above concur. If a reviewer does not concur, their specific reasons for non-concurrence shall be in writing.

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SECTION 7 - TYPE OF GUARANTEES

- A. **Payroll Deduction:** Mandatory payroll deductions through the Navajo Nation or other entities shall be used to guarantee the repayment of the loan. If a payroll deduction is not available the Borrower shall secure a qualified Cosigner.
- B. **Cosigner:** Person who is employed with the Navajo Nation or other entities who meets all requirements and assumes all responsibilities and obligations of the loan.

SECTION 8 - LOAN CLOSING PROCESS AND DOCUMENTATION

- A. The loan closing must take place at the Department and adhere to the following standards:
1. All loans shall be closed within ten (10) working days after the completion of Section 6 (D)(1) or the loan commitment shall be cancelled and thereafter, the Borrower(s) may reapply.
 2. No loans shall be disbursed unless the Credit Manager, or designee, acknowledges that all appropriate loan documents have been executed. All loan disbursements shall be made in the form of a Department check.
 3. A Promissory Note shall be signed by the Borrower(s), and Cosigner (if any). Loans made under the Program shall not exceed the following maximum terms:

LOAN TERMS

AMOUNT OF LOAN			MAXIMUM LOAN TERMS (Months)
\$5,000	to	\$7,000	37 to 40
\$3,001	to	\$5,000	31 to 36
\$1,000	to	\$3,000	12 to 30
\$500			6

4. An amortized repayment schedule calculated on a semi-monthly, bi-weekly, or monthly basis shall be kept in the individual loan file.
 5. A Payroll Deduction Authorization Form shall be executed by the Borrower(s) and/or Cosigner. The authorized deductions shall remain in effect until the entire loan is repaid in full.
- B. FEES

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1. Borrower(s) shall pay a loan closing fee of sixty-five dollars (\$65.00) that shall be included in the loan. Such fees shall be accounted for separately, and utilized by the Department for administrative expenses.
2. Borrower(s) shall pay fees associated with Court filings, Private Process Server costs, and reasonable attorneys' fees and costs, if the account is referred for legal or judicial action.
3. The Department shall charge a non-sufficient fee at the standard industry rate, if the bank returns a check.

SECTION 9 - REPAYMENTS AND ACCOUNTING

A. Repayments

1. Loan payments are due on the date specified in the Promissory Note. It is the Borrower'(s) responsibility to ensure that the payment is received at the payment address specified in the loan agreement on or before the due date.
 - a) Payments mailed to the Department will be forwarded on the day received to the Cashier's Office within the Office of the Controller. Cash payments must be made with the Cashier's Section or the Department. Debit and credit card transactions must be made with the Cashier's Section.
 - b) Payments received by the Cashier's Office within the Office of the Controller after 2:00 p.m. will be posted for the following business day.
2. Mailed payments shall be made in the form of money order, cashier's check, or personal checks and mailed to the following address:

Navajo Nation Credit Services Department
P.O. Box 2405
Window Rock, Navajo Nation, Arizona 86515

Do not mail cash payments.

3. All repayment of loan funds shall start within thirty (30) days of the disbursement of loan proceeds and continue until the loan is paid in full.
4. Borrower(s) must ensure payments are made as agreed on the Promissary Note. If payments are not received, it is the Borrower'(s) responsibility to notify the Department and remit scheduled payment to avoid late fees.

B. Accounting Procedure

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1. The Credit Services Department, shall administer the records and book of accounts for the Programs consistent with the Office of the Controller established Accounting Practices.
2. Loan repayments shall be credited in the following order of priority to the respective loan accounts:
 - a) Loan Fees;
 - b) Non-sufficient fund fees, at the standard industry rate, for returned checks;
 - c) Court Fees/Private Process Server Fees associated with judicial action;
 - d) Late Fees;
 - e) Accrued interest due and owing calculated from the date of the last payment;
 - f) The principal balance; and
 - g) A payment above the amortized schedule amount will be applied as an advance payment for the scheduled due date and distributed in the priority as stated in Section (9) (B) (2).
3. Monthly Reconciliation:
 - a) The Department shall reconcile all loan payments with the Navajo Nation Cashiers Section for the cash deposit account each month.
 - b) The system of cash posting shall be from the Cashiers Section to the General Ledger of the Financial Management Information System (FMIS) to the Department's Loan Ledger.
 - c) The FMIS personal loan object codes (0380,0382, and 0383) must agree with the personal loan ledgers balances at each month end.
4. Allowance for Delinquent Accounts:
 - a) The Department's policy is to report to the General Accounting Section all loans more than ten (10) days past due.
 - b) The FMIS personal loan allowance for delinquent account object code (0399) must be adjusted each month to agree with the personal loan ledger management alert reports.

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45. Reporting:

- a) Month End Closeout Reports shall be timely prepared by the Department and submitted to the General Accounting Section.
- b) The Department shall present a financial report to the Committee upon request.

SECTION 10 - INTEREST RATE

INTEREST RATE GUIDE

CREDIT RISK SCORE	INTEREST RATES
650 and Above	10%
550 649	12%
500 549	15%
475 499	17%

A. Credit Services shall disclose to Borrower(s) in the Promissory Note and/or Loan Agreement the amount ~~to~~ of the original interest rate and the default interest rate.

~~A.B.~~ Loans shall be charged simple interest at a fixed rate of 10% ~~according to the above Interest Rate Guide~~ and calculated on (365) calendar days.

C. If a Borrower misses three consecutive payments, a default interest rate of 16% shall apply to the remaining balance of Borrower's loan. Credit Services shall re-amortize the loan based on the default interest rate, and shall provide Borrower with written notice that the default interest rate was applied and the amount of the new total finance charge.

SECTION 11 – PAYMENT AGREEMENTS

- A. Requests for modifications of payment amounts and due dates shall be adequately justified in writing by the Borrower(s). All modifications shall require approval of the Credit Manager, or designee. No request for a modification of due date of payments shall be considered if the loan account is delinquent.
- B. When a loan account is delinquent but the Borrower(s) is willing to bring the account current, the Department may consider a Payment Agreement with the Borrower(s). A Payment Agreement can change the payment amount and due date. The Borrower(s) shall be liable for the interest and late fees accrued up to the date of the Agreement. Thereafter, if the Borrower(s) defaults on the new

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Agreement, interest and late fees shall recommence, and the account will be referred to the Department of Justice.

SECTION 12 – COLLECTION PROCEDURES

- A. These amended Operating Policies and Guidelines shall apply to new and existing loan accounts.
- B. Loan accounts that are in arrears or otherwise not in compliance with the loan agreements shall be forwarded to the Department's Collection Section to initiate collection efforts with the Borrower(s) in an attempt to bring the loan account current before resorting to legal proceedings.
 - 1. It is the responsibility of the Borrower(s) and Cosigner to keep the Department informed of their current address and telephone numbers. Periodic contacts shall be made with the Borrower(s) and Cosigner(s) either in person, by mail or by telephone to the last known address, ~~or telephone number to demand payment(s) due and owing on the loan account.~~
 - 2. Collection efforts shall comply with Navajo Nation and other applicable laws. The Department shall document all collection activities.
 - 3. If a loan payment is not received by the first (1st) day following the due date, the Department shall contact the Borrower(s) and Cosigner in writing.
 - 4. If a loan payment is not received by ten (10) calendar days following the due date, the loan account shall be charged a late fee of thirty dollars (\$-30.00) per month. A late fee shall accrue each month a payment is late.
 - 5. If the total amount of arrearages are not received prior to the ninetieth (90th) day following the due date, and after the Department has sent out five (5) written notices to the Borrower(s) and Cosigner, the Department may declare the loan in default and accelerate the debt pursuant to the Promissory Note. The Department may take other lawful collection actions, including, but not limited to: referring the debt to a private collection agency; reporting to a credit reporting bureau such as Trans Union, Experian, or Equifax; referring the account to the Department of Justice; and taking judicial action.
 - 6. If the debt is accelerated, the Department shall declare the entire amount due and owing, and demand immediate payment. The Borrower(s) and Cosigner shall be notified in writing by certified mail. Once the debt is accelerated, the Department ~~shall~~may place the account in non-accrual status for accounting purposes pending approval of a Charge-Off. If a Charge-Off is not approved, the interest and late fees shall be reinstated and shall continue to accrue.
 - 7. If the entire debt is declared due and owing as stated in Section 12(B)(5) and 12(B)(6), all relevant documents relating to the loan account shall be forwarded to the Department's legal counsel and/or the Department of Justice for further legal action as deemed appropriate.
 - a) The Borrower(s) and Cosigner may be given opportunities to forestall further legal proceedings by bringing the loan account current, or by entering a new payment

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agreement. It is the responsibility of the Borrower(s) and Cosigner to contact the Department to make such arrangements.

- b) If, after the debt has been accelerated, the Department accepts a partial payment from the Borrower(s) or Cosigner, which is less than the entirety of the loan balance needed to cure the default, this shall not be construed as a waiver by the Department or the Nation of any rights. Nor shall it be necessary to serve additional notices to Borrower(s) or to reaccelerate the loan.
8. The Department, with the assistance of the Department's legal counsel and/or the Department of Justice, may file an action in Small Claims Court if a loan account has a balance of two thousand dollars (\$2,000.00) or less and the account has been accelerated.
9. If an account is collected through judicial action or judgement discharged through Bankruptcy; or reduced through Charge-Off and/or Write-Off, the Borrower(s) and Cosigner shall not be considered for another loan for a minimum of seven (07) years.
10. Bankruptcy (Chapter 7 or 13) cases shall be subject to Federal Bankruptcy Laws and all other applicable state laws to discharge an individual debt to the Navajo Nation. In order to qualify for future loans with the Department, the Borrower(s) and Cosigner may voluntarily continue payments on the loan account that was discharged in Bankruptcy. Such Borrowers may re-apply for a new loan once the outstanding loan is repaid in full.
11. In the event the primary Borrower is deceased, the Co-Borrower and the Cosigner will assume the financial obligations of the loan.
12. Any uncured loan arrearages of employees of the Navajo Nation, or entity of the Nation, shall be pursued by the Department through all lawful means, including offset. Pursuant to 12 N.N.C. § 1507 of the Navajo Business and Procurement Act and Section XVI(B)(2) of the Navajo Nation Executive Branch Personnel Policies Manual, the Department may offset any amount owed to an individual by the amount the individual owes the Department. The Department shall send a Due Process Notice to the Borrower(s) notifying the Borrower(s) of the pending offset. The Nation, or an entity of the Nation, shall offset any payment to the Borrower(s) by the amount due and owing on the loan, under the following circumstances: (a) termination of employment; (b) medical leave; (c) unpaid leave; (d) travel advance; (e) reemployment with the Nation or an entity of the Nation.
13. The liability and responsibility of the Cosigner(s) shall be enforced when the Borrower(s) defaults on the loan. The Department will notify the Cosigner(s) at the same time and in the same manner that the Borrower(s) are notified to bring the loan account current within the time frame allowed by the Department.

SECTION 13 - CHARGE-OFF PROCEDURES

- A. For accounting purposes, the Department shall temporarily place loan accounts in non-accrual status following acceleration of the loan and pending approval of a Charge-Off. If Charge-Off is not approved, the account shall be taken out of non-accrual status and the interest and late fees that would have accrued while in non-accrual status shall be reinstated.

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- B. Interest and late fees shall stop accruing on accounts that are charged off. A Charge-Off on an account may be initiated by the Collection Officer when payment arrearage has not been eliminated and the loan has been accelerated pursuant to Section 12 Collection Procedures. All recommendations for Charge-Off shall require review and concurrences of the Credit Manager and the Controller of the Navajo Nation, with review for legal sufficiency by the Department of Justice.
- C. When an account is recommended for a Charge-Off, the Credit Manager, or designee may consider factors, including but not limited to: a new payment agreement; payment history; maturity date of loan agreement; employment status; interest paid; reason(s) for delinquency; and the Borrower(s) current financial circumstances.
- D. To avoid the existence and appearance of undue influence and conflict of interest, Borrower(s) that are Department staff, or appointed or elected officials or Judges of the Navajo Nation and are being considered for Charge-Off shall sign and notarize an Ethical Certification Form. By signing the Ethical Certification Form, the Borrower(s) are attesting to refrain from requesting any special consideration from any personnel/program of the Navajo Nation Government and shall abide by the Navajo Ethics in Government law.
- E. Charge-Off of an account does not preclude the Department from pursuing all available collection remedies against the, Borrower(s) and Cosigner(s).

SECTION 14 - WRITE-OFF PROCEDURES

- A. A Write-Off on a loan account shall be initiated by the Collection Officer when a loan is determined uncollectible, and all collection efforts have been exhausted or when a settlement agreement between the Borrower(s) and the Department has been entered into to reduce the amount of the debt in order to collect at least part of the amount due and owing on the loan account.
- B. To avoid the existence and appearance of undue influence and conflict of interest, Borrower(s) that are Department staff, or appointed or elected officials or Judges of the Navajo Nation and are being considered for Write-Off shall sign and notarize an Ethical Certification Form. By signing the Ethical Certification Form, the Borrower(s) are attesting to refrain from requesting any special consideration from any personnel/program of the Navajo Nation Government and shall abide by the Navajo Ethics in Government law.
- C. Recommendation to Write-Off a loan or a portion thereof, shall require review and concurrences by the Credit Manager and the Controller of the Navajo Nation, and the Department of Justice shall review for legal sufficiency. Prior to granting final approval of a Write-Off, the Controller shall provide a report to the Committee regarding the proposed Write-Off.
- D. When evaluating whether an account is appropriate for full or partial Write-Off, the Department ~~and Committee~~ may consider factors including but not limited to: disability; death; Bankruptcy; a

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new payment agreement; payment history; maturity date of loan agreement; employment status; interest paid; reason for delinquency; or the Borrower(s) financial circumstances.

E. Upon approval of a Write-Off, the written-off portion, shall be taken off the active books of the Navajo Nation.

SECTION 15 – AMENDMENTS

These Operating Policies and Guidelines may be amended periodically by the Department with final approval by the Committee.

SECTION 16 – DEFINITIONS

Whenever the following terms are used herein, they shall have the meaning indicated:

- A. **“Acceleration”** - A process by which the Department, on behalf of the Navajo Nation, demands the entire outstanding balance due and owing on a defaulted loan.
- B. **“Amortization Schedule”** - The schedule for the repayment of a personal loan showing the amount of each payment applied to interest, principal and the remaining balance.
- C. **“Applicant(s)”** - The individual(s) who submits a completed loan application requesting to borrow money from the Program.
- D. **“Arrearage”** – An amount due and owing on a loan account that is in default.
- E. **“Bankruptcy”** - A federal court proceeding for the purpose to enable a collection of the insolvent debtor's assets and liquidation thereof to pay off the debts or to allow a restructure of debts.
- F. **“Borrower(s)”** - An approved Applicant who has executed a promissory note and received loan funds.
- G. **“Charge-Off”** - The accounting action to cease the accrual of interest and late charges on a loan account.
- H. **“Co-Borrower”** – The secondary Borrower, usually a spouse, who has jointly executed a promissory note agreeing to assume all of the responsibilities and obligations for loan funds received.
- I. **“Collateral”** - The property pledged to secure a loan that is subject to seizure and sale if the Borrower(s) default on the loan.

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- J. **"Collection Officer"** - The liaison(s) between the Department and Borrower(s) to collect monies due and owing the Navajo Nation.
- K. **"Committee"** - The Budget and Finance Committee of the Navajo Nation Council.
- L. **"Common Law Marriage"** – Contracting parties consenting to be husband and wife and cohabitating within their community pursuant to 9 N.N.C. §3(E), without procuring a formal marriage license.
- M. **"Company"** - Assigned number to identify a loan category within the "Loan Ledger".
- N. **"Cosigner"** - An individual who executes a Promissory Note agreeing to assume all of the responsibilities and obligations of the Borrower(s) if the loan defaults.
- O. **"Credit Bureau"** - A reporting agency that gathers financial and credit information on consumers.
- P. **"Credit Counseling"** – A counseling service provided by the Department on financial budgeting and credit issues with the intent to achieve personal financial stability for potential Applicant(s).
- Q. **"Credit Manager"** - The Manager for the Credit Services Department.
- R. **"Credit Report"** - A report of an Applicant's credit history prepared by a Credit Bureau and used by the Department in determining the qualifications for a personal loan.
- S. **"Credit Risk"** – The financial and moral risk that a loan will not be repaid and a loss will result.
- T. **"Credit Score Guide"** – The guide used by the Department to determine the maximum allowable amount of loan to extend to Applicant(s).
- U. **"Creditworthiness"** – The evaluation of a person's capability of repaying obligations based on credit history and reputation earned for paying debts.
- V. **"Day"** – A 24-hour period in calendar day.
- W. **"Debt-to-Income Ratio"** - The formula used to calculate the Applicant(s) repayment ability by dividing the monthly debts by net monthly income.
- X. **"Default"** - The failure by a Borrower to make any payment under the terms of the Promissory Note, when such failure continues for a period of more than (30) days.
- Y. **"Delinquency"** – A loan account in which a payment is overdue but not yet in default.
- Z. **"Department"** – The Credit Services Department within the Office of the Controller, Division of Finance, of the Navajo Nation Government.
- AA. **"Designee"** – a person who has been designated/delegated.

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~~AA.~~ BB- **"Discharge of Debt (Bankruptcy)"** – To dismiss or release the obligation of an outstanding debt owed to the Department in accordance to bankruptcy statutes. A debtor may voluntarily pay the debt that has been discharged.

~~BB.~~ CC. **"Loan Closing"** - The final transaction when the Borrower(s), and Cosigner, signs all loan documents and the closing fees are paid.

DD. **"Loan Fee"** – A Fee to cover some of the cost involved in processing the application including credit check and basic administrative cost.

EE. **"Loan Ledger"** – A loan servicing software system that is designed to handle loan management functions such as reporting capabilities, aging, detailed customer histories, transaction reports, 1098, collective, report card, analyzer and other management analysis.

FF. **"Primary Borrower"** – A Borrower(s) and their spouse, if married, who are the first signatories on a loan and are obligated to the repayment of the loan.

GG. **"Private Process Server"** – A person or business entity who's responsibility is to serve legal papers on behalf of the court system. Process Servers are employed to deliver court documents such as subpoenas, summons or complaints.

HH. **"Program"** - The Navajo Nation Personal Loan Program.

II. **"Promissory Note"**- A contract between the Borrower(s), and Cosigner(s) and the Navajo Nation wherein the Borrower(s), agree to pay a specific sum at a definite time.

JJ. **"Repossession"**- A legal action by the Department to take back property pledged as security on a loan.

KK. **"Simple Interest"**– Interest is paid on outstanding principal balance only. Interest is charged based on actual payment amounts and dates paid (received date to received date).

LL. **"Uncollectible"**- A defaulted loan account whereby all collection efforts and procedures have been exhausted in accordance with established collection policies, such that additional collection efforts, including taking legal or judicial action, would be futile.

MM. **"Write-Off"**– An accounting method to eradicate a loan account or a portion thereof from the active books of the Navajo Nation.

**PERSONAL LOAN PROGRAM
OPERATING POLICIES AND GUIDELINES**

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SECTION 1 – AUTHORITY; ESTABLISHMENT

- A. The Credit Services Department (“Department”) was established within the Office of the Controller, Division of Finance of the Navajo Nation Government, pursuant to Resolutions CF-13-85, and ACD-234-85.
- B. The Budget and Finance Committee (“Committee”) of the Navajo Nation Council is the oversight Committee for the Department and Program, and operates according to 2 N.N.C. §300 as amended. These Operating Policies and Guidelines are adopted pursuant to authority delegated to the Committee by 2 N.N.C. §300(B)(12)(2012 Title 2 Amendments), and 2 N.N.C §164 (A), as amended by C0-45-12.

SECTION 2 – PURPOSE

- A. The purpose of the Personal Loan Program (“Program”) is to:
 - 1. Provide Regular Personal Loans, and Special Personal Loans, to qualified individuals who demonstrate credit worthiness with the ability to repay the loan in accordance with the loan terms.
 - 2. Be self-supporting, protect the Navajo Nation’s assets, and maintain the Department’s and Program’s accountability to the Nation.
 - 3. Secure and collect funds due and owing to the Navajo Nation.

SECTION 3 – TYPE OF LOANS

- A. Regular Personal Loans
 - 1. The Department shall provide Personal Loans throughout the year based on ordinary financial needs of qualified Navajo individuals.
 - 2. The minimum loan will be five hundred dollars (\$500.00) and the maximum loan of seven thousand dollars (\$7,000.00).
- B. Special Personal Loans
 - 1. Special Personal Loans will be provided from October 1st to December 15th on an annual basis to meet the financial needs of qualified Navajo individuals during the Thanksgiving/Christmas Holiday season.
 - 2. The minimum loan amount will be five hundred dollars (\$500.00) and the maximum loan of fifteen hundred dollars (\$1,500.00).
 - 3. The Borrower(s) shall execute a new and separate Promissory Note for the Special Personal Loan.

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4. All Special Personal Loans shall be recorded separately in the Loan Ledger System for accounting and revenue purposes.
5. All other requirements and conditions outlined in the Operating Policies and Guidelines will apply to the Special Personal Loans.

SECTION 4 – POLICY

It shall be the policy of the Navajo Nation that:

- A. The Program shall be administered pursuant to the Operating Policies and Guidelines; and all applicable laws.
- B. The Department shall consider the Applicant's creditworthiness, credit risk, employment, and past loan repayment history in making credit decisions.
- C. The Department extends loans to qualified Applicant(s) pursuant to Loan Application Requirements, Section 6 (A)(1-5).
- D. The Department shall service and maintain loan accounts to protect the assets of the Navajo Nation by promptly identifying delinquencies and initiating collection efforts.
- E. All Borrower(s) shall be limited to no more than one outstanding loan from the Regular Personal Loan and the Special Personal Loan, whether they are the primary Borrower(s), or a Cosigner for another Borrower.
- F. A Borrower's total indebtedness to the Navajo Nation shall not exceed two hundred thousand dollars (\$200,000.00) from all sources within the Navajo Nation Government.
- G. Each Borrower's loan history shall be reported monthly to Transunion Credit Reporting Agency, including, but not limited to: delinquency, bankruptcy, Charge-Offs, and Write-Offs.
- H. Loans from the Program shall be repaid by payroll deduction, or allotments through respective employers. If specified repayments are not available, repayment must be guaranteed by a qualified Cosigner.
- I. All loan applications are subject to the Navajo Nation Privacy and Access to Information Act, except as disclosed on the loan application and/or consented to by the Borrower(s) in writing.
- J. No application will be recommended for approval by the department or designee, until it is determined that the Applicant(s) is eligible under the Navajo Business and Procurement Act, 12 N.N.C. §1501 *et seq.*

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- K. Married Borrowers shall be held jointly and individually responsible for their debts to the Nation. Such responsibility is not diminished or extinguished by a divorce decree. The Navajo Nation expects loan agreements to be honored and repayments to be made accordingly.
- L. Upon receipt of written notice of orders calling a Borrower to active military service, the interest rate for the loan will be reduced to five percent (5%) for the length of the active military service. Upon the cessation of military service the interest rate will resume at the regular rate at which the loan was made, should there be a balance remaining on the loan account. The Borrower must provide a military order to make these changes.
- M. The Department will provide prospective Applicant(s) with individual Credit Counseling upon request, and will disseminate information to the Navajo public on financial responsibility and money management.

SECTION 5 – SCOPE

These Operating Policies and Guidelines shall govern all transactions under the authority of the Department.

SECTION 6 - LOAN APPLICATION REQUIREMENTS

A. Eligibility Determination

1. Applicant must be either an enrolled tribal member of the Navajo Nation, or a permanent, full-time Navajo Nation employee. If the applicant is not a tribal member of the Navajo Nation, but is employed by the Navajo Nation, Applicant shall be eligible provided that the Applicant:
 - a. Meets all other eligibility requirements;
 - b. Shall be on bi-weekly payroll deduction with the Navajo Nation for repayment of the loan; and
 - c. Shall consent in writing to submit to the exclusive jurisdiction of the Navajo Nation Courts for collection purposes and in the event of any dispute over the loan.
2. Married Applicants, including spouses in common-law marriages, shall apply jointly. One partner to the marriage must be an enrolled member of the Navajo Nation or a Navajo Nation employee meeting requirements of § 6(A) (1).
3. All Applicants shall be at least the age of majority (18 years).
4. All Applicants shall be employed or the recipient of fixed income subject to the following criteria:
 - a. Applicant(s) must provide documentation proving current full-time employment, and full-time employment for the previous two years; or

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- b. Applicant(s) must provide documentation proving receipt of a fixed income, i.e., Social Security, pension, or other fixed benefit.
5. Seasonal employees and other Applicant(s) not meeting the criteria above are required to secure a qualified Cosigner (see Section 7; Type of Guarantees §B).

B. Application Process

1. Loan requests shall be made on the Department's Personal/Special Loan Application and completed in accordance with the Application Requirement Checklist.
2. The Department will not accept any incomplete applications. If an application is incomplete, it will be returned to the Applicant(s). Completed applications, will be referred to the Loan Officer for further evaluation.
3. The Loan Officer, or designee, will ensure that the application is supported with all the required documentation as outlined on the Personal Loan Application Requirement Checklist.
4. All monthly household living expenses (food, utilities, transportation, insurance payments, childcare, etc.) shall be included on the loan application and shall be accurate. All monthly financial debts and obligations (vehicle payments, credit cards, installment payments, finance companies, etc.) shall be disclosed on the loan application.
5. In order to avoid the appearance of undue influence and conflict of interest, loan applications from appointed or elected officials, Judges of the Navajo Nation, and Department staff, shall include a notarized Ethical Certification form attesting that no special consideration will be requested, in accordance with the Navajo Ethics in Government Law.
6. The Loan Officer, or designee may require additional documentation to support the evaluation of any loan application.
7. Any false information or knowing concealment of material facts made with respect to the loan application shall be grounds for ineligibility, and will prohibit the Applicant(s) from reapplying for six (6) months.

C. Evaluation Process

1. Eligibility conditions set forth in Section 6, Loan Application Requirements, shall be met before any loan is recommended for approval. The Loan Officer, with the concurrence of the Credit Manager, or designee shall have the authority to qualify or disqualify any application.

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2. All loan applications shall be evaluated by the Loan Officer as follows:
 - a) Navajo Business and Procurement Act, 12 N.N.C. §1501, clearances through the Department's Loan Ledger system and the Navajo Nation Accounts Receivable Section, Purchase Card Section, and Veterans Administration.
 - b) Review and evaluate the Applicant's Credit Report, from a Credit Reporting Agency, to determine the eligible loan amounts according to the Credit Scoring Guide. For married Applicants, the higher Credit Score will determine the loan amount.
 - c) Compare the Applicant(s') monthly financial debts and obligations to monthly household net income (excluding household living expenses) to compute the debt-to-income ratio. The Applicant(s') debt-to-income ratio shall not exceed fifty percent (50%) including the estimated monthly loan payments.
 - d) Provide loan recommendation with a written loan summary to the Credit Manager, or designee if the Applicant(s) are deemed eligible.
3. a. Eligible Applicant(s) shall be qualified for a loan using the Credit Scoring Guide.

CREDIT SCORING GUIDE

CREDIT RISK SCORE			MAXIMUM AMOUNT OF LOAN
650	-	and Above	\$6,000.00 to \$7,000.00
550	-	649	\$3,000.00 to \$5,000.00
500	-	549	\$1,000.00 to \$2,000.00
475	-	499	\$500.00

- b. Regardless of a Borrower's credit score, the Credit Manager may recommend, and the Controller may approve, an increase in the maximum loan amount available to a Borrower provided that:
 - (i) the Borrower has demonstrated a positive history of a loan repayment with Credit Services by paying off at least two loans in a timely manner; and
 - (ii) the Borrower has never defaulted on a Navajo Nation loan; and
 - (iii) the Borrower shall be on a payroll deduction of the new Credit Services loan; and
 - (iv) the increase shall not exceed one level up on the Credit Scoring Guide, and the maximum loan amount shall not exceed \$7,000.00.

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4. If the Applicant(s) is disqualified, the Department shall notify the Applicant(s) in writing and the notice shall include the specific reasons for disqualification. With the exception of Section 6 (B)(7) disqualification does not prohibit the Applicant from reapplying for a subsequent loan.

D. Administrative Review Process

1. The Credit Manager, or designee, shall submit the approved written summary sheet through the Navajo Nation's Administrative Review process for concurrence by the Controller, or designee.
2. No loan application shall be considered approved until all reviewers listed in Sub-section D (1) above concur. If a reviewer does not concur, their specific reasons for non-concurrence shall be in writing.

SECTION 7 - TYPE OF GUARANTEES

- A. **Payroll Deduction:** Mandatory payroll deductions through the Navajo Nation or other entities shall be used to guarantee the repayment of the loan. If a payroll deduction is not available the Borrower shall secure a qualified Cosigner.
- B. **Cosigner:** Person who is employed with the Navajo Nation or other entities who meets all requirements and assumes all responsibilities and obligations of the loan.

SECTION 8 - LOAN CLOSING PROCESS AND DOCUMENTATION

- A. The loan closing must take place at the Department and adhere to the following standards:
 1. All loans shall be closed within ten (10) working days after the completion of Section 6 (D)(1) or the loan commitment shall be cancelled and thereafter, the Borrower(s) may reapply.
 2. No loans shall be disbursed unless the Credit Manager, or designee, acknowledges that all appropriate loan documents have been executed. All loan disbursements shall be made in the form of a Department check.
 3. A Promissory Note shall be signed by the Borrower(s), and Cosigner (if any). Loans made under the Program shall not exceed the following maximum terms:

LOAN TERMS

AMOUNT OF LOAN	MAXIMUM LOAN TERMS (Months)
----------------	--------------------------------

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\$5,000 to \$7,000	37 to 40
\$3,001 to \$5,000	31 to 36
\$1,000 to \$3,000	12 to 30
\$500	6

4. An amortized repayment schedule calculated on a semi-monthly, bi-weekly, or monthly basis shall be kept in the individual loan file.
5. A Payroll Deduction Authorization Form shall be executed by the Borrower(s) and/or Cosigner. The authorized deductions shall remain in effect until the entire loan is repaid in full.

B. FEES

1. Borrower(s) shall pay a loan closing fee of sixty-five dollars (\$65.00) that shall be included in the loan. Such fees shall be accounted for separately, and utilized by the Department for administrative expenses.
2. Borrower(s) shall pay fees associated with Court filings, Private Process Server costs, and reasonable attorneys' fees and costs, if the account is referred for legal or judicial action.
3. The Department shall charge a non-sufficient fee at the standard industry rate, if the bank returns a check.

SECTION 9 - REPAYMENTS AND ACCOUNTING

A. Repayments

1. Loan payments are due on the date specified in the Promissory Note. It is the Borrower'(s) responsibility to ensure that the payment is received at the payment address specified in the loan agreement on or before the due date.
 - a) Payments mailed to the Department will be forwarded on the day received to the Cashier's Office within the Office of the Controller. Cash payments must be made with the Cashier's Section or the Department. Debit and credit card transactions must be made with the Cashier's Section.
 - b) Payments received by the Cashier's Office within the Office of the Controller after 2:00 p.m. will be posted for the following business day.
2. Mailed payments shall be made in the form of money order, cashier's check, or personal checks and mailed to the following address:

Navajo Nation Credit Services Department

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P.O. Box 2405
Window Rock, Navajo Nation, Arizona 86515

Do not mail cash payments.

3. All repayment of loan funds shall start within thirty (30) days of the disbursement of loan proceeds and continue until the loan is paid in full.
4. Borrower(s) must ensure payments are made as agreed on the Promissary Note. If payments are not received, it is the Borrower'(s) responsibility to notify the Department and remit scheduled payment to avoid late fees.

B. Accounting Procedure

1. The Credit Services Department, shall administer the records and book of accounts for the Programs consistent with the Office of the Controller established Accounting Practices.
2. Loan repayments shall be credited in the following order of priority to the respective loan accounts:
 - a) Loan Fees;
 - b) Non-sufficient fund fees, at the standard industry rate, for returned checks;
 - c) Court Fees/Private Process Server Fees associated with judicial action;
 - d) Late Fees;
 - e) Accrued interest due and owing calculated from the date of the last payment;
 - f) The principal balance; and
 - g) A payment above the amortized schedule amount will be applied as an advance payment for the scheduled due date and distributed in the priority as stated in Section (9) (B) (2).
3. Monthly Reconciliation:
 - a) The Department shall reconcile all loan payments with the Navajo Nation Cashiers Section for the cash deposit account each month.

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- b) The system of cash posting shall be from the Cashiers Section to the General Ledger of the Financial Management Information System (FMIS) to the Department's Loan Ledger.
 - c) The FMIS personal loan object codes (0380,0382, and 0383) must agree with the personal loan ledgers balances at each month end.
- 4. Allowance for Delinquent Accounts:
 - a) The Department's policy is to report to the General Accounting Section all loans more than ten (10) days past due.
 - b) The FMIS personal loan allowance for delinquent account object code (0399) must be adjusted each month to agree with the personal loan ledger management alert reports.
- 5. Reporting:
 - a) Month End Closeout Reports shall be timely prepared by the Department and submitted to the General Accounting Section.
 - b) The Department shall present a financial report to the Committee upon request.

SECTION 10 - INTEREST RATE

- A. Credit Services shall disclose to Borrower(s) in the Promissory Note and/or Loan Agreement the amount of the original interest rate and the default interest rate.
- B. Loans shall be charged simple interest at a fixed rate of 10% and calculated on (365) calendar days.
- C. If a Borrower misses three consecutive payments, a default interest rate of 16% shall apply to the remaining balance of Borrower's loan. Credit Services shall re-amortize the loan based on the default interest rate, and shall provide Borrower with written notice that the default interest rate was applied and the amount of the new total finance charge.

SECTION 11 – PAYMENT AGREEMENTS

- A. Requests for modifications of payment amounts and due dates shall be adequately justified in writing by the Borrower(s). All modifications shall require approval of the Credit Manager, or designee. No request for a modification of due date of payments shall be considered if the loan account is delinquent.
- B. When a loan account is delinquent but the Borrower(s) is willing to bring the account current, the Department may consider a Payment Agreement with the Borrower(s). A Payment Agreement can change the payment amount. The Borrower(s) shall be liable for the interest and late fees accrued up to the date of the Agreement. Thereafter, if the Borrower(s) defaults on the new Agreement,

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interest and late fees shall recommence, and the account will be referred to the Department of Justice.

SECTION 12 – COLLECTION PROCEDURES

- A. These amended Operating Policies and Guidelines shall apply to new and existing loan accounts.
- B. Loan accounts that are in arrears or otherwise not in compliance with the loan agreements shall be forwarded to the Department's Collection Section to initiate collection efforts with the Borrower(s) in an attempt to bring the loan account current before resorting to legal proceedings.
 - 1. It is the responsibility of the Borrower(s) and Cosigner to keep the Department informed of their current address and telephone numbers. Periodic contacts shall be made with the Borrower(s) and Cosigner(s) either in person, by mail or by telephone to the last known address.
 - 2. Collection efforts shall comply with Navajo Nation and other applicable laws. The Department shall document all collection activities.
 - 3. If a loan payment is not received by the first (1st) day following the due date, the Department shall contact the Borrower(s) and Cosigner in writing.
 - 4. If a loan payment is not received by ten (10) calendar days following the due date, the loan account shall be charged a late fee of thirty dollars (\$30.00) per month. A late fee shall accrue each month a payment is late.
 - 5. If the total amount of arrearages are not received prior to the ninetieth (90th) day following the due date, and after the Department has sent out five (5) written notices to the Borrower(s) and Cosigner, the Department may declare the loan in default and accelerate the debt pursuant to the Promissory Note. The Department may take other lawful collection actions, including, but not limited to: referring the debt to a private collection agency; reporting to a credit reporting bureau such as Trans Union, Experian, or Equifax; referring the account to the Department of Justice; and taking judicial action.
 - 6. If the debt is accelerated, the Department shall declare the entire amount due and owing, and demand immediate payment. The Borrower(s) and Cosigner shall be notified in writing by certified mail. Once the debt is accelerated, the Department may place the account in non-accrual status for accounting purposes pending approval of a Charge-Off. If a Charge-Off is not approved, the interest and late fees shall be reinstated and shall continue to accrue.
 - 7. If the entire debt is declared due and owing as stated in Section 12(B)(5) and 12(B)(6), all relevant documents relating to the loan account shall be forwarded to the Department's legal counsel and/or the Department of Justice for further legal action as deemed appropriate.
 - a) The Borrower(s) and Cosigner may be given opportunities to forestall further legal proceedings by bringing the loan account current, or by entering a new payment

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agreement. It is the responsibility of the Borrower(s) and Cosigner to contact the Department to make such arrangements.

- b) If, after the debt has been accelerated, the Department accepts a partial payment from the Borrower(s) or Cosigner, which is less than the entirety of the loan balance needed to cure the default, this shall not be construed as a waiver by the Department or the Nation of any rights. Nor shall it be necessary to serve additional notices to Borrower(s) or to reaccelerate the loan.
- 8. The Department, with the assistance of the Department's legal counsel and/or the Department of Justice, may file an action in Small Claims Court if a loan account has a balance of two thousand dollars (\$2,000.00) or less and the account has been accelerated.
- 9. If an account is collected through judicial action or judgement discharged through Bankruptcy; or reduced through Charge-Off and/or Write-Off, the Borrower(s) and Cosigner shall not be considered for another loan for a minimum of seven (07) years.
- 10. Bankruptcy (Chapter 7 or 13) cases shall be subject to Federal Bankruptcy Laws and all other applicable state laws to discharge an individual debt to the Navajo Nation. In order to qualify for future loans with the Department, the Borrower(s) and Cosigner may voluntarily continue payments on the loan account that was discharged in Bankruptcy. Such Borrowers may re-apply for a new loan once the outstanding loan is repaid in full.
- 11. In the event the primary Borrower is deceased, the Co-Borrower and the Cosigner will assume the financial obligations of the loan.
- 12. Any uncured loan arrearages of employees of the Navajo Nation, or entity of the Nation, shall be pursued by the Department through all lawful means, including offset. Pursuant to 12 N.N.C. § 1507 of the Navajo Business and Procurement Act and Section XVI(B)(2) of the Navajo Nation Executive Branch Personnel Policies Manual, the Department may offset any amount owed to an individual by the amount the individual owes the Department. The Department shall send a Due Process Notice to the Borrower(s) notifying the Borrower(s) of the pending offset. The Nation, or an entity of the Nation, shall offset any payment to the Borrower(s) by the amount due and owing on the loan, under the following circumstances: (a) termination of employment; (b) medical leave; (c) unpaid leave; (d) travel advance; (e) reemployment with the Nation or an entity of the Nation.
- 13. The liability and responsibility of the Cosigner(s) shall be enforced when the Borrower(s) defaults on the loan. The Department will notify the Cosigner(s) at the same time and in the same manner that the Borrower(s) are notified to bring the loan account current within the time frame allowed by the Department.

SECTION 13 - CHARGE-OFF PROCEDURES

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- A. For accounting purposes, the Department shall temporarily place loan accounts in non-accrual status following acceleration of the loan and pending approval of a Charge-Off. If Charge-Off is not approved, the account shall be taken out of non-accrual status and the interest and late fees that would have accrued while in non-accrual status shall be reinstated.
- B. Interest and late fees shall stop accruing on accounts that are charged off. A Charge-Off on an account may be initiated by the Collection Officer when payment arrearage has not been eliminated and the loan has been accelerated pursuant to Section 12 Collection Procedures. All recommendations for Charge-Off shall require review and concurrences of the Credit Manager and the Controller of the Navajo Nation, with review for legal sufficiency by the Department of Justice.
- C. When an account is recommended for a Charge-Off, the Credit Manager, or designee may consider factors, including but not limited to: a new payment agreement; payment history; maturity date of loan agreement; employment status; interest paid; reason(s) for delinquency; and the Borrower(s) current financial circumstances.
- D. To avoid the existence and appearance of undue influence and conflict of interest, Borrower(s) that are Department staff, or appointed or elected officials or Judges of the Navajo Nation and are being considered for Charge-Off shall sign and notarize an Ethical Certification Form. By signing the Ethical Certification Form, the Borrower(s) are attesting to refrain from requesting any special consideration from any personnel/program of the Navajo Nation Government and shall abide by the Navajo Ethics in Government law.
- E. Charge-Off of an account does not preclude the Department from pursuing all available collection remedies against the, Borrower(s) and Cosigner(s).

SECTION 14 - WRITE-OFF PROCEDURES

- A. A Write-Off on a loan account shall be initiated by the Collection Officer when a loan is determined uncollectible, and all collection efforts have been exhausted or when a settlement agreement between the Borrower(s) and the Department has been entered into to reduce the amount of the debt in order to collect at least part of the amount due and owing on the loan account.
- B. To avoid the existence and appearance of undue influence and conflict of interest, Borrower(s) that are Department staff, or appointed or elected officials or Judges of the Navajo Nation and are being considered for Write-Off shall sign and notarize an Ethical Certification Form. By signing the Ethical Certification Form, the Borrower(s) are attesting to refrain from requesting any special consideration from any personnel/program of the Navajo Nation Government and shall abide by the Navajo Ethics in Government law.
- C. Recommendation to Write-Off a loan or a portion thereof, shall require review and concurrences by the Credit Manager and the Controller of the Navajo Nation, and the Department of Justice shall review for legal sufficiency. Prior to granting final approval of a Write-Off, the Controller shall provide a report to the Committee regarding the proposed Write-Off.

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- D. When evaluating whether an account is appropriate for full or partial Write-Off, the Department may consider factors including but not limited to: disability; death; Bankruptcy; a new payment agreement; payment history; maturity date of loan agreement; employment status; interest paid; reason for delinquency; or the Borrower's financial circumstances.
- E. Upon approval of a Write-Off, the written-off portion, shall be taken off the active books of the Navajo Nation.

SECTION 15 – AMENDMENTS

These Operating Policies and Guidelines may be amended periodically by the Department with final approval by the Committee.

SECTION 16 – DEFINITIONS

Whenever the following terms are used herein, they shall have the meaning indicated:

- A. **“Acceleration”** - A process by which the Department, on behalf of the Navajo Nation, demands the entire outstanding balance due and owing on a defaulted loan.
- B. **“Amortization Schedule”** - The schedule for the repayment of a personal loan showing the amount of each payment applied to interest, principal and the remaining balance.
- C. **“Applicant(s)”** - The individual(s) who submits a completed loan application requesting to borrow money from the Program.
- D. **“Arrearage”** – An amount due and owing on a loan account that is in default.
- E. **“Bankruptcy”** - A federal court proceeding for the purpose to enable a collection of the insolvent debtor's assets and liquidation thereof to pay off the debts or to allow a restructure of debts.
- F. **“Borrower(s)”** - An approved Applicant who has executed a promissory note and received loan funds.
- G. **“Charge-Off”** - The accounting action to cease the accrual of interest and late charges on a loan account.
- H. **“Co-Borrower”** – The secondary Borrower, usually a spouse, who has jointly executed a promissory note agreeing to assume all of the responsibilities and obligations for loan funds received.
- I. **“Collateral”** - The property pledged to secure a loan that is subject to seizure and sale if the Borrower(s) default on the loan.
- J. **“Collection Officer”** - The liaison(s) between the Department and Borrower(s) to collect monies due and owing the Navajo Nation.

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- K. **"Committee"** - The Budget and Finance Committee of the Navajo Nation Council.
- L. **"Common Law Marriage"** – Contracting parties consenting to be husband and wife and cohabitating within their community pursuant to 9 N.N.C. §3(E), without procuring a formal marriage license.
- M. **"Company"** - Assigned number to identify a loan category within the "Loan Ledger".
- N. **"Cosigner"** - An individual who executes a Promissory Note agreeing to assume all of the responsibilities and obligations of the Borrower(s) if the loan defaults.
- O. **"Credit Bureau"** - A reporting agency that gathers financial and credit information on consumers.
- P. **"Credit Counseling"** – A counseling service provided by the Department on financial budgeting and credit issues with the intent to achieve personal financial stability for potential Applicant(s).
- Q. **"Credit Manager"** - The Manager for the Credit Services Department.
- R. **"Credit Report"** - A report of an Applicant's credit history prepared by a Credit Bureau and used by the Department in determining the qualifications for a personal loan.
- S. **"Credit Risk"** – The financial and moral risk that a loan will not be repaid and a loss will result.
- T. **"Credit Score Guide"** – The guide used by the Department to determine the maximum allowable amount of loan to extend to Applicant(s).
- U. **"Creditworthiness"** – The evaluation of a person's capability of repaying obligations based on credit history and reputation earned for paying debts.
- V. **"Day"** – A 24-hour period in calendar day.
- W. **"Debt-to-Income Ratio"** - The formula used to calculate the Applicant(s) repayment ability by dividing the monthly debts by net monthly income.
- X. **"Default"** - The failure by a Borrower to make any payment under the terms of the Promissory Note, when such failure continues for a period of more than (30) days.
- Y. **"Delinquency"** – A loan account in which a payment is overdue but not yet in default.
- Z. **"Department"** – The Credit Services Department within the Office of the Controller, Division of Finance, of the Navajo Nation Government.
- AA. **"Designee"** – a person who has been designated/delegated.
- BB. **"Discharge of Debt (Bankruptcy)"** – To dismiss or release the obligation of an outstanding debt owed to the Department in accordance to bankruptcy statutes. A debtor may voluntarily pay the debt that has been discharged.

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- CC. **"Loan Closing"** - The final transaction when the Borrower(s), and Cosigner, signs all loan documents and the closing fees are paid.
- DD. **"Loan Fee"** – A Fee to cover some of the cost involved in processing the application including credit check and basic administrative cost.
- EE. **"Loan Ledger"** – A loan servicing software system that is designed to handle loan management functions such as reporting capabilities, aging, detailed customer histories, transaction reports, 1098, collective, report card, analyzer and other management analysis.
- FF. **"Primary Borrower"** – A Borrower(s) and their spouse, if married, who are the first signatories on a loan and are obligated to the repayment of the loan.
- GG. **"Private Process Server"** – A person or business entity who's responsibility is to serve legal papers on behalf of the court system. Process Servers are employed to deliver court documents such as subpoenas, summons or complaints.
- HH. **"Program"** - The Navajo Nation Personal Loan Program.
- II. **"Promissory Note"**- A contract between the Borrower(s), and Cosigner(s) and the Navajo Nation wherein the Borrower(s), agree to pay a specific sum at a definite time.
- JJ. **"Repossession"**- A legal action by the Department to take back property pledged as security on a loan.
- KK. **"Simple Interest"**– Interest is paid on outstanding principal balance only. Interest is charged based on actual payment amounts and dates paid (received date to received date).
- LL. **"Uncollectible"**- A defaulted loan account whereby all collection efforts and procedures have been exhausted in accordance with established collection policies, such that additional collection efforts, including taking legal or judicial action, would be futile.
- MM. **"Write-Off"**– An accounting method to eradicate a loan account or a portion thereof from the active books of the Navajo Nation.