

Revised February 14, 2011

## MILLE LACS BAND OF OJIBWE LOAN POLICIES

### A. Loan Program General Information

The Mille Lacs Band offers a loan program to Band Members that are elders or employed full-time and able to make payments through direct debit from their payroll. A "Loan Specialist" within the Office of Management and Budget shall be assigned to approve loans based on the guidelines herein. The Commissioner of Finance will have final approval on all loans and matters involving interpretation of the loan guidelines established herein. No other loans shall be given by the Tribal government through this program under any circumstances except as dictated by these policies.

The Loan Specialist agrees to follow the loan policies set forth herein and work with the Commissioner of Finance when evaluating loan applications. Loans will be approved weekly unless there are no applications to consider. Additional meetings between the Loan Specialist and Commissioner of Finance to consider loans may be requested as necessary. The Loan Specialist shall not participate in a loan decision in which their application, the application of a significant other, or an immediate family member's application is being considered. For loan purposes, immediate family members shall be mother, father, son, daughter, brother, sister, grandparents, aunt, uncle, niece, nephew or spouse of corresponding in-law. In addition, the Commissioner of Finance must approve loans to the Loan Specialist and members of their family.

The Loan Specialist shall be responsible for maintaining confidential loan documentation including the loan applications along with all relevant information and amortization schedule on loan repayment.

Under no circumstances will OMB process any loans that DO NOT meet the minimum eligibility guidelines as stated in this policy.

### B. Loan Application

For individuals requesting a loan, the following procedures must be followed:

1. All applicants must complete a standard loan application which may be obtained from OMB, the Government Center receptionist, District II and III administrative assistants, or the Urban Office. Loan policies shall be posted in all three districts as well as the Urban Office.
2. All applicants agree to accept the decision of the Loan Specialist as final; however, applicants may appeal a decision to the Commissioner of Finance in writing.
3. All applicants agree to comply with the loan policies and applicable Band Statutes.
4. All loans shall have an annual percentage rate (APR) of 5%, except loans to Band Elders. Loans to Band Elders shall have an APR of 0%.
5. All applicants shall be at least 18 years of age.
6. All applicants shall be enrolled Mille Lacs Band Members.
7. If delinquent debt exists with the Mille Lacs Band tribal government including debt to the Mille Lacs Housing Authority, tribal court, motor vehicles, and any non-business political subdivision, 25% of loan proceeds will first be applied to delinquent Band debt with the remaining loan proceeds paid to the Band Member. Band Member will also agree at the time of receiving the loan proceeds, to make arrangements to pay off remaining delinquent debt.

## **C. Lending Guidelines**

### **1. Signature Loans**

The Loan Specialist may approve a signature loan of up to \$500.00 for a Band elder with a maximum repayment term of six (6) months.

In the case that an elder loan must be garnished from a per capita payment, that elder must then sign a note stating that failure to pay their next loan on their own shall result in not being able to borrow again for six (6) months. If they default again after having signed that note, the elder will not be able to borrow again for one (1) year.

### **2. Payroll deduction secured loans**

The loan applicant must have been employed under full-time, permanent status\*\* for at least ninety (90) days in order to be considered for a loan. A part-time person who has been employed for one (1) year is eligible for up to \$1,500.00 provided their employer does payroll deduction. Self-Employed applicants may be eligible after having been in business for one (1) year.

Elders that are working part-time for an employer that will honor payroll deductions, are eligible for loans up to \$1,500.00.

Band Members working for longer than 3 months in a temporary position may be eligible for a loan up to a maximum of \$500 if their current supervisor is willing to sign the employment verification information and ensure that the intent is for the Band Member to be employed for at least an additional six (6) months. Repayment through payroll deductions will also be required on these loans and at a rate of \$85 per month or \$21.25 per week.

\*\* Employees that transfer from one job to another within any MLBO Government department are not required to wait 90 days before being eligible to receive a loan.

The loan applicant agrees to allow the Loan Specialist to ascertain if attendance and work performance is satisfactory in order to determine whether likelihood of continued employment is high.

The loan applicant's employer must be willing to make payroll deductions and send loan payments directly to OMB. If an applicant's employer is unable or unwilling to make payroll deduction payments on behalf of the Band Member, the loan application will be denied. All per capita payments of a loan recipient must be garnished if a loan becomes delinquent.

<u>Lending Guidelines:</u>	<u>Loan Amount</u>	<u>Repayment Term</u>
Maximum first loan	\$ 500.00	Six months
Maximum second loan *	\$ 750.00	Nine months
Maximum third loan *	\$1,000.00	Twelve months
Maximum fourth loan *	\$1,500.00	Twelve months
Maximum loan amount **	\$3,000.00	Twenty-four months

\* In order to qualify for the next level of loan amount, good payment experience must have been demonstrated for the stated repayment term.

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- \*\* In order to qualify for the maximum loan amount, must have five years consecutive and solid work experience and at least 2 years of good loan history with the Band.

Refinancing of a loan can occur if the balance of the current loan has been paid down to one-half of the original loan balance.

The Loan Specialist is not obligated to grant a loan for the maximum amount unless they deem the loan to be sound and appropriate. The Loan Specialist shall consider previous loan history with the Band when determining whether to grant a loan.

Applicants that are denied shall be notified by a phone call from the Loan Specialist or a letter within one week.

### 3. Promissory Note

For all loans granted, a formal promissory note must be signed by the loan recipient. If applicable, a payroll deduction form shall also be signed by the loan recipient. Notice of the delinquent loan follow-up and garnishment procedure shall be given to the loan recipient at the time of the loan disbursement. The Loan Specialist shall be responsible for the maintenance of complete loan files that include the promissory note, payroll deduction form (if applicable), loan application, amortization schedule and any delinquency follow-up notices. Applicants must receive a copy of loan policies prior to the disbursement of their loan and acknowledge receipt via a signature.

### 4. Delinquent Loan Follow-up

All loan balances will be maintained on a timely basis by the Loan Specialist. If loan payments are not received, the Loan Specialist will initiate the following collection procedures:

1. Follow-up with borrower's employer to check on payroll deduction status if the first payment due is not received within 15 days of expected payment date.
2. Call loan recipient when payment is 60 days overdue.
3. When a payment is 90 days overdue, send letter indicating that the borrower must come into OMB and make payments to bring loan balance to current or the borrower's future per capita payments will be garnished until their loan is repaid in full.
4. When a payment is 120 days overdue, file action in tribal court as needed. OMB may also seek to garnish any bonus due to the borrower. Debts owed to the tribal Government shall have priority for repayment with bonus garnishment. If more than one tribal government debt is owed, garnishment will be prorated to the outstanding debts based on the ratio of total outstanding balances.

The Band may utilize a collection agency to recover funds if deemed appropriate, on delinquent amounts over \$1,000.00.

5. The Loan Specialist may arrange revised repayment schedules for borrowers if it is deemed to be in the best interest of the Band. The Commissioner of Finance must approve revised repayment schedules before they become effective.
6. In the unfortunate event that an individual with an outstanding loan balance passes away, the remaining balance of the loan will be written off and not collected.  
  
In the event that an individual with a loan balance becomes totally disabled, their loan payments shall be put on hold until such time that they are able to return to work. Loan payments shall resume upon their return to work and there shall be no change in the amount of loan this individual will be eligible to receive in the future.
7. OMB may outsource loan servicing and delinquency follow-up as it deems appropriate.
8. Interest on delinquent loans will continue to accrue at the rate stated in the promissory note.
9. If a Band Member leaves Band employment, 100% of their final paycheck from the MLBO Band Government will be applied toward their outstanding loan balance.

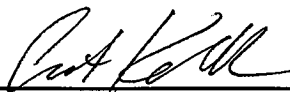
5. Rebuilding process

Once an employee is garnished for loan repayment, credit must be rebuilt from the beginning as follows:

First Step	\$ 500.00
Second Step	\$ 750.00
Third Step	\$1,000.00
Final Step	\$1,500.00

### Ratification

Pursuant to the provisions of 3 MLBSA section 2(f), this policy was presented to the Band Assembly on February 15, 2011.

By:   
Curt Kalk  
Speaker of the Assembly