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The Blue Print Concept

A word from Randy Karnes

In 2010 CU*Answers declared that it was going to work with credit unions to “Start Businesses in Our Network”. It starts by creating the vision that “our network” is referring to all of the *participants*. The word community is getting a lot of use today, almost too much, but that is what our network is; a community of opportunity. A place where a million members do their business, where thousands of talented credit union professionals add their efforts, and a place where hundreds of organizations vest their operations. Our community is one rich with solutions, resources, and aspirations.

The issue is that those opportunities and solutions are not always perfectly matched within a single organization. Teams throughout the network find themselves daily in situations where they have excess capacity in one area, and real shortages in others. Any given member of one credit union might find that they are lacking a solution with their home credit union that might be served by one of the network’s credit unions. Any given staff member might be thinking how much more they could offer if they could just do more with more credit unions. Somewhere within the network is a CEO wondering how to get more return on their investment in capacity and capabilities built into their team. There is the opportunity for a new kind of commerce in our network should the participants just formulize and extend themselves to each other. More than a desire to cooperate, more than an informal exchange of hope, more than a “we should do this effort” – we need to Start Businesses!

It might all start with a template? It might all start with a simple example of a business in motion? It might all pick up some speed with a couple of trusted resources? It might catch fire with the right Blue Prints!

To that end, CU*Answers has developed a series of Blue Prints related to our Network Business Units led by the Xtend Team. These blue prints are the beginning of several projects and have several expected outcomes or goals. First, to be a guide for CU*Answer network participants to utilize in starting their own collaborative businesses within our community. Second, to enlist other companies in considering both the strengths and the weaknesses of our business designs so we can improve them, document the units and record the digital intelligence about what we do. Third, to start the creative competition within our community that will employ more people, offer more solutions, push for more innovation, and ultimately leave no opportunity unanswered no matter where it comes from or who answers the call.

So let’s get to it – turn a template into a business. Launch a business to turn opportunity into a return for you and your members. Lift a network of participants beyond what any stand alone firm or player could do on their own.

Preparing a Business Plan

Contrary to popular belief, the collection of delinquent debt is far more than just calling a member and demanding they pay you. There are many components you need to consider when building your own Collections business to assist other credit unions with their collections management. Some of these items include legal requirements, determining if you are first or third party collectors, bonding, licensing for each state you do business in, anomalies for each state's law, and of course a marketing plan and an operational plan. Careful consideration of each of these aspects is vital to the business' success.

To assist with things you should consider when forming your own organization, the business plan of Collections is included in this booklet on the following pages. This is followed by other more detailed items you will need to consider when forming your organization.

*By utilizing the Lender*VP services our delinquency percentage has decreased!
Not only do we realize the income, it has also freed up my employees to move
onto other important duties. This also gives us the opportunity to reach out to
the delinquent members and help them create a long-term plan.*
-Kim Wilson, CEO Grand Rapids Family Credit Union

The following business plan was created by Lender*VP—Collections

Executive Summary

As the Credit Union industry has grown, it is being looked at more closely by auditors and attorneys than ever before. Forward thinking CEO's have seen the need for experienced collectors that could bring with them knowledge of the Fair Debt Collections Practices Act and other laws that consumer attorneys love to exploit. There have been over 6,700 suits filed pertaining to violations of the FDCPA and over 700 pertaining to the FCRA just this year alone! While our clients are trying to focus on their member needs, collections are often overlooked and are generally a highly misunderstood area of business. Thus, the idea of a Collections service was born.

What resources does it take to put together a collections service? First it takes someone with experience and knowledge in this area. This person needs to have experience in all facets of collections, from early stage collections, to full suits on recovery accounts and skip tracing. Second it takes a robust technology platform which captures member and staff activity in a way that can be easily reviewed, analyzed, stored, and recovered for reference. You need the advice of a good attorney that is experienced in collection law for multiple states. Finally, a marketing staff is beneficial for promoting the product after completion.

Division Description

Lender*VP Collections is in the business of providing the skills needed to legally collect debts of the Credit Union while not violating the laws set down in the Fair Debt Collections Practices Act (FDCPA) or any other laws that apply. By using the CU*BASE® system for the collections, all data is integrated and secure. This provides a seamless and immediate review to any account information by any employee of the Credit Union if needed. The main goals of Collections are to:

To provide a review of your Collections settings for optimum use of the CU*BASE® system

To provide experienced Collections calls and financial consulting to members

To ease the stress of putting inexperienced people into a usually awkward situation

To relieve your staff of the burden of making and receiving hundreds of calls

To provide you with detailed information on member's situation, with real time documented notes that are updated using the member tracker system

To provide automated notices in print and electronically

Retain the membership while solving the delinquency situation

Provide detailed reports on delinquency and the Lender*VP staff accomplishments

The first area of this initiative will revolve around what we will actually be doing for the credit union throughout the day, month, and quarter. This is where the credit union would see the bulk of the work being done. These are the tasks associated with the daily review of delinquency based on the range the client chooses to assign to Lender*VP. The culmination of this work will be summarized in a monthly executive report and presented to the credit union.

The second area will be what it will take to complete the offering. This would include the development of the Collections community, including a staffing plan, financials, a set of best practices developed by experience, and possibly a website.

Doing the Work

The following is a list of tasks which will be performed for the credit union based on the contractual agreement. Each Credit Union may chose specific ranges of work and types of accounts to work along with what rights are given to us, such as allowing offsets of deposit accounts for delinquent members.

1. Daily

- Review reports for volumes for each client
- Review any messages from overnight and respond to all of them

- Review follow-ups that are due and complete each of them
- Open the Collections screens, recall the ranges and types of accounts needed for each client
- Sort by oldest delinquency account and contact if last contact has been more than seven days
- Review all sub-accounts on the membership to help collect the debt
- Document the conversations or other outcome of attempted contact
- Log all data for reports

2. Weekly

- Assign any accounts to us that fell into our range or assign those back to the Credit Union that fell out of our range
- Send E-messages to delinquent accounts
- Log data for report summaries for clients
- Run staff production reports

3. Monthly

- Prepare Executive Summary
- Run reports for Executive summary

Ad Hoc

These areas describe other services which can be provided on an as needed basis.

- Credit Union staff training on the Collections area of CU*BASE®
- Review of configuration settings with Credit Union
- Review of delinquency notices and text included
- Roundtable discussions for any personnel

Marketing Plan

Overview

The need for a full collections service has been steadily growing as the rate of defaulted loans has grown with it. Though third parties exist to provide these services for credit unions, they can't offer the same kind of integrated service that CU*Answers has the capability to offer. By utilizing the same tools already available to credit unions, CU*Answers can perform the work and give the credit union easy access to reports, as well as seeing first-hand the work being performed.

Since the Collections team will be an extension of the Lender*VP team, existing measures will be used to introduce this new service to clients. In addition, Collections round tables will be held for credit unions to discuss the changing needs and regulations as they pertain to credit union collections efforts.

As credit unions will be given the option to elect what services they'd like to receive from the Collections team, a quote will be provided to determine pricing. This will be noted in the Pricing Guide for Ancillary Services.

Product Features and Benefits

The main features from the credit union perspective include the following:

1. Provides credit unions with a focused approach to delinquency handling and monitoring.
2. Provides credit union CEOs with a monthly executive summary of all collections activity with a high level overview describing the work performed, including inbound and outbound call activity. Accompanying this is a complete copy of all reports relevant to delinquency.
3. Automated letters/notices mailed for the credit union.
4. Audio and home banking collection messages.
5. Reduced risk of FDCPA violations.
6. Collections staff will attempt to retain membership.

Organizational Plan

Location

The location is actually an important feature of Collections as licensing in some states requires separation of a Collections agency from standard business transaction. Lender*VP Collections was set up in the CU*Answers main office since it meets those requirements and it has access to the other facets of the corporation. Business management is handled out of this office and security concerns have already been addressed.

Physical requirements:

- A semi private setting that will not allow sensitive information to be heard by any third or unrelated party.
- A computer for each employee doing the daily work with access to CU*BASE®.
- A phone for each individual. We have ours connected to a software that allows for tracking and reporting of calls made.

As previously mentioned, the setting should be semi private and away from the general public where sensitive information could be overheard, violating the privacy of members. In addition, you want to have the individual settings created so that information being discussed by one collector is not heard by the member speaking with another collector. Once again, this is to protect the privacy of the information of the member.

The computer used should have full access to all important information on CU*BASE such as account information, history of payments, comments from collectors, and application information. In addition, we have a dual monitor setup to allow for viewing multiple sessions of CU*BASE—this allows efficient servicing of credit union accounts by allowing the collector to easily utilize different programs necessary to the work. This also prevents the need to close and reopen each client on CU*BASE and possibly lose the information you were working on already.

The phone system setup is extremely important especially when working first party collections. The outgoing caller I.D. should display the credit union information such as the phone number and the name of the credit union, not the third party providing the service. The same is true for incoming calls; you want the collector to know which credit union the member is calling from so that the proper greeting may be used.

In addition, you should have a recording option so that all calls can be reviewed for details, should a dispute arise and for training purposes. We have found this option to be extremely helpful in diffusing a dispute early and preventing unnecessary review of information. The phone system should be able to track details of calls such as which credit union you were representing when the call was made, time started, time ended, time on phone, and the number called. This information is important for verifying return on investment for the client.

Legal Environment

This is the most important component of starting a Collections business. Attorneys are notorious for profiling Collections and collectors for suits of all kinds. There are many legal requirements that include insurance, bonding, determining status of first or third party collections, creating an environment where there is no conflict of interest, whether you are legally able to conduct a Collections business based on your company type, and an in house attorney for corporate requirements and one for member suits.

We have reviewed our existing insurance for the Lender*VP staff and any management personnel, and garnered an additional professional liability policy for management in addition to the blanket insurance provided by CU*Answers. Bonding is also provided by CU*Answers.

The definition of first and third party collections is determined by the FDCPA and state laws. You will need to review these and make the decision as to which category you will fall into as there are substantial differences in the legal requirements from one to the other.

The client contract and addendum used by Lender*VP Collections has been reviewed by our corporate attorney and we only allow minor changes for venue and pricing for clients. The contract handles all the legal details while the addendum is more specific to the range and types of accounts we will work for that client. In that way the majority of the contract will remain static and prevent unneeded legal concerns.

Personnel

Calculating the required personnel is based on not only the daily work but the management of the area too. The daily work calculations are based on how many accounts you estimate you will be working for the client. A good benchmark is to figure an average of 8.5 accounts per hour worked. You then have to figure the rate of pay with benefits versus the income and expenses. Employee(s) will be completing the daily work and assisting in the development and production of the monthly reports and executive summaries. These employees will be paid at a starting rate of \$10.00 an hour.

Where and how will we find the right employee? The answer as always is to draw from our existing pool of experienced employees first. Knowledge of our client base and software would be an advantage over someone who lacks CU*BASE experience. However, since Collections is a very strict business you need to have experience in that also. Therefore, we prefer to search external and internal candidates together for the best opportunities.

Training methods and requirements include knowledge of the FDCRA and the CU*BASE system. We will use existing training resources through our campus with Harland as well as existing personnel who have internal credit union experience. These people will assist in training our new hires on the risk associated with the disclosure of private information and how to find what detailed information on the CU*BASE system.

Developing a Collection Team

The business design called for not only a consultant to evaluate the credit unions Collections needs, but also a collections specialist that will handle the day-to-day servicing of member loans, and work in a call center environment.

The individual filling the roll as the upfront consultant MUST have experience in credit union compliance. A healthy background of schooling is important, and it is preferable for the candidate to have the CIA or NCCO. In addition to the strong experience listed above, the individual must have the capability to speak to credit union executives, convince them that some areas of the operations may need better internal loan processes, and in some cases argue the findings in a manner which does not upset those who are paying for the service. Excellent writing skills are also required as the findings of these reviews must be well documented. The final requirement this individual must possess is the aptitude to understand software and the way it processes data. Fifty percent of the consulting relates to the use of the CU*BASE system, its configurations, reports, and on demand inquiry functions.

The individual responsible for completing the daily work must also have a few unique characteristics. Most importantly, the individual must be able to calmly and professionally work with the credit union members on the status of their loans. As an extension of the credit union's staff, the collections specialist is a representative of that credit union and must act accordingly. Excellent communication skills are thus required not only for interaction with credit union members, but also since in many cases a direct call to an executive team member of the credit union is required to report findings which require immediate attention. Finally, the individual must also have the capability to navigate the CU*BASE software easily and have a high aptitude for learning software applications.

The following pages provide the job descriptions for the two primary positions filled in Lender*VP Collections.

Job Description: Lender*VP Collections Account Executive

POSITION SUMMARY

A successful candidate for this position will have at least five years background in all operational aspects of lending (consumer, commercial, credit card, real estate lending, secondary market, servicing, as well as collections). The position will focus on supporting Credit Unions loan departments beginning with new client conversions through day to day operational support. This position reports to the EVP of Client Interactions. Time will be split between travel to client sites, daily operational support, and phone/computer work for collections. The Account Executive will assist in the monitoring of the required delinquency percentage and service level goals for both the internal and external client.

ESSENTIAL JOB FUNCTIONS

1. Support Credit Union loan departments in daily operations
2. Work on new and existing Lender*VP initiatives
3. Prepare monthly reports for Lender*VP clients
4. Flexible scheduling based on client needs
5. Support of conversions for new clients, credit cards, and mortgages portfolios
6. Initiate and maintain contact with delinquent borrowers via telephone and mail to obtain reason for delinquency and commitment for repayment
7. Document collection efforts via collections system
8. Contact appropriate internal or external party for research regarding client contract scope of delinquency and other collection functions
9. Monitor delinquent activity reporting to maintain monthly delinquency goal
10. Support management in accurate collection activity daily and monthly reporting for both internal and external customers
11. Assist management in the monitoring of collections statistics to maintain service level goals
12. Work with management team and initiate/document system, workflow, and delinquency statistics for continual improvement

JOB SPECIFICATIONS

1. Strong prior lending back ground in either a bank or credit union
2. Prior consumer debt collection experience; preferably in a bank or credit union environment
3. Excellent written, verbal, and interpersonal communication skills
4. Excellent negotiation, problem solving and analytical skills
5. Complete understanding of regulations regarding lending, debt collections, compliance, and financial privacy including Fair Debt Collection Act and GLB
6. Proficient in standard office software applications (MS Office)
7. Ability to meet departmental standards with regard to quality, efficiency, initiative, teamwork, and overall performance

ABILITIES

CU*Answers is committed to working with its employees to reasonably accommodate them with the physical aspects of the position. The following list outlines the physical considerations that are normally encountered in this job.

Vision: Close vision, distance vision, peripheral vision, depth perception, and the ability to adjust focus.

Speech/Hearing: Articulate speech and hearing to normal range.

Manual Dexterity: Manual and finger dexterity and hand-eye coordination.

Physical Mobility: Moderate-range of body motion. Ability to travel by automobile and airplane. Ability to work flexible hours.

WORK ENVIRONMENT & PHYSICAL ACTIVITIES

Job requires some physical effort but is basically a desk assignment. The job calls for a high degree of mental concentration to interpret and act upon a wide range of situations. The job requires a degree of attention to details. Work schedule requires the ability to work flexible hours.

Notice: This job description is not intended to be, nor should be construed as a contract for employment. CU*Answers makes no guarantee of permanent employment. This job description is to be used as a guideline to give the employee an understanding of what CU*Answers has defined this position to be.

*CU*Answers is willing to accommodate disabilities to the extent a technology organization can without impacting financial control or member service. CU*Answers is an Equal Opportunity Employer. M/F/D/V*

Employee Signature	Date
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Supervisor Signature	Date
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Human Resources Signature	Date
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Job Description: Collections Specialist

POSITION SUMMARY

This telephone extensive position reports to the LenderVP Collections Supervisor. Working in a call center environment, the Collection Specialist will make/take outbound/inbound calls from delinquent borrowers to deduce the issue causing the delinquency in an effort to bring accounts current. The Collections Specialist will assist in the monitoring of the required delinquency percentage and service level goals for both the internal and external client.

ESSENTIAL JOB FUNCTIONS

1. Initiate and maintain contact with delinquent borrowers via telephone, mail, Home Banking, and teller alerts to obtain reason for delinquency and commitment for payment
2. Document all calls and collection efforts via collections system
3. Contact appropriate internal or external party for research
4. Monitor delinquent activity reporting to maintain monthly delinquency goal
5. Assist management in the monitoring of collections call center statistics to maintain service level goals
6. Work with management team for continual improvement of workflow and delinquency statistics
7. Other duties as assigned

JOB SPECIFICATIONS

1. Prior consumer debt collection experience preferred
2. Working knowledge of CU*Answers systems
3. Excellent written, verbal and interpersonal communication skills
4. Excellent negotiation, problem solving and analytical skills
5. Understanding of regulations regarding debt collections, compliance and financial privacy including Fair Debt Collection Act and GLB a plus
6. Proficient in standard office software applications (MS Office)
7. Ability to meet departmental standards with regard to quality, efficiency, initiative, teamwork and overall performance
8. High school graduate or GED required

ABILITIES

CU*Answers is committed to working with its employees to reasonably accommodate them with the physical aspects of the position. The following list outlines the physical considerations that are normally encountered in this job.

Vision: Close vision, distance vision, peripheral vision, depth perception, and the ability to adjust focus.

Speech/Hearing: Articulate speech and hearing to normal range.

Manual Dexterity: Manual and finger dexterity and hand-eye coordination.

Physical Mobility: Moderate-range of body motion. The ability to travel by automobile and airplane. Ability to work flexible hours.

WORK ENVIRONMENT & PHYSICAL ACTIVITIES

Job requires some physical effort but is primarily a desk assignment. The job calls for a high degree of mental concentration and compassion to interpret and act upon a wide range of situations. The job requires a degree of attention to details. Work schedule requires the ability to work flexible hours.

Notice: This job description is not intended to be, nor should be construed as a contract for employment. CU*Answers makes no guarantee of permanent employment. This job description is to be used as a guideline to give the employee an understanding of what CU*Answers has defined this position to be.

*CU*Answers is willing to accommodate disabilities to the extent a technology organization can without impacting financial control or member service. CU*Answers is an Equal Opportunity Employer. M/F/D/V*

_____	_____
Employee Signature	Date
_____	_____
Supervisor Signature	Date
_____	_____
Human Resources Signature	Date

Services Offered by Collections

The following page contains a list of tasks which the Collections team performs on a periodic basis. Many of these tasks revolve around member contact and delinquency related activities. In many instances these activities are spread across multiple employees in the credit union and lack a central tracking and monitoring focus. The value of allowing our team to monitor these activities is to centralize the focus and provide a consistent reporting methodology to the management team. Your organization may consider offering all of these services or just a few of them.

These activities include:

ACCOUNT REVIEW

- ✓ Review of past due loans 15 – 120 days past due.
- ✓ Review of 15 – 120 day negative balance accounts.
- ✓ Accounts over limit more than \$25.00.
- ✓ Consumer loans (secured, unsecured, credit card)

MEMBER CONTACT

- ✓ Inform debtors of the delinquency status of their account
- ✓ Attempt to determine the reason(s) for said delinquency
- ✓ Attempt to determine the debtor's ability and willingness to make payments according to the terms of debtor's loan agreement with Credit Union
- ✓ Encourage debtor to remit payment or enter into a payment program consistent with Credit Union's guidelines, policies, and procedures, or as otherwise authorized by Credit Union.

OTHER SERVICES

- ✓ Mailing of Credit Union configured delinquency notices to debtors.
- ✓ Create AFTs for automated payments on delinquent loan accounts at member's request.
- ✓ Set up ACH distributions for automated payments at member's request.
- ✓ Perform transfers to delinquent loans at member's request.
- ✓ Provide the credit union with a monthly summary of contact calls, letters and notices sent, trackers entered, etc.
- ✓ Detailed recording through CU*BASE tracker system of each contact and services performed.

WRITE OFF RECOVERY SERVICES

- ✓ Work written off consumer loans (excluding bankruptcies and accounts past the statute of limitations).
- ✓ Attempt to determine the reason(s) for the debtor's default.
- ✓ Attempt to determine the debtor's ability and willingness to make payments according to the terms of an agreement suitable to the Credit Union.
- ✓ Encourage debtor to remit payment or enter into a payment program consistent with the Credit Union's guidelines, policies, and procedures, or as otherwise authorized by the Credit Union.
- ✓ The independent contractor will make its best effort to negotiate payment arrangements and lump sum settlements with debtors based on pre-determined factors to be provided by the Credit Union.

Pricing Philosophy

Loan Servicing

In order to determine the billing for the Credit Union, the Collections team takes a 90 day average of the loans that will be worked, and multiplies that amount by \$10 per loan worked.

Write Off Recovery Services

The Credit Union will pay an introductory rate of \$1.00 per account worked and \$3.00 for skip tracing per account. During and after the introductory period of 3 months, the Credit Union must also agree to pay the Independent Contractor as follows:

- 25% of all payments received on files that have a last payment less than 3 years from date of assignment.*
- 30% of all payments received on files that have a last payment for 3 to 5 years from date of assignment.*
- 40% of all payments received on files that have a last payment more than 5 years from date of assignment.*

*The percentage of the payments received will be determined by the date the account was received by the Independent Contractor. For example, if the account referred by the Credit Union has been written off for 2 years 11 months, the Independent Contractor will receive 25% of the payment—this applies even if the payment is received after the referred account has been written off for more than 3 years.

Independent Contractor Agreement for Collection Services Template

INDEPENDENT CONTRACTOR AGREEMENT FOR COLLECTION SERVICES

This Independent Contractor Agreement for Collection Services (hereinafter “Agreement”), is made as of this day of , (hereinafter “effective date”), by and between **CU*Answers**, a Michigan Corporation, with its offices located at 6000 28TH Street S.E., Suite 100, Grand Rapids, MI 49546, (hereinafter “Independent Contractor”) and , a credit union chartered under the laws of the United States of America, with its principal office located at (hereinafter “Credit Union”).

WHEREAS, Credit Union seeks to utilize Independent Contractor for various collection services more completely described herein;

WHEREAS, Independent Contractor seeks to provide various collection services for and on behalf of Credit Union as described herein;

WHEREAS, the parties hereto have determined that it would be mutually beneficial to engage Independent Contractor to perform various collection services;

NOW, THEREFORE, Independent Contractor and Credit Union hereby agree as follows:

1. **Services and Obligations of the Independent Contractor**

1.1 **Scope of Services.** During the term of this Agreement, the Independent Contractor shall perform the services more particularly described in Addendum A attached hereto and incorporated herein by reference (hereinafter “Collection Services”).

1.2 **Method of Performing Collection Services.** The Independent Contractor will determine the method and details, as well as the means of performing, the Collection Services. The Independent Contractor has the right to control the means by which it produces the work required by Credit Union, as well as the conditions in which said Collection Services are performed which may include the hiring of its own employees, except that such hiring shall include reasonable measures to ascertain the suitability and bondability of potential employees commensurate with the nature of the non-public personal information to which they will have access.

1.3 **Regulatory Compliance.** Independent Contractor agrees at all times to act in compliance with all applicable laws and regulations affecting the collection of consumer debts, including but not limited to the Michigan Fair Debt Collection Practices Act, the Michigan Consumer Protection Act, [ADD ANY STATE SPECIFIC LAWS] and the Federal Fair Debt Collection Practices Act. Independent Contractor shall promptly notify

Credit Union upon notice received from any governmental entity of any alleged violation of same.

1.4 **Regulatory Review.** Records of members of Credit Union in the possession of Independent Contractor shall be at all times, and without prior written notice to Credit Union, available for examination and audit by appropriate federal and state agencies. By entering into this Agreement, Independent Contractor agrees that the State of Michigan Office of Financial and Insurance Regulations (OFIR), the National Credit Union Administration, or any other regulatory agencies having authority over Credit Union's operations shall have the authority and responsibility provided to the regulatory agencies pursuant to statute, regulation, or rule, including but not limited to Michigan Credit Union Act Subsection 408(4). Independent Contractor agrees to provide, upon request, written assurance under that subsection.

1.5 **Adherence to Credit Union Policies.** Independent Contractor shall adhere to the collection policies and procedures of the Credit Union.

1.6 **Member Complaints.** Independent Contractor shall promptly report all member complaints to Credit Union. Independent Contractor shall maintain a written record of all complaints and their resolution. Independent Contractor shall address member complaints in a timely and expedient manner.

1.7 **Bankruptcy.** If the debtor files for Bankruptcy protection, all collection activity will cease, and the file will be referred back to Credit Union with Independent Contractor's recommendation for further action. Credit Union agrees to provide promptly to Independent Contractor any Notice of Bankruptcy relating to a debtor's file.

1.8 **Privacy, Confidentiality and Security.** Independent Contractor acknowledges that Credit Union shall retain permanent and exclusive ownership of all internal information or member information provided or made available to Independent Contractor and its employees, if any. All member information is owned by the Credit Union. All information provided to Independent Contractor by Credit Union shall be held by Independent Contractor in the strictest level of confidence and shall not be used by Independent Contractor, or any of its employees, affiliates, assigns, agents or other contracting parties, for any other purposes beyond the scope of this Agreement.

It is the intent of the parties to protect the privacy and confidentiality of nonpublic personal information of the members and non-member consumers of Credit Union obtained by Independent Contractor during the performance of this Agreement, and to comply with all applicable regulations related to privacy, including but not limited to Title V of the Gramm-Leach-Bliley Act and Parts 716 and 748 of the National Credit Union Administration Rules and Regulations.

Independent Contractor specifically agrees to implement appropriate security measures designed to meet the objectives of NCUA Rules and Regulations Part 748 and its Appendices A and B.

Independent Contractor agrees that it shall not disclose any nonpublic personal information to any third party or use any nonpublic personal information it obtains other than to carry out the purposes for which the information is disclosed by the Credit Union in the ordinary course of business pursuant to this Agreement.

“Nonpublic Personal Information” shall mean personally identifiable financial information, and any list, description, or other grouping of consumers (and publicly available information pertaining to them) that is derived using any personally identifiable financial information, and as otherwise more specifically defined at Part 716 of Title 12 of the Code of Federal Regulations, and as may be amended from time to time by the NCUA.

As soon as possible, Independent Contractor shall fully disclose to Credit Union any breach in security resulting in unauthorized intrusions into Independent Contractor’s systems containing information relating to the Credit Union or its members. Independent Contractor shall report to the Credit Union when such intrusions occur, the effect on Credit Union, and corrective action taken to respond to the intrusion. The responsibility and duties of Independent Contractor contained herein shall survive any termination of the Agreement for any purposes.

1.9 Disposal of Consumer Report Information and Records. The parties acknowledge that they are both subject to Part 682 of Title 16 of the Code of Federal Regulations (16 CFR 682), the FTC’s Disposal of Consumer Report Information and Records Rule, or similar rules under Part 717 of the NCUA Rules and Regulations. Independent Contractor agrees to implement policies and procedures designed to protect against unauthorized or unintentional disposal of consumer information and disposal of such information in accordance with the provisions specified in 16 CFR 682.3(b)(1) and 682.3(b)(2), including any revisions of same. The responsibility and duties of Independent Contractor contained herein shall survive any termination of the Agreement for any purposes.

2. Compensation and Obligations of Credit Union

2.1 Compensation. During the term of this Agreement and any extension thereof, Credit Union shall pay as compensation for the performance of the Independent Contractor’s services under this Agreement the sum of () Dollars per month (the “Basic Service Fee”). Postage for any collection letters referenced in Section 2.7, sent by Independent Contractor will be re-billed at cost.

2.2 Price protection. The Basic Service Fee will remain in effect during the Initial Term of the Agreement. Following the Initial Term, the Basic Service Fee may be increased annually upon sixty (60) days written notice from Independent Contractor to

Credit Union. No change in the Basic Service Fee shall exceed five percent (5%) without the written agreement of the Credit Union.

2.3 **Travel and Expense.** Unless the parties agree otherwise, Independent Contractor shall, within 15 days of the effective date of the Agreement, send one representative to the main office of Credit Union to conduct a pre-service set-up and to meet with Credit Union's Collection Liaison. In addition, at Credit Union's request, Independent Contractor will provide, subject to its available staffing and resources, additional training and/or consulting services to Credit Union Staff at Independent Contractor's then current hourly rates. Credit Union agrees to reimburse Independent Contractor for all reasonable travel and incidental expenses associated with the pre-service set-up meeting and any additional on-site training or consulting services, including airfare, parking, mileage, lodging, meals, and/or any other travel related expenses. The meal and lodging per diem payable by the Credit Union shall not exceed a combined total of \$250.00 per day unless a per-trip exception is pre-approved. Additionally, Credit Union shall pre-approve such single item expenses in excess of \$1,000.

2.4 **Payment.** All payments shall be due within fifteen (15) days of receipt of an invoice from Independent Contractor. Credit Union agrees to pay a late payment charge in the amount of one and one-half percent (1 ½%) per month on any unpaid amount for each calendar month (or portion thereof) that any payment is in default. Independent Contractor may apply any payment received to any delinquent amount outstanding.

2.5 **Guidelines, policies, procedures.** Credit Union shall provide and make available to Independent Contractor all information that is necessary for Independent Contractor to perform its services, including Credit Union's established collection guidelines, policies, and procedures.

2.6 **Credit Union Collection Liaison.** Credit Union shall designate and identify a Collection Liaison who shall be the main contact for communication between Credit Union and Independent Contractor regarding services provided pursuant to this Agreement.

2.7 **Letters to Debtors and Cosigners.** All letters referred to in Addendum A will be drafted by Credit Union, and will be mailed to debtors and cosigners on Credit Union letterhead and envelopes by **[Credit Union or Independent Contractor]**. Credit Union shall notify Independent Contractor if it changes the content of any such letters. Independent Contractor makes no warranties or representation regarding the compliance of such letters with applicable laws and regulations. Credit Union warrants that such letters, including any amendments to such letters, are written in compliance with applicable laws and regulations.

2.8 **Referral of Files.** To refer a file to Independent Contractor, Credit Union will use the CU*BASE® ID of XX. When the file is to be returned to the Credit Union, Independent Contractor will assign the account in the collections menu back to the appropriate Collector ID as directed by the Credit Union.

3. **Term and Termination**

3.1 **Term.** This Agreement shall be in effect from the effective date written above and shall remain in place for twelve months (the “Initial Term”). This Agreement may be terminated at the option of the Credit Union upon Credit Union providing Independent Contractor written notice of termination at least 60 days in advance of the Initial Term or any Subsequent Term of a party’s intent not to renew, otherwise the Agreement shall automatically renew for a subsequent period of twelve months (a “Subsequent Term”).

3.2 **Termination Without Cause.** Notwithstanding the provisions of Section 3.1, either party has the right to terminate this Agreement, without cause, by providing written notice to the other. In the event that written notice of Termination Without Cause is provided pursuant to this Section, the termination will become effective at the end of the second full month following receipt of that written notice, and the parties’ respective rights and responsibilities under the Agreement will continue through the effective date of the termination. If terminated by the Credit Union prior to the expiration date of the initial term, an early termination fee of two times the contracted monthly rate defined in Section 2.1 will be assessed to the Credit Union.

3.3 **Termination With Cause.** Notwithstanding the provisions of Sections 3.1 or 3.2, either party may terminate this Agreement immediately, upon written notice to the other, in the event (i) the other party breaches any material provision of this Agreement, and such breach remains uncured for thirty days following receipt of written notice thereof from the non-breaching party; or (ii) the other party declares bankruptcy, is declared bankrupt, makes a general assignment for the benefit of its creditors, is voluntarily or involuntarily dissolved, has a receiver, trustee or other court officer appointed with respect to its property, is unable to pay its debts as they come due, or is the subject of any involuntary proceeding in any court or tribunal instituted to declare the party insolvent or unable to pay its debts.

3.4 **Effect of Termination and Survival.** Upon the effective date of termination of this Agreement for whatever reason: (a) all obligations of the parties hereunder shall cease, except for those provisions herein addressing confidentiality and the protection of member and non-member information; (b) Credit Union shall pay Independent Contractor all fees due up to the date of such termination, except as otherwise provided in writing; (c) Independent Contractor shall return to Credit Union any and all member information and internal information it has in its possession in any form. This may include files, notes, memoranda, etc. generated by Independent Contractor or its

employees, agents or assigns. The terms of this section, as well as paragraphs 1.8 and 1.9, shall survive the Term of this Agreement however terminated.

4. **Relationship between Credit Union and Independent Contractor.** On and after the effective date, Independent Contractor and any and all individuals that Independent Contractor chooses to hire, supervise and pay, shall at all times be and be deemed to be independent contractors of Credit Union. Neither Independent Contractor nor any of its employees is an employee, partner, or joint venture partner of Credit Union. Neither Independent Contractor nor any of its employees is to be considered an employee of Credit Union for any purposes whatsoever, and shall not be entitled to paid vacation days, sick days, holidays, insurance benefits, worker disability compensation, or any other benefits provided to Credit Union employees. Independent Contractor agrees that no income, social security or other taxes or amounts shall be withheld or accrued by Credit Union for the Independent Contractor's benefit, or for the benefit of Independent Contractor employees, if any, and no statutory insurance shall be written by Credit Union on behalf of the Independent Contractor or the employees of Independent Contractor, if any. Credit Union shall not withhold any employment taxes, and Independent Contractor will not be entitled to any worker disability compensation or benefits. Furthermore, Independent Contractor shall not be entitled to coverage under the Fair Labor Standards Act or the National Labor Relations Act. Furthermore, the Michigan Employment Security Act shall not apply to Independent Contractor or its employees, if any. Neither the Independent Contractor or its employees, if any, under any circumstances, have any authority to act for or to bind Credit Union or to sign the name of Credit Union or to otherwise represent that Credit Union is in any way responsible for Independent Contractor's acts or omissions. Neither the Independent Contractor nor its employees, if any, has or have the authority to create any contract or obligation, express or implied, on behalf of, in the name of, or binding upon Credit Union.

5. **Indemnification.** Independent Contractor agrees to hold the Credit Union harmless and indemnify the Credit Union against all claims and damages arising out of the performance of this Agreement. Independent Contractor shall also assume full and complete responsibility for the action or inaction, including violations of any terms or conditions of this Agreement, of its employees, agents or assigns. Indemnification shall include costs and attorney fees.

6. **Limitation of Liability.** In no event shall Independent Contractor be liable for loss of good will, or for special, indirect, incidental, or consequential damages arising from Credit Union's use of the services provided herein, regardless of whether such claim arises in contract. Credit Union may not assert any claim against Independent Contractor more than one year after such claim accrued. Independent Contractor's aggregate liability for any and all claims arising out of or in connection with this Agreement shall not exceed two times the total fees paid by Credit Union to Independent Contractor during the twelve-month period immediately preceding the date the claim accrued, notwithstanding anything to the contrary in this Agreement.

7. **Representations and Warranties.** Independent Contractor represents and warrants that it is a Michigan Corporation in good standing and that it has all licenses necessary to carry out all services provided in this Agreement and that it is not subject to any disciplinary or license revocation proceeding in any jurisdiction and that it may enter into and perform this Agreement without violating any contractual or other obligation it has to any third party. Credit Union represents and warrants that it is in good standing and is not subject to any disciplinary proceedings in any jurisdiction and that it may enter into and perform this Agreement without violating any contractual or other obligation it has to any third party.

8. **Miscellaneous**

8.1 **Non-Exclusivity.** This Agreement is a non-exclusive Agreement, and both parties remain free to enter into similar agreements with third parties. This Agreement cannot be assigned by either party without the other party's prior written consent.

8.2 **Disaster Recovery.** Independent Contractor shall develop and maintain a comprehensive contingency planning / disaster recover strategy, which shall include testing procedures. Credit Union may, upon reasonable notice, review Independent Contractor's contingency planning / disaster recovery plans, along with the results of any testing of same.

8.3 **Sufficient Bonding.** Any employee of Independent Contractor with access to Credit Union member information or Credit Union confidential information will be sufficiently bonded against fraud or other dishonesty. Independent Contractor agrees to, upon request; provide Credit Union with proof of said bond coverage.

8.4 **Delivery and Loss of Information.** Credit Union shall be solely responsible for any loss of internal information or member information when it is being delivered to Independent Contractor.

8.5 **Entire Agreement.** This Agreement, including the Addendum hereto, supercedes any and all agreements, either oral or in writing, between the parties hereto with respect to the Collection Services of Independent Contractor. Each party to this Agreement acknowledges that no representations, inducement, promises, or agreements, oral or otherwise, with regard to this Agreement, or the services to be rendered under it, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein.

8.6 **Modification.** No amendment, modification, or waiver of this Agreement shall be binding unless in writing and signed by both parties hereto.

8.7 **Arbitration.** Any claim or controversy arising out of or relating to the negotiation, performance or breach of this Agreement, the meaning of or obligations imposed by this Agreement, or the arbitrability of any such question, including any issue about the jurisdiction of the arbitrator, shall be decided by a single arbitrator who shall be an attorney licensed to practice law within the jurisdiction governing the this Agreement and have had experience in arbitrating similar issues to those raised in the arbitration pursuant to the rules of the American Arbitration Association then in effect. This Agreement shall be construed and the arbitration shall be governed in accordance with the laws of the State of Michigan and the arbitrator shall base its decision in strict accordance with the specific terms of this Agreement, Michigan law or federal law where it supercedes state law. The parties shall be entitled to engage in discovery as permitted by the Michigan Court Rules, then in effect. The arbitrator shall have the power to order equitable, declaratory, or injunctive relief as allowed under Michigan law. The arbitrator shall issue a written opinion setting forth all findings of fact and conclusions of law. The arbitrator shall have the power, but not the requirement, to assess costs and attorneys fees for or against any party in the event the arbitrator determines that a party has not acted in good faith. Any arbitration shall be held in Grand Rapids, Kent County, Michigan, or in such other place as the parties may agree, in writing. A judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction over any of the parties to this Agreement. Either party may appeal the arbitrators ruling in any court having jurisdiction provided said appeal is filed in such court within 90 days of the date of said ruling. The court shall be empowered to determine whether the arbitrator made an error of law and if so shall order the arbitrator to re-issue its ruling based upon the law, as defined and interpreted by the court. The court may reverse finding of fact, only upon a showing that the finding of fact by the arbitrator is clearly erroneous. Any court having jurisdiction of any appeal shall have the power, but not the requirement, to assess costs and attorneys fees for or against any party in the event the court determines that a party has not acted in good faith.

8.8 **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Michigan.

8.9 **Notices.** Any notices or other communication under this Agreement shall be considered given when delivered personally, via first class mail, or express courier service to the parties at their respective addresses as set forth above, as well as a copy to be sent to Holzman Ritter & Leduc, PLLC, Attention: Thomas C. Leduc, Esq., 28366 Franklin Road, Southfield, Michigan 48034.

8.10 **Section Headings.** Section headings are for reference purposes only, and will not in any way affect the meaning or interpretation of any provision in this Agreement.

8.11 **Unenforceability.** If any provision of this Agreement is held to be unenforceable, in whole or in part, such holding shall not affect the validity of the other provisions of this Agreement, unless otherwise agreed in writing by both parties.

8.12 **Authority.** The undersigned have the authority and permission to bind the parties to this Agreement.

8.13 **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

_____ / ___ / _____		_____ / ___ / _____	
CU*Answers, Inc.	Date		Date
By:		By:	
Its:		Its:	

Addendum A to Independent Contractor Agreement Template

Addendum A

INDEPENDENT CONTRACTOR AGREEMENT FOR COLLECTION SERVICES

ADDENDUM A dated as of _____, 20____ (“Addendum”) describing the Collection Services to be provided by Independent Contractor to Credit Union pursuant to the terms and conditions of the Independent Contractor Agreement for Collection Services between the parties.

Type of Debt:

- ✓ 15 – 120 days past due for delinquent accounts
- ✓ 15 – 120 days for Negative Balance accounts
- ✓ Over Limit more than \$25.00
- ✓ Consumer loans
 - secured
 - unsecured
 - credit card

Services:

Independent Contractor shall place telephone calls to debtors with the following objectives:

- Inform each debtor of the delinquency status of debtor’s account
- Attempt to determine the reason(s) for such delinquency
- Attempt to determine the debtor’s ability and willingness to make payments according to the terms of debtor’s loan agreement with Credit Union
- Encourage debtor to remit payment or enter into a payment program consistent with Credit Union’s guidelines, policies, and procedures or as otherwise authorized by Credit Union.

The following Delinquency Notices will be mailed based on the dates set by the Credit Union in “Loan Delinquency Notices Definition”. As of the date of this agreement, the following dates and attached notices are correct. If the credit union chooses to change any of these letters or dates, we will continue to follow the system date configurations.

Independent Contractor **Or** Credit Union will mail First Notice after _____ days delinquent.

Independent Contractor **Or** Credit Union will mail Second Notice after _____ days delinquent.

Independent Contractor **Or** Credit Union will mail Third Notice after _____ days delinquent.

Independent Contractor **Or** Credit Union will mail Fourth Notice after _____ days delinquent.

If Independent Contractor has had no contact with the debtor at 45 days, the file will be referred back to Credit Union for further action.

If Independent Contractor has had contact with the debtor but has not resolved the delinquency by the time the delinquency days reaches the maximum noted in this Addendum, the file will be referred back to the client with Independent Contractor's recommendation for further action (e.g., repossession; commence small claims action; refer to attorney).

If the debtor files for Bankruptcy protection, all collection activity will cease, and the file will be referred back to client with Independent Contractor's recommendation for further action.

Reporting

Reporting will be done via the CU*BASE® system. All information gathered in the collection process by Independent Contractor or Credit Union will be documented on the system in a tracker entry. A report summary will also be produced and given to the Credit Union reporting on the number of calls made and received on behalf of the Credit Union.

CU*Answers, Inc.

XXXXXX Credit Union

Date: _____

Addendum B to Independent Contractor Agreement Template

Addendum B

INDEPENDENT CONTRACTOR AGREEMENT FOR COLLECTION SERVICES

Write off Recovery Services

ADDENDUM B dated as of _____, 20__ (“Addendum B”) describing the Write Off/Recovery Services to be provided by Independent Contractor to the Credit Union pursuant to the terms and conditions of the Independent Contractor Agreement for Collection Services between the parties.

Type of Debt:

- Written off consumer loans
 - secured by personal property
 - unsecured
 - credit card
 - deficiency
- No bankrupt accounts
- No accounts past the statute of limitations

Services:

Independent Contractor shall place telephone calls to debtors with the following objectives:

- Attempt to determine the reason(s) for the debtor’s default
- Attempt to determine the debtor’s ability and willingness to make payments according to the terms of an agreement suitable to the Credit Union
- Encourage debtor to remit payment or enter into a payment program consistent with the Credit Union’s guidelines, policies, and procedures or as otherwise authorized by the Credit Union.

If unable to contact debtor via telephone or unable to make suitable payment arrangements within 30 days, Independent Contractor may mail letters as approved by the Credit Union.

If Independent Contractor has or has not made contact with the debtor but has not made progress within one year of receiving the account, the file will be referred back to Credit Union with Independent Contractor’s recommendation for further action.

If the debtor files for Bankruptcy protection, all collection activity will cease, and the file will be referred back to Credit Union with Independent Contractor’s recommendation for further action.

Payment Arrangements / Lump Sum Settlements:

Independent Contractor will make its best efforts to negotiate payment arrangements and lump sum settlements with debtors based on pre-determined factors to be provided by Credit Union. All payment arrangements and lump sum settlements that do not meet the pre-determined factors will be subject to the written approval (E-Mail and Trackers are acceptable) of Credit Union.

Reporting:

Reporting will be done via the CU*BASE® system on a monthly basis. Additional report summaries including number of contact calls, letters sent etc., will be provided to the Credit Union on a monthly basis. All Write off accounts assigned to CU*Answers will be assigned the collector I.D. of XC.

Credit Bureau Reporting:

Credit Union will be responsible for reporting, updating, and/or handling of any disputes in regards to the member's credit bureau report.

Compensation:

Credit Union agrees to pay Independent Contractor as described below. Credit Union agrees that the duty to pay any such compensation survives termination of the Agreement or Addendum for any reason. Credit Union agrees to notify Independent Contractor promptly whenever Credit Union is contacted directly by a debtor to negotiate a payment arrangement and/or lump sum settlement after that debtor's file has been referred to Independent Contractor.

Credit Union agrees to pay Independent Contractor an introductory rate for three months from the contract date. The rates are;

- \$1.00 per account worked and \$3.00 for skip tracing per account.
- 25% of all payments received on files that have a last payment less than 3 years from date of assignment.*
- 30% of all payments received on files that have a last payment for 3 to 5 years from date of assignment.*
- 40% of all payments on files that have a last payment more than 5 years from date of assignment.*

* The percentage of the payments received will be determined by the date the account is received by Independent Contractor. i.e. If the account referred by the Credit Union has been written off for 2 years 11 months, the Independent Contractor will receive 25% of the payment, this applies even if the payment is received after the referred account has been written off for more than 3 years.

After the introductory period the Credit Union agrees to pay the Independent Contractor;

- 25% of all payments received on files that have a last payment less than 3 years from date of assignment.*
- 30% of all payments received on files that a last payment off for 3 to 5 years from date of assignment.*
- 40% of all payments on files that have a last payment for more than 5 years from date of assignment.*

If the member begins payments within 180 days after the Agreement or Addendum expires; and the payment is a result of the actions made by Independent Contractor, the Independent Contractor will be entitled to the full percentage of the payment as agreed upon in the contract.

CU*Answers

Date: _____

Credit Union

Date: _____

* The percentage of the payments received will be determined by the date the account is received by Independent Contractor. i.e. If the account referred by the Credit Union has been written off for 2 years 11 months, the Independent Contractor will receive 25% of the payment, this applies even if the payment is received after the referred account has been written off for more than 3 years.

Your Responsibilities versus Credit Union Responsibilities

Processing collections is always a team effort and having it outsourced doesn't change that theory. The Credit Union and the collectors MUST work together. This means reading and responding to requests for information through the follow ups, e-mail, and phone. It also means supporting the decisions made by the collection team. Having an open and frequently updated communication with the Credit Union will allow the relationship to succeed.

On the following pages are the "Getting to Know Your Credit Union" and "Rules of Engagement" templates. This allows the credit union and Collections team to decide what services will be provided by the Collections team, and what jobs will remain the responsibility credit union.

Getting to Know Your Credit Union

Knowing how the Credit Union handles certain common questions and situations makes the collection process flow more smoothly. Therefore we request answers to some of the most common concerns. These questions are sent to the client after they have committed to signing on with Lender*VP. Here are the questions.

Type of accounts Lender*VP will work

Delinquency Date range—

Negative Balance Date range—

Over Limit Over what dollar amount (Not less than) \$

Do you want us to mail delinquency notices? (Extra Fee)

Phone set up

What number does Lender*VP give members for calling back? Lender*VP also must have an extension or menu option assigned to us.

What number and name should appear on the caller id?

Can Lender*VP create AFT's?

Can you set up an ACH?

Can Lender*VP do transfers at member requests?

Can Lender*VP offset? How far delinquent? _____ Any names on the accounts?

Do you offer

 Extensions

 Skip Pays

 Rewrites

 Other

Can members pay ahead on loans?

Do you cross collateralize?

Is there a due date spike?

Are credit cards online?

Do you take Debit/Credit card payments by phone?

Do you take checks by phone?

If Yes to either, Lender*VP need the contact name and extension please.

Who is the contact for CPI (Collateral Protection Insurance, A.K.A. Force Placed Insurance)?

Who is contact for disability payments?

Do you use BK memo code for bankrupt accounts?

Who are your main contacts for collections and extensions?

Please send us a copy of your Lending/Collection Policy or both.

Rules of Engagement Template

Rules of Engagement Sample Credit Union SM #666		
Contacts:	X , X , X , X , X ,	
We Work.....		
DQ Loans: 15-90 days	Neg. Balance: 15-45 days	Over Limit: days - Call over \$ - Fee over \$
We Don't Work.....		
General Information		
Offset at 30 days	Auto freeze at days	Due date spike on the 21st
No AFT's - No Transfers - No Right to offset at days No Extensions - No Skip a Pays - No Rewrite - No Pay ahead - No Cross collateralize -		
Courtesy Pay		
Days to repay	Charged off at days	No Repayment program -
Revoked at days	Negative balance of \$	
CPI		
CU contact: X , No Third Party Insurance - Phone: , Fax:		
Miscellaneous		

Handling and Monitoring Task Completion

This section of this booklet will cover assignment of responsibilities to the staff, and practices for detailing services performed for the credit unions.

Assigning Credit Unions to Collections Staff

Assuming the business has grown the point where more than one collections specialist is needed to complete the work, it is important to plan out how work will be divided amongst staff. A lack thereof may result in unbalanced work load, work duplication, and general inefficiency.

In the case of Lender*VP Collections, a system is used by which the monthly billing is used to determine the number of accounts to be worked for each credit union. Based on the number of hours each staff member will be working, credit unions are evenly divided amongst the staff. For example:

0001	CU #1	\$ 700.00	233
0002	CU #2	\$1,500.00	500
0003	CU #3	\$2,500.00	833
0004	CU #4	\$1,900.00	633
0005	CU #5	\$2,200.00	733
0006	CU #6	\$1,300.00	433

The total accounts to work for the month is 3365.

Employee one works 160 hours a month (based on 4 40-hour work weeks). Employee two works 120 hours a month (30X 4).

The total hours to work for month is 280.

The average accounts to work per hour are 12 (3365/280)

Employee one should be assigned 1920 accounts, and employee two the remaining 1445. As such, employee one could be assigned credit unions 2, 3, and 4, for a total of 1966 accounts. Employee two assigned 1, 5, and 6, for a total of 1399 accounts.

Reviewing the Work of your Auditing Team

Quality control and periodic reviews are an integral part of any solid client facing department for many reasons. This function is generally done by the supervisor of the collections department. However, in cases where the department consists of only one person this function should be completed by another person in the credit union who is familiar with the reports, screens, and CU*BASE processes. The review process should be designed to assure upper management that processes are not being overlooked, are completed in a timely fashion, and the contact with the credit union members maintains a high level of professionalism and integrity. Below is a list of tasks that should be completed by the party responsible for reviewing the work of the Collections Team.

- Record and review outbound phone calls to ensure a high level of professionalism is maintained
- Verify that trackers are being entered with an appropriate level of detail
- Verify that notices and any additional letters are sent out on a timely basis
- Use the Audit File Maintenance function (MNAUDT # 18) to spot check file maintenance fields are being listed on run sheet and determine if any critical fields are being overlooked. Review the process used to validate that the changes were properly documented and appear reasonable
- Review the File Maintenance to verify Collections staff are not performing any maintenance outside of what was authorized by the credit union (AFT, ACH, etc.)

Collections – Documentation/Education/Resources

Collections has a wealth of resources for you to use and model after when creating your own Collections organization. Included in these resources are Collection’s website, newsletter, forums, documentation, and online help documentation.

Website

As a division of the Lender*VP team, Collections does not currently have an independent site. Information regarding the Collections team and service can be found on Lender*VP’s website: <http://lendervp.com/experience/collect-a-perfect-10-for-you-your-credit-union/>. This page allows potential clients to learn more about the service, as well as giving them the ability to get started online through the Signup link.



Round Table Discussions

Collections leads forums at the CU*Answers location in Grand Rapids, Michigan, as well as hosting online webinar presentations. These quarterly Round Table sessions allow Credit Unions and CU*Answers staff to discuss the latest regulations that affect how you handle your collections.



COLLECTIONS ROUND TABLE

September 2nd 2010 – 9:30 to 12:00

Open forum for discussion on collections laws, internal procedures, CU*BASE processes.

What will you learn: Tips, Tricks, How To's and Best Practices in the Collection World.

Registration is at cuanswers.com/education. Look for the Special Event option!

Mark Your Calendars for This Date!

December, 09, 2010

Held at CU*Answers
6000 28th St SE
Suite 100
Grand Rapids, MI 49546

Today our talented team has over 66 years of collection experience (and increasing industry for responsibility legal, bankruptcy department)

CU*Answers Collections Round Table Web Conference

On February 4, 2010 we hosted a very successful onsite Collections Round Table at CU*Answers in Grand Rapids, Michigan. We promised to deliver a web conference event as a follow-up, which we attempted on February 18th. We apologize for the unfortunate circumstances that prevented the event from meeting our standard level of quality. We are repeating the follow-up web conference on Monday, March 15, 2010 at 1:00 p.m. ET. You will not be charged for either of these web conferences. However, to receive login credentials for the Webex event you must register online at www.cuanswers.com/education. This class is listed under Special Events number: SE.51.A

As originally designed, this event will be a summary of the classroom session, and one that you won't want to miss! This is the perfect opportunity for those clients unable to attend the in-house event to hear the information provided as well as see a demonstration of different CU*BASE collection practices.

Although this is not a fully interactive event, come prepared to view the demonstration and ask questions pertaining to best practices you may want to implement as part of your collections process. We will have plenty of opportunity for Q&A during the event.

Interested in more information? Looking for how to register for upcoming Collection Round Table in-house or web conference events?

Go to: <http://www.cuanswers.com/education/syllabi/?course=SE.51.A>
For in-house and web conference events, look for the special events option.

Collections – Marketing and Educational Material

Marketing material is an important part to starting your collections service. With proper marketing material, you can paint a vivid picture to prospective clients as far as what services you can provide, and what other material you provide to supplement the daily work. This shouldn't stop at selling your product though. The collections team also generates executive summaries to provide its existing clients with the statistics of services rendered. Showing the return on investment will go a long way towards building your successful business.

In the following section you will find examples of material used to educate and promote awareness; this includes documents introducing prospective clients to the value of a third-party collections service, but also an example of an executive summary provided to clients once they've signed up with Lender*VP Collections.

Introductory Brochure

Example of an introduction brochure for Lender*VP Collections.

MAY 2007



*"By utilizing the Lender*VP services our delinquency percentage has decreased! Not only do we realize the income, it has also freed up my employees to move onto other important duties. This also gives us the opportunity to reach out to the delinquent members and help them create a long-term plan."*

Kim Wilson, CEO
Grand Rapids Family Credit Union

Collections

Lender*VP wants to Collect a Perfect 10 for You and Your Credit Union

Our collection service is unlike any other collection service

We are using the same tool and optimizing how that tool is used as part of your CU* team. All notes, communications, and member collection activities are internal to your database. The information resides online so your team can interact instantly with our team without conversions, re-keying, or the hassles related to external third party solutions. Plug and play, means it is just as easy to un-plug the product if needed. Lender*VP is an extension of your staff, not an outsourced replacement of your staff. Full time, part time, or piece meal; we want to talk about how your team could benefit from adding another team member to your collection efforts. Collaborate with Lender*VP today and see the immediate impact of shared solutions.

What will we do for you

1. We will tailor our software to your needs
2. Automatic letters/notifications
3. Configure system to your needs
4. Real time document generation
5. Audio collection messages
6. Email payment reminders
7. Monthly detailed reports on delinquency
8. Monthly call/contact summary reports
9. Home banking collection messages
10. Reduce risk of FDCPA violations

Page 2

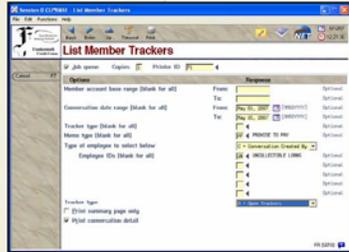


Our talented team has over 28 years of collection experience (and increasing every day). We have worked in the consumer collection industry for both credit unions as well as other financial institutions. Our responsibilities have run the gamut from general collectors, repossession, legal, bankruptcy, foreclosures, and asset disposition all the way through department heads.

Your Collections Summary

This report is an executive summary of the collections work performed on your Credit Union's behalf by the Lender*VP Collection Team. It is intended to give you an executive overview of the work the team has provided for you over the past month. If there is additional detail that you would be interested in reviewing please let us know and we would be happy to work with you on providing that information.

Summary Month/Year	May 2007
Volume of Inbound Calls	252
Total Inbound Call Time	10:21:05
Volume of Outbound Calls	569
Total Outbound Call Time	9:30:29
Volume of Accounts Worked	1469
AFT/ACH Setups	14
Volume of Electronic Messages Sent	477
Volume of Electronic Messages Read	101
Volume of Delinquent Accounts	592
Dollar Amount of Delinquent Accounts	\$1,937,077
Volume of System Letters	NA
Volume of Inter-Staff Calls	36
Inter-Staff Call Time	1:15:48



CU*BASE MNTRAK #14

Tracker Types	Volume
AC	0
AF	2
CL	147
LM	315
PT	92
PY	0
ST	11

For more information, go to www.LenderVP.com and learn how you can drill down on our collection activity directly in CU*BASE.

Data Source

The following information will help identify the data source used in the compilation of your Executive Collection Summary.

Volume of Inbound Calls—This number represents the member calls that our Lender*VP collection operators took from your members. This is one of the best indicators that your members are starting to connect with our new service.

Total Inbound Call Time—This shows the care our collection staff takes in working an account. They listen to the overall financial situation of the member and try to create a realistic solution acceptable to all parties. During the call, you can count on the fact that our Lender*VP staff is working hard to sign the member up for loan payment automation, give credit counseling, and stressing the importance of making their payments on time.

Volume of Outbound Calls—Here is a number showing the dedication the Lender*VP staff commits to your credit union. Each attempt to make contact with your members is referenced here. It tells the member we are concerned for them and reachable.

Total Outbound Call Time— This number is indicative of time spent discussing situations of financial concern. More than just a collection call, our operators are focused on selling the credit union as the member's best option for loan services.

Volume of Accounts Worked—While not a volume figure, this number shows the number of accounts on figures to verify they are maintaining a viable account.

ACH/AFT Setups

Upon speaking with a member, our Lender*VP staff determines if an ACH/AFT option is feasible for the member. Our staff works for the members' situation. All AFT's that are noted in the system and any ACH's are noted in the system and any ACH's are forwarded to your collector to initiate.

Volume of Electronic Messages Sent

One of the great new tools that Lender*VP offers is the ability to reach members through non-traditional means. We send and track messages sent to members outside of the traditional hours of operation.

Volume of Electronic Messages Read

What good is sending out messages if you don't know if they are read? Lender*VP staff has the ability to track the number of messages read through CU*HOME, CU*TALK, and E-Mail. This gives you the rate of these messages.

Volume of Delinquent Accounts

Incorporated here is the total number of accounts that are delinquent. Instead of just payment taking, these numbers show the goal of the Lender*VP collection staff to reduce the number of outstanding loans.

Dollar Amount of Delinquent Accounts

We are all aware of spikes in delinquency that occur during these critical periods. Our staff is conscious of the dollar amount of delinquent accounts during these critical periods.



We're on your team!

By partnering with the Lender*VP team, you will

Lender*VP wants to Collect a Perfect 10 for You and Your Credit Union

Giving Your Customers the Power to Purchase



6000 28th Street SE
Grand Rapids, MI 49546

Phone: 616.285.5711
Toll Free: 800.327.3478
Email: lendervp@cuanswers.com

www.LENDERVP.COM

Partner with Lender*VP and ...

Free up personnel

- **Teller:** to wait on members
- **Phone Operator:** to generate business for inbound phone calls
- **Loan Officer:** for new loan generations
- **MSR:** cross sales and new account opening
- **Collector/Collection Manager:** to focus on action items such as repos, court, bankruptcy, allowance for loan loss, etc.

Release member tension

- We do this for a living and will work with your members in a professional manner that allows you to focus on other endeavors

Reduce inbound phone calls

- Adding time back into your daily operations

Increase cross selling

- Loan Products
- Deposit Products
- AFT
- ACH, Payroll Deduction
- Debit Card/Credit Card/ATM

Data Source *continued*

Volume of System Generated Letters

This is how many times the Lender*VP staff has initiated written reminders to your members. Getting a member's attention is a courtesy and a step in keeping a member on track.

Volume of Inter-Staff Calls

By collaborating with Lender*VP we continue to communicate with your credit union regarding concerns, questions and best practices. This figure supports our commitment to maintaining an open line of communication.

Inter-Staff Call Time

We brag about our time spent communicating with your staff in support of your concerns and creating a smooth flow of information between the credit union and Lender*VP.

Type of Trackers and Volume

With the incredible new enhancements in the collection system by CU*BASE®, credit unions can now create their own codes for tracking collection calls and comments. We at Lender*VP show you how to see where the concentration of call responses are located. This allows the Lender*VP staff to make changes to personnel based on need.



Thank you for working with the Lender*VP Collection team.

Executive Summary Example

Collections periodically provides its clients with an Executive Summary that will outline services rendered, as well as tips and suggestions for the credit unions to improve their own internal procedures.

Collections

Executive Summary Sample Credit Union



*“By utilizing the Lender*VP services our delinquency percentage has decreased! Not only do we realize the income, it has also freed up my employees to move onto other important duties. This also gives us the opportunity to reach out to the delinquent members and help them create a long-term plan”.*

Kim Wilson, CEO
Grand Rapids Family
Credit Union

Provided by Lender*VP

Attached please find your summary of events and information for the month. Included in this document are statistics showing how your Lender*VP team has worked with Sample Credit Union in their collection efforts.

Our goal at Lender*VP is to act as a compliment to your entire collection effort. This month we:

- are proceeding with a collection dashboard project. This project will allow multiple functions that are inherent to a manager in one screen. The dashboard screen will allow the analyzing of data by loan category, underwriter, collector, tracker, and dealer. It will show the types of accounts for these options by week and by loan type- Delinquent Loans, Negative Balance, Over Limit, and Write offs. Each loan type will show total volume and amount for the delinquency aging levels set by your credit union. You can view the current week, last full week, and monthly totals all on one screen!
- created a cross training system between Lender*VP and Xtension. By having on call personnel this will enable us to have coverage during peak times to serve you better.
- are placing bids to three new credit unions for collections services. This will expand our horizons and give us greater insight into other methods of collections
- expanded the Lender*VP range of interest to include temporary management for collections. We analyze processes using the CU*Base system for efficiency. We even review letters for improvements.

The team at Lender*VP is happy to provide you with these management tools as part of our commitment to serving your needs as your CUSO partner.

Sincerely,

Lender*VP Collections Team

CU*ANSWERS
A CREDIT UNION SERVICE ORGANIZATION

6000 28th Street SE
Grand Rapids, MI 49546

Phone: 616.285.5711
Toll Free: 800.327.3478
Email: lendervp@cuanswers.com



Our talented team has over 66 years of collection experience (and increasing every day). We have worked in the consumer collection industry for both credit unions as well as other financial institutions. Our responsibilities have run the gamut from general collectors, repossession, legal, bankruptcy, foreclosures, and asset disposition all the way through department heads.

Your Collections Summary

This report is an executive summary of the collections work performed on your Credit Union's behalf by the Lender*VP Collection Team. It is intended to give you an executive overview of the work the team has provided for you over the past month. If there is additional detail that you would be interested in reviewing please let us know and we would be happy to work with you on providing that information.

Summary	Current Month and Year
Volume of System Letters	118
Accounts Work by Lender*VP Team	270
Accounts Worked by Credit Union	50
Memo Codes Used by Lender*VP Team	222
Memo Code Used by Credit Union	115
Volume of Outbound Calls	136
Total Outbound Calls Time	1:54:03
Volume of Inbound Calls	32
Total Inbound Call Time	1:15:22
Volume of Inter-Staff Calls	0
Inter-Staff Call Time	0
Volume of Delinquent Accounts	56
Dollar Amount of Delinquent Accounts	316,335
Volume of Electronic Messages Sent	0
Volume of Electronic Messages Read	0
AFT/ACH Setups	0



CU*BASE MNTAK #21

Description	Tracker Types	Lender*VP Volume	Credit Union Volume
AFT Setup	AF	0	0
Bankruptcy	BK	0	0
Collector Update	CL	86	110
Left a Message	LM	92	0
Promise to Pay	PP	36	0
Skip Trace	ST	1	0
Transferred Pmt	XP	7	0
Misc	ALL	N/A	15

For more information, go to www.LenderVP.com and learn how you can drill down on our collection activity directly in CU*BASE.

Data Source

The following information will help identify the data source used in the compilation of your Executive Collection Summary.

Volume of System Generated Letters

This is how many times the Lender*VP staff has initiated written reminders to your members. Getting a member's attention is a courtesy and a step in keeping a member on track.

Accounts Worked by Lender*VP Team—While not a benchmark, our Lender*VP staff keeps an eye on figures to verify they are maintaining a vigilant process of contact and communication.

Accounts Worked by Credit Union—displays a volume based on Collector I.D.'s provided to Lender*VP.

Memo Codes Used by Lender*VP—describes the volume of memo codes used by Lender*VP in their collection efforts.

Memo Codes Used by Credit Union—allows for comparison of volumes as they relate to Lender*VP.

Volume of Outbound Calls—Here is a number showing the dedication the Lender*VP staff commits to your credit union. Each attempt to make contact with your members is referenced here. It tells the member we are concerned for them and reachable.

Total Outbound Call Time— This number is indicative of time spent discussing situations of financial concern. More than just a collection call, our operators are focused on selling the credit union as the member's best option for loan services.

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Volume of Inter-Staff Calls

By collaborating with Lender*VP we continue to communicate with your credit union regarding concerns, questions and best practices. This figure supports our commitment to maintaining an open line of communication.

Inter-Staff Call Time

We brag about our time spent communicating with your staff in support of your concerns and creating a smooth flow of information between the credit union and Lender*VP.

Volume of Delinquent Accounts

Incorporated here is the total number of accounts that are affecting your bottom line. It is the goal of the Lender*VP collection staff to reduce this number. By initiating total solutions instead of just payment taking, these numbers can be reduced as a percentage to outstanding loans.

Continued on page 4



We're on your team!

By partnering with the Lender*VP team you will free up time for your collection staff as well as the general loan and member service team.

- Free up personnel
- Ease member tension
- Reduce inbound phone calls
- Increase cross selling
- Reduce FDCPA violations

It's just
the
beginning...

Executive Summary
Sample Credit Union

Giving Your Customers the Power to Purchase



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Reduce inbound phone calls

- Adding time back into your daily operations

Increase cross selling

- Loan Products
- Deposit Products
- AFT
- ACH, Payroll Deduction
- Debit Card/Credit Card/ATM

Data Source *continued*

Dollar Amount of Delinquent Accounts

We are all aware of spikes in delinquency throughout the month. By having your Lender*VP staff conscious of the dollar amount of delinquent loans, we can provide the best services during these critical periods.

Volume of Electronic Messages Sent

One of the great new tools that Lender*VP can provide to your credit union is the ability to reach members through non-traditional means such as Internet banking, and phone banking. We send and track messages sent to your members that can create a contact point outside of the traditional hours of operation.

Volume of Electronic Messages Read

What good is sending out messages if you do not know who is reading in them? The Lender*VP staff has the ability to track the number of members who read the messages through CU*@HOME and CU*TALK. This allows the credit union to see the contact rate of these messages.

ACH/AFT Setups

Upon speaking with a member, our Lender*VP staff can determine if an automatic payment option is feasible for the member. Our staff has the knowledge to know when this would work for the members' situation. All AFT's that the Lender*VP team has setup for your members are noted in the system and any ACH requests they have received are also noted and forwarded to your collector to initiate.



**Thank you for working with
the Lender*VP Collection team.**

Last Revised May 2010

Contacting Collections

For more information on Lender*VP Collections Services, please contact ...

- Jerry Collins, 616-285-5711 x 237 jcollins@cuanswers.com
- Geoff Johnson, 616-285-5711 x 154 gjohnson@cuanswers.com