

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

Approving the Amended Operating Policies and Guidelines for the
Veterans Loan Program of the Department of Navajo Veterans
Affairs

WHEREAS:

1. Pursuant to 2 N.N.C. § 374 (B) (12), as amended, the Budget and Finance Committee of the Navajo Nation Council is authorized to provide legislative oversight over lending programs previously delegated to the Central Loan Committee, including the Veterans Loan Program; and

2. Pursuant to 2 N.N.C. § 604 (B) (1), (3), and (5), the Human Services Committee of the Navajo Nation Council is empowered to promulgate regulations for the enforcement and implementation of the labor laws and policies of the Navajo Nation and laws relating to Veterans Services; to recommend legislation regarding employment, training and veterans services; and to serve as the oversight authority for Division of Human Resources, including the Department of Navajo Veterans Affairs ("DNVA"); and

3. Pursuant to Resolution CLCJA-01-88, the Operating Policies and Guidelines for the Veterans Loan Program provides in Section 6 (C), that in order to avoid the appearance of undue influence and conflict of interest, loan applications from department staff, and other appointed or elected officials or employees of the Navajo Nation supervising or otherwise associated with the implementation or administration of any lending or financing program involving public funds and or other property of the Navajo Nation are subject to approval by the Advisory Committee, now the Government Services Committee of the Navajo Nation Council; and

4. These Veterans Loan Program Operating Policies and Guidelines approved by Resolution CLCJA-01-88 are still in effect; therefore, the appropriate oversight Committee is now the Budget and Finance Committee and where reference is made to the Advisory Committee, it is now the Government Services Committee of the Navajo Nation Council.

NOW THEREFORE BE IT RESOLVED THAT:

The Budget and Finance Committee of the Navajo Nation Council hereby approves the amended Operating Policies and Guidelines for the Veterans Loan Program of the Department of Navajo Veterans Affairs, attached as Exhibit "A".

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting at Window Rock, Navajo Nation (Arizona) at which a quorum was present and that same was passed by a vote of 5 in favor, 0 opposed and 0 abstained, this 19th day of September, 2000.



Lorenzo Bedonie
Chairperson

Motion: Richard T. Begaye
Second: Albert E. Ross, Jr.

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OPERATING POLICIES AND GUIDELINES

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SECTION 1 - AUTHORITY:

- A. Pursuant to Resolution CF-13-85, the Navajo Nation Credit Department was established which directed the consolidation of existing Tribal and Bureau of Indian Affairs Credit Programs. The Department operated four revolving credit programs¹ pursuant to Resolution ACD-234-85 which approved the Declaration of Policies and Plan of Operation for the Navajo Nation Credit Department.
- B. Pursuant to Resolution CO-50-87, the Navajo Tribal Council created the Office of Navajo Veteran Affairs and Credit Services Department and assigned the responsibility for the management of certain assets, property and accounts receivable, of the Navajo Nation, including the property and accounts receivable of the Veterans Loan Program, which was created by Resolution CAP-168-87.
- C. Pursuant to Resolution CD-068-89 the Navajo Nation Council amended Title 2, established the Budget and Finance Committee of the Navajo Nation Council and transferred the legislative oversight authority previously delegated to the Central Loan Committee to the Budget and Finance Committee of the Navajo Nation Council. (See 2 N.N.C. 371 et seq.)
- D. The Budget and Finance Committee has oversight and loan approval authority for the DNVA Loan Program, which operates according to a Plan of Operation. These Operating Policies and Guidelines are adopted pursuant to authority granted the Committee by 2 N.N.C. Section 374(B)(1989 Title II Amendments).

SECTION 2 - PURPOSE:

- A. The purpose of the program is to provide loans to qualified Navajo Veterans who demonstrate an ability to repay the loan with interest. The purpose of the Veterans Loan Program is to ensure that all loans are made in compliance with these Operating Policies and Guidelines and all applicable Navajo Nation law and to protect and maintain the accountability for the assets and property under which the Program oversees the servicing, securing, and collection of public funds and assets due and owing to the Navajo Nation.

SECTION 3 - DEFINITIONS:

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

- A. "Acceleration"- A process by which the Nation demands entire outstanding balance due and owing on a defaulted loan in a given time.
- B. "Amortization Schedule"- The schedule for the repayment of Veteran's personal loan showing the amount of each payment applied to interest, principle and the remaining balance.

¹ The Emergency Personal Loan Program, the Veterans Loan Program, the Emergency Small Business Loan Program, and the Navajo Revolving Credit Programs;

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- C. "Applicant(s)"- The individual(s) who submits a completed application form requesting to borrow money from the Department of Navajo Veterans Affairs.
- D. "Bankruptcy"- A court proceeding for the purpose of which to enable a collection of the debtor's assets and liquidation thereof to pay off the debts or allow a restructure of debts.
- E. "Blue Book" - A book of specialized information on current fair market value.
- F. "Borrower(s)"- An approved applicant, who has executed a promissory note and received loan funds.
- G. "Charge-off"- The accounting action to cease the accrual of interest and late charges on a loan account.
- H. "Collateral" The property pledged to secure a loan that is subject to seizure and sale if the loan becomes default.
- I. "Committee" The Budget and Finance Committee of the Navajo Nation Council.
- J. "Co-Signer"- An individual who executes a promissory note for the purpose of assisting the applicant in receiving a loan, and agreeing to assume all of the responsibilities and obligations of the borrower.
- K. "Credit Analysis"- Analysis of borrower's solvency and reliability in repaying debts, including assets in relation to liabilities.
- L. "Day" A 24 hour period in calendar day.
- M. "Debt-to-Income Ratio"- A ratio calculated by comparing the projected monthly household income to projected monthly financial debts and obligations (excluding household living expenses) used to determine whether the borrower can reasonably be expected to meet the expenses and otherwise provide for the family.
- N. "Default" The failure by a borrower to make any payment under the terms of the loan and such failure continues for a period of more than (30) days.
- O. "Delinquency"- A loan account in which a payment is overdue but not yet in default.
- P. "DNVA"- The Department of Navajo Veterans Affairs within the Division of Human Resources, Executive Branch of the Navajo Nation government.
- Q. "Department Collector"- Employee responsible for supervisory control of defaulted Veterans loan.

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- R. "Director"- Director of Department of Navajo Veterans Affairs within the Division of Human Resources.
- S. "Loan Closing"- Final transaction when loan proceeds are disbursed and all loan documents are executed.
- T. "Loan Officer"- Administrator of the Loan Program in the Department of Navajo Veterans Affairs.
- U. "Principal" - The amount of the loan excluding interest.
- V. "Program"- The Navajo Veterans Loan Program.
- W. "Repossession"- To take back personal property used as security on a loan.
- X. "Proprietary Fund Types" - Proprietary Funds are used to account for the Navajo Nation's ongoing organizations and activities which are similar to business operations in the private sector.
- Y. "Uncollectible"- A defaulted loan account whereby all collection efforts and procedures have been exhausted in accordance to established policies and ready to be forwarded for legal action.
- Z. "Veteran"- A person who has served in the United States Armed Forces for 180 days during peacetime or 90 days during the war. Must have Honorable or other than Dishonorable Discharge.
- AA. "Write-off"- A method to eradicate a loan account or a portion thereof, and to remove the account from the books of the Navajo Nation.

SECTION 4 - POLICY:

- A. It is the policy of the Navajo Nation that all loans made by the Program shall be made from Proprietary Funds, and all accounts receivable arising there from shall be processed and managed according to these Operating Policies and Guidelines.
- B. It is the policy of the Navajo Nation to administer all credit programs in accordance with all applicable Navajo Nation law, and to operate in a prudent and responsible business-like manner, to make loans only upon a thorough and sound credit analysis, to maintain accurate account records, to service and maintain loan accounts so as to protect the assets of the Navajo Nation, and to quickly identify delinquencies and proceed with proper and prudent collection procedures. All financing generated through the program shall be in the form of loans, and shall carry with it, the obligation to repay.
- C. It is the policy of the Navajo Nation to consider the special needs of the Navajo Veterans, and to make special effort to accommodate qualified Navajo Veterans.

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- D. It is the policy of the Navajo Nation to make loans only upon a thorough and sound credit analysis.
- E. It is the policy of the Navajo Nation to ensure that loan applications from each of the five Agencies are considered according to a system of allocating funds approved by the DNVA. Applications shall not be considered if any agency's allocation of loan funds has exhausted.
- F. It is the policy of the Navajo Nation to service and maintain loan accounts so as to protect the assets of the Navajo Nation and to quickly identify delinquencies and promptly proceed with proper and prudent collection procedures. All financing generated through the program shall be in the form of a secured loan, and shall carry with it the obligation for full repayment.
- G. It is the policy of the Navajo Nation to limit individual members of the Navajo Nation to no more than one outstanding loan from the Program, whether they are the primary borrower or the cosigner for another borrower at any given time.
- H. It is the policy of the Navajo Nation to hold borrower(s) responsible for their debts. The Navajo Nation requires loan agreements to be honored, and repayments to be made accordingly. Property pledged as collateral will be seized and sold to satisfy delinquent accounts to the fullest extent permitted by Navajo Nation law.
- I. It is the policy of the Navajo Nation that no individual loan from the Veterans Loan Program shall be made in an amount less than eight hundred dollars (\$800.00) or in excess of three thousand dollars (\$3,000.00).
- J. It is the policy of the Navajo Nation that no borrower's total indebtedness to the Navajo Nation (BFD-140-99) shall exceed one hundred twenty-five thousand dollars (\$125,000) from all sources within the Navajo Nation Council.
- K. It is the policy of the Navajo Nation that all loans shall be fully secured and perfected. In no instance shall the value of the collateral pledged be in an amount less than the loan amount.
- L. It is the Policy of the Navajo Nation to require a prospective borrower to seek Financial Counseling through the DNVA or other independent sources to educate the borrower on all aspects of financial responsibility and management of personal finances.

SECTION 5 - SCOPE:

- A. These Operating Policies and Guidelines shall govern all transactions currently or as revised under the authority of the DNVA.

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- B. Existing and outstanding obligations shall not be affected by these Operating Policies and Guidelines so long as repayments are made as agreed. Should a default occur, or if a loan account is in default at the time of adoption of these Operating Policies and Guidelines, then that account shall be managed and collected as set forth herein, or as set forth in any current or subsequent applicable law of the Navajo Nation pertaining to collections, repossession, or to recover such assets and obligations as are due and owing to the Navajo Nation.

SECTION 6 - APPLICATION PROCEDURES:

- A. Loan requests shall be made only on an approved Veterans Loan application form. The DNVA may require any additional information which the Committee may deem necessary and appropriate. All applications shall contain an authentic copy of the Veterans Discharge papers, Form DD-214 or other military personnel records.
- B. All applications shall be subject to the Navajo Nation Privacy Act, Council Resolution CAP-48-99 for privacy and access information in respecting individual applicants' right to privacy.

SECTION 7 - APPROVAL PROCEDURES

- A. All loan applications shall be considered as follows:
 - (i) Applications shall be complete by the applicants and processed in a form of written summary by the Loan Officer before presentation for consideration by the Committee.
 - (ii) The Loan Officer, shall present the loan recommendation to the Committee and shall be responsible for providing any further information required by the Committee.
 - (iii) The entire loan application package, shall be presented to the Committee by Executive Director, Loan Officer, or designee to answer, any questions arising from the Committee.
 - (iiii) All Committee decision pertaining to any action on all loans shall be reduced in writing, signed by the Committee Chairperson showing number of members present and voting.
- B. Every eligibility condition set forth in SECTION 8 of these Operating Policies and Guidelines shall be met, before any loan application is presented to the Committee for consideration.

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- C. In order to avoid the appearance of undue influence and conflict of interest, loan applications from DNVA staff, except clerical personnel, appointed or elected officials, or employees of the Navajo Nation supervising or otherwise associated with the implementation or administration of any lending or financing program involving public funds, or other property of the Navajo Nation, are subject to approval by the Government Services Committee of the Navajo Nation Council, upon recommendation from the Committee.
- D. Incomplete applications submitted to the DNVA shall be voided after thirty (30) days. The applicant shall be notified in writing of the status of the application and the additional information needed, prior to cancellation. Loan Officer, shall have the authority to qualify or disqualify any application for noncompliance with requirements hereunder, prior to presentation to the Committee for consideration.
- E. No applications shall be presented to the Committee for consideration until it is determined that the applicant(s) and vendors are cleared under the Navajo Business and Procurement Act, 12 N.N.C. Section 1501, et seq., and other applicable Navajo Nation Law.
- F. Any misstatement of fact(s) or false representation made with respect to any loan may be grounds for ineligibility or cancellation or other appropriate action.

SECTION 8 - ELIGIBILITY:

- A. Successful applicants must be enrolled members of the Navajo Nation, who are Veterans of the United States Armed Services, or the surviving spouse of such a Veteran, or the Gold Star Mother of such a Veteran as defined by the DNVA. Applicants who were discharged from the armed services with other than honorable discharge, must obtain recommendations from the DNVA before consideration of their application by the Committee. Married applicants shall apply jointly, although only the applicant must be an enrolled member with the Navajo Nation. Each partner shall agree to assume the joint and several legal obligations and responsibilities arising from the granting of any credit made under the Program.
- B. A financial emergency need shall be defined as demands for payments which cannot be met at one time by the applicant(s). All applicant(s) shall demonstrate the need for the purpose in which financing is requested in writing.
- C. All applicants for loans under the Program shall be permanently employed or demonstrate a steady source of income from verifiable sources within the last two years prior to the submittal of the application.
- D. The applicants' debt-to-income ratio shall not exceed seventy percent (70%) to be eligible for a loan.

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- E. All applicants shall submit proof of projected monthly household income (most recent payroll or other check stubs or award letter, and etc.) from all sources and shall be attached to the application.
- F. All projected monthly household living expenses (food, utilities, transportation, insurance payments, child care and etc.) shall be as accurate and reasonable as possible. All monthly financial debts and obligations (vehicle payments, credit cards installments payments, finance companies, and etc.) shall be disclosed on the loan application and other information as may be required by the Program.

SECTION 9 - LOAN DOCUMENTATION:

- A. All loans shall be documented according to the following standards:
 1. A promissory note signed by the borrower, the borrower's spouse, and/or cosigner, as is appropriate and loans made under the Program shall not exceed the following maximum repayment terms.

AMOUNT OF LOAN AND MAXIMUM TERMS

AMOUNT OF LOAN	MAX. LOAN TERMS(MOS.)	INTEREST RATE	FINANCE CHARGE	MONTHLY PAYMENTS
\$3,000.00	24	9%	292.56	137.19
\$2,500.00	20	9%	204.20	135.21
\$2,000.00	16	9%	132.00	133.25
\$1,500.00	12	9%	75.72	131.31
\$1,000.00	08	9%	35.04	129.38
\$ 800.00	06	9%	21.94	136.99

2. An amortized monthly repayment schedule calculated on a twelve-month basis.
3. A payroll deduction authorization form shall be executed by the borrower if such service is available from their respective employer and the deductions shall remain in effect until the entire loan is repaid in full and shall be in the amount of one half of the scheduled monthly payment.
4. If a payroll deduction is not available, borrower must execute lien documents pledging collateral and granting to the Navajo Nation as first lien holder on personal property with an estimated market value equal to or exceeding 100% of the principal amount of the loan.

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5. A qualified cosigner, who is employed with the Navajo Nation or entity of the Navajo Nation who demonstrates the ability to repay, shall execute loan documents assuming all of the responsibilities and obligations of the loan or by executing a payroll deduction form if available or pledge collateral with an estimated market value equal to or exceeding 100% of the principal amount of the loan.
6. Property pledged as collateral shall have a certificate of title, and current certificate of registration. Such property shall include automobiles, trucks, and mobile homes. The property shall be free and clear of any existing liens shown on the certificate of title that is pledged as collateral. No other types of personal property shall be accepted as collateral.
7. The property must be owned by the borrower or the cosigner to be used as collateral. Borrower(s) shall execute lien documents showing the Navajo Nation as the first lien holder. Property pledged as collateral must be physically inspected by the Loan Officer upon determination of eligibility.
8. The property to be used as collateral shall have full coverage insurance policy, and kept in effect for the duration of the loan period covering liability, comprehensive and collision with a loss payee clause payable to the Navajo Nation.
9. The property to be used as collateral shall be in good operable condition and only those models dating back five (05) years or less shall be taken as collateral. Property pledged as collateral shall be valued according to the Fair Blue Book market value for said property.

SECTION 10 - LOAN CLOSING AND DISBURSEMENT:

- A. All disbursements of loan proceeds from the Program shall be made payable to the borrower(s) and/or third party creditors. All disbursements from the Program shall be made in the form of a check.
- B. No closing or disbursement shall take place unless the Loan Officer is satisfied acknowledges that all appropriate loan documents have been executed, and that the borrower has complied with applicable Operating Policies and Guidelines pursuant to Section 7 herein. The loan closing shall take place at the Central DNVA Office.
- C. All loans shall be closed within fifteen (15) calendar days after approval. If the loan is not closed within the specified days, the loan commitment shall be canceled, and the borrower(s) must reapply thereafter.

SECTION 11 - COLLECTION:

- A. All loan payments are due on the date specified in the promissory note. It is the borrower's responsibility to ensure that the payment is received at the DNVA Office or Navajo Nation Accounts Receivable Office on or before the due date.

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- B. Payments received after the due date with a grace period of ten (10) days shall be considered late and subject to a late payment charge of ten dollars (\$10.00). Such late payment charge shall accrue for each monthly payment that is late or missed. Borrower(s) / Co-signer shall be notified in writing to this effect. Throughout the formal collection process, every effort shall be made to contact the borrower. Contacts shall be made with the borrower(s)/cosigner, either in person, by mail or by telephone, to encourage payment of sums due and owing on the loan account.
- C. Collection efforts by the Program or Navajo Nation Accounts Receivable Office shall be in compliance with all applicable laws, which may include the Fair Debt Collection Practice Act.
- D. The Program and/or Navajo Nation Accounts Receivable Office shall keep written detailed records of efforts and contacts with the borrower(s) / cosigner(s). All letters sent to borrower(s) / cosigner(s) shall be by a certified mail.
- E. Partial payments shall be accepted with justification, although a partial payment shall not act to cure delinquency or default.
- F. If payments are not received prior to the tenth (10th) day following the due date, the borrower(s) shall be contacted in writing, requesting payment from the collection staff. Such written contacts shall continue every ten (10) days, until the borrower has brought loan current of sums due and owing, or has made satisfactory written arrangements with the Loan Officer.
- G. If payments are not received prior to the sixtieth (60th) day following the due date, and after the borrower(s) has received four written notices, the Program shall exercise its authority to accelerate the debt pursuant to the promissory note and declare the entire outstanding balance due and owing. The borrower(s) will be notified in writing by certified mail of this action.
- H. If the entire debt is declared due and payable as provided in Subsection G above, the loan account and all appropriate supporting documents shall be forwarded to the Navajo Nation Department of Justice for further legal actions as deemed appropriate and suit for breach of contract.
- I. The liability and responsibility of the cosigner shall be enforced if the loan is identified as a default loan account and the borrower(s) has not brought the loan current within a reasonable time frame allowed by the Program. The cosigner shall be notified in writing, and given the opportunity to work with the primary borrower(s) to bring the loan account current as soon as possible.
- J. Voluntary settlements of delinquent loan accounts, whereby the borrower(s) relinquishes the collateral pledged as security for a loan, will be subject to compliance with the Agreement for Voluntary Liquidation of Loan.

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- K. Debtor shall not be considered for another loan until the balance owed is fully repaid.
- L. Repossession of personal property shall comply with relevant procedures and laws of the Navajo Nation and all other applicable state laws. This recourse shall be to liquidate and recover assets and satisfy obligations due and owing to the Navajo Nation.
- M. Bankruptcy (Chapter 7 or 13) cases shall be subject to federal bankruptcy laws and all other applicable state laws to discharge an individual debt to the Navajo Nation. Upon discharge by the U.S. Bankruptcy Court, the Program and Navajo Nation Accounts Receivable Office shall not seek repayment in accordance with the terms of the original agreements. The borrowers may voluntarily assume any further indebtedness to the Navajo Nation with proper execution of new loan agreements.

SECTION 12 - ACCOUNTING:

- A. The Navajo Nation Accounts Receivable Office within the Financial Services Department shall keep the records and books of account for the Program in accordance with Generally Accepted Accounting Principles (GAAP) and Navajo Nation Accounting Policies.
- B. All Loan payments shall be credited in the following order of priority to the respective loan accounts identified by loan numbers.
 - 1. To accrued interest due and owing calculated from the date of the last payment.
 - 2. To late fees.
 - 3. To non-sufficient fund fees for returned checks, if applicable.
 - 4. To the principal balance, if any funds are remaining.
- C. Monthly Reconciliation:
 - 1. The function of posting loan payments shall be done by the Navajo Nation Accounts Receivable Section of Financial Services Department.
 - 2. The function of monthly reconciliation to the General Ledger of the Financial Records System (FRS) shall be done by Navajo Nation Accounts Receivable Office and Financial Services Department.
- D. Reporting:
 - 1. Year End Closeout and Reconciliation Reports shall be prepared by the Navajo Nation Accounts Receivable Office to be applied to appropriate accounts on an annual basis.

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2. Periodic accounting reports shall be prepared and presented to the Committee upon request for review. Such reports shall include at a minimum, the total amount of funds collected, the amount of such funds collected representing program revenue interest, and the amount representing principal repayments, the balance of the program loan account and operating budget, information pertaining to delinquencies, and such other information as the Committee may require.

SECTION 13 - FEES:

- A. Borrower(s) shall be responsible for the payment of any filing fees associated with the placement of liens for personal property pledged as collateral to secure the loan.

SECTION 14 - MODIFICATIONS:

- A. Requests for modification of loan terms shall be in writing, and accompanied by such information and documentation as the Committee or the Veterans Loan Officer shall require. A history of regular partial payments shall be one factor considered in any request for a modification of terms. No application for a modification of terms shall be considered if the loan account is delinquent.
- B. Any requests for modifications of scheduled repayment amounts shall be adequately justified in writing by the borrower(s), and require approval by the DNVA Director or his/her designee, and concurrence by the controller or his/her designee.
- C. No request for a modification of loan terms shall be considered if the loan account is delinquent and any modifications shall be reported to Navajo Nation Accounts Receivable Office within twenty four (24) hours.

SECTION 15 - REPAYMENT:

- A. All loan payments shall be made to the following address in a form of cashier's checks, money orders, or cash. **No personal checks will be accepted, no exceptions.**

THE NAVAJO NATION
Accounts Receivable Section
P.O. Box 3150
Window Rock, Navajo Nation (Arizona) 86515

- B. Repayment of loan funds either through payroll deductions as authorized by the borrower(s), or regular monthly payments shall start within thirty (30) days of the disbursement of loan proceeds until the loan is repaid in full.
- C. There shall be no prepayment penalty. Borrower(s) are encouraged to repay the loans as quickly as possible.

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- D. The lien on collateral pledged as security or other security documents shall be released to the borrower(s) within thirty (30) days after loan has been paid in full.
- E. Release of all or a portion of collateral upon partial repayments of a loan, shall be considered on a case-by-case basis, and subject to an Officer approval with concurrence of DNVA Director.

SECTION 16 - INTEREST RATES:

- A. Interest Rates to be charged on loans made through the Veterans Loan Program shall be reviewed and approved by the Committee upon the recommendation of the Program Rates shall be reviewed periodically and adjusted as needed.
 - 1. All loans shall be charged interest at a fixed rate.
 - 2. The effective Interest Rate for Veterans Loan shall be calculated based on a 365-day calendar year.
- B. The current Interest Rate for all Veterans Loans shall be at nine percent (9%).
- C. Any modification of the Interest Rate shall be approved by a Committee Resolution.

SECTION 17 - CHARGE-OFF:

- A. Charge-Off on an account shall be initiated by the Program when payment arrearage has not been eliminated within (180) calendar days of accumulating and the loan has previously been accelerated pursuant to Section 11. All recommendations for Charge-Off shall require the final approval by the DNVA Director. Such action shall be reported to Navajo Nation Accounts Receivable Office for further adjustment to the loan account.

SECTION 18 - WRITE-OFF:

- A. A Write-Off on a loan account shall be initiated by the Program and Navajo Nation Accounts Receivable Office when a loan is determined uncollectible, and all collection efforts have been exhausted or when a settlement agreement between the borrower(s) and the Program has been entered to reduce the amount of the debt in order to collect at least part of the debt (or loan account).
- B. The Program shall consider factors such as death, bankruptcy and other circumstances on a case-by-case basis to recommend for Write-Off on a loan account. Any recommendations to Write-Off a loan or a portion thereof, shall require final review by the DNVA Director and the Department of Justice prior to consideration by the Committee.

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- C. All recommendations for Write-Off on a loan account, or a portion thereof, shall require the final approval by the Committee. Upon approval, the remaining principal balance and uncollected interest, or the written off portion thereof shall be reported to Navajo Nation Accounts Receivable Office and taken off the active books of the Navajo Nation.

SECTION 19 - MAINTENANCE OF ACCOUNTS:

- A. Each active loan account receivable within the Program shall be monitored on a monthly basis to ensure compliance with loan terms.
- B. Written notices of any delinquencies or defaults (late payments, lapse or required insurance, etc.) shall be provided to the borrower(s) by certified mail in a timely manner.

SECTION 20 - MODIFICATION OF OPERATING POLICIES AND GUIDELINES:

- A. These Operating Policies and Guidelines may be modified from time to time as the need arises by action of the Budget and Finance Committee of the Navajo Nation Council.

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SECTION 1 - AUTHORITY:

- A. Pursuant to Resolution CF-13-85, the Navajo Nation Credit Department was established which directed the consolidation of existing Tribal and Bureau of Indian Affairs Credit Programs. The Department operated four revolving credit programs¹ pursuant to Resolution ACD-234-85 which approved the Declaration of Policies and Plan of Operation for the Navajo Nation Credit Department.
- B. Pursuant to Resolution CO-50-87, the Navajo Tribal Council ~~authorized~~ created the Office of Navajo Veteran Affairs and Credit Services Department and assigned ~~it~~ the responsibility for the management of certain assets, property and accounts receivable, of the Navajo Nation, including the property and accounts receivable of the Veterans Loan Program, which was created by Resolution CAP-168-87.
- ~~C. The Navajo Veterans Commission of the Navajo Tribal Council was established by and operates to Resolution ACJY-168-87.~~
- C. Pursuant to Resolution CD-068-89 the Navajo Nation Council amended Title 2, established the Budget and Finance Committee of the Navajo Nation Council and transferred the legislative oversight authority previously delegated to the Central Loan Committee to the Budget and Finance Committee of the Navajo Nation Council. (See 2 N.T. N.C. 371 et seq.)
- ~~D. The Central Loan Committee of the Navajo Tribal Council is the oversight and loan approval Committee of the Department and Program, and operates according to a Plan of Operation approved by Resolution ACN-229-87. This Plan of Operation is adopted pursuant to authority granted the Committee in Article IV, Enumerated Powers, Section 1 of the Committee's Plan of Operation.~~
- D. The Budget and Finance Committee has oversight and loan approval authority for the DNVA Loan Program, which operates according to a Plan of Operation. These Operating Policies and Guidelines are adopted pursuant to authority granted the Committee by 2 N.N.C. Section 374(B)(1989 Title II Amendments).

SECTION 2 - PURPOSE:

- A. The purpose of the program is to provide loans to qualified Navajo Veterans who ~~desired to borrow funds from the Navajo Nation for the purpose of improving their economic situation and the quality of their lives are experiencing financial hardship on an emergency basis and~~ demonstrate an ability to repay the loan with interest. The purpose of the Veterans Loan Program is to ensure that all loans are made in compliance with these Operating Policies and Guidelines and all applicable Tribal Navajo Nation laws and to protect and maintain the value of the property entrusted to the Department through accountability for the assets and property under which the Program oversees the servicing, securing, and collection of monies public funds and assets due and owing to the Navajo Nation.

¹ The Emergency Personal Loan Program, the Veterans Loan Program, the Emergency Small Business Loan Program, and the Navajo Revolving Credit Programs;

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SECTION 483 - DEFINITIONS:

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

- A. "Acceleration"- A process by which the Nation demands entire outstanding balance due and owing on a defaulted loan in a given time.
- B. "Amortization Schedule"- The schedule for the repayment of Veteran's personal loan showing the amount of each payment applied to interest, principle and the remaining balance.
- C. "Applicant(s)"- The individual(s) who submits a completed application form requesting to borrow money from the ~~Navajo Nation~~ Department of Navajo Veterans Affairs.
- D. "Bankruptcy"- A court proceeding for the purpose of which to enable a collection of the debtor's assets and liquidation thereof to pay off the debts or allow a restructure of debts.
- E. "Blue Book" - A book of specialized information on current fair market value.
- F. "Borrower(s)"- An approved applicant, who has executed a promissory note and received loan funds.
- G. "Charge-off"- The accounting action to cease the accrual of interest and late charges on a loan account.
- H. "Collateral" ~~means~~ The property pledged to secure a loan that is subject to seizure and sale if the loan becomes ~~delinquent~~ default.
- I. "Committee" ~~means (The Central Loan~~ The Budget and Finance Committee of the Navajo Tribal ~~Nation~~ Council.

~~Commission means the Navajo Veterans Commission.~~
- J. "Co-Signer"- An individual who executes a promissory note for the purpose of assisting the applicant in receiving a loan, and agreeing to assume all of the responsibilities and obligations of the borrower.
- K. "Credit Analysis"- Analysis of borrower's solvency and reliability in repaying debts, including assets in relation to liabilities.
- L. "Day" ^s ~~means~~ A 24 hour period in calendar days.

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- M. "Debt-to-Income Ratio"- A ratio calculated by comparing the projected monthly household income to projected monthly financial debts and obligations (excluding household living expenses) used to determine whether the borrower can reasonably be expected to meet the expenses and otherwise provide for the family.
- N. "Default" ~~means any non-compliance with the loan agreement~~ The failure by a borrower to make any payment under the terms of the loan and such failure continues for a period of more than (30) days.
- O. "Delinquency"- ~~means the non-payment of any amount due and owing~~ A loan account in which a payment is overdue but not yet in default.
- P. "~~Department~~ ^{DNVA}"- The Department of Navajo Veterans ~~Services~~ Affairs within the Division of Human Resources, Executive Branch of the Navajo ~~Tribal~~ Nation government.
- Q. "Department Collector"- Employee responsible for supervisory control of defaulted Veterans loan.
- "Executive Director" ~~means Executive Director of the Department of Navajo Veterans Services~~
- R. "Director"- Director of Department of Navajo Veterans Affairs within the Division of Human Resources.
- S. "Loan Closing"- Final transaction when loan proceeds are disbursed and all loan documents are executed.
- T. "Loan Officer"- Administrator of the Loan Program in the Department of Navajo Veterans Affairs.
- U. "Principal" - The amount of the loan excluding interest.
- V. "Program"- ~~means~~ The Navajo Veterans Loan Program.
- W. "Repossession"- To take back personal property used as security on a loan.
- X. "Proprietary Fund Types" - Proprietary Funds are used to account for the Navajo Nation's ongoing organizations and activities which are similar to business operations in the private sector.
- Y. "Uncollectible"- A defaulted loan account whereby all collection efforts and procedures have been exhausted in accordance to established policies and ready to be forwarded for legal action.

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- Z. "Veteran"- A person who has served in the United States Armed Forces for 180 days during peacetime or 90 days during the war. Must have Honorable or other than Dishonorable Discharge.
- AA. "Write-off"- A method to eradicate a loan account or a portion thereof, and to remove the account from the books of the Navajo Nation.

SECTION 34 - POLICY:

- A. All loans made from the Veterans Loan Program, and all accounts receivable associated with this program, will be processed and managed according to these Operating Policies and Guidelines. Any exceptions must be specifically approved by the Advisory Committee, upon recommendation by the Central Loan Committee. Such approval shall identify those sections of these Operating Policies and Guidelines for which an exception is being made. It is the policy of the Navajo Nation that all loans made by the Program shall be made from Proprietary Funds, and all accounts receivable arising there from shall be processed and managed according to these Operating Policies and Guidelines.
- B. It is the policy of the Navajo Nation to administer all credit programs in accordance with all applicable Navajo Nation law, and to operate in a prudent and responsible business-like manner, to make loans only upon a thorough and sound credit analysis, to maintain accurate account records, to service and maintain loan accounts so as to protect the assets of the Navajo Nation, and to quickly identify delinquencies and proceed with proper and prudent collection procedures. All financing generated through the program shall be in the form of loans, and shall carry with it, the obligation to repay.
- C. It is the policy of the Navajo Nation to consider the special needs of the Navajo Veterans, ~~in the operational of the Veterans Loan Program, to be sensitive to cultural concerns that may arise, and to make special effort to accommodate qualified Navajo Veterans. on an equal opportunity basis regardless of age, sex, religious or political affiliations.~~
- D. It is the policy of the Navajo Nation to make loans only upon a thorough and sound credit analysis.
- D-E. It is the policy of the Navajo Nation to ensure that loan applications from each of the five geographical Agencies are considered for approval, per according to a system of allocating funds approved by the ~~Committee, upon consultation with the Commission~~ DNVA. Applications shall not be considered if any agency's allocation of loan funds has exhausted.
- E. ~~The Navajo Nation will extend every effort to meet the needs of the Program's clients. The Nation expects loan agreements to be honored, and for repayments to be made accordingly. It is the policy of the Nation to hold borrowers responsible for their debts. Properly pledged as collateral will be seized and sold to satisfy delinquent accounts, to the fullest extent permitted by the Navajo Tribal law.~~

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- F. It is the policy of the Navajo Nation to service and maintain loan accounts so as to protect the assets of the Navajo Nation and to quickly identify delinquencies and promptly proceed with proper and prudent collection procedures. All financing generated through the program shall be in the form of a secured loan, and shall carry with it the obligation for full repayment.
- ~~F. All of the service and benefits available to the Navajo Veterans shall be coordinated, so as to maximize the potential benefit to each applicant. Such coordination in relation to the Veterans Loan Program shall include financial counseling, personal and family budgeting, and other financial planning and assistance as may be required and within the capability and skill of the Department staff member assisting the client.~~
- G. It is the policy of the Navajo Nation to limit individual members of the Navajo Nation to no more than one outstanding loan from the Program, whether they are the primary borrower or the cosigner for another borrower at any given time.
- ~~G. It is the policy of the Committee to coordinate the oversight and administration of the Veterans Loan Program between both the Commission and the Committee. The Committee and Commission shall hold at least one joint meeting annually or review operations of the program and revise these Operating Policies and Guidelines as necessary.~~
- H. It is the policy of the Navajo Nation to hold borrower(s) responsible for their debts. The Navajo Nation requires loan agreements to be honored, and repayments to be made accordingly. Property pledged as collateral will be seized and sold to satisfy delinquent accounts to the fullest extent permitted by Navajo Nation law.
- ~~H. It is the policy of the Navajo Nation to limit individual Navajo Veterans to no more than one outstanding loan from the Veterans Loan Program at any one time.~~
- I. It is the policy of the Navajo Nation that no individual loan from the Veterans Loan Program shall be made in an amount less than eight hundred dollars (\$800.00) or in excess of three thousand dollars (\$3,000.00).
- J. It is the policy of the Navajo Nation that no borrower's total indebtedness to the Navajo Nation (BFD-140-99) shall exceed one hundred twenty-five thousand dollars (\$125,000) from all sources within the Navajo Nation Council.
- K. It is the policy of the Navajo Nation that all loans shall be fully secured and perfected. In no instance shall the value of the collateral pledged be in an amount less than the loan amount.
- L. It is the Policy of the Navajo Nation to require a prospective borrower to seek Financial Counseling through the DNVA or other independent sources to educate the borrower on all aspects of financial responsibility and management of personal finances.

SECTION 4-5 - SCOPE:

- A. These Operating Policies and Guidelines shall govern all transactions ~~charged or credited to accounts representing the Veterans Loan Program, both currently and or as previously shown on accounting records of the Navajo Nation revised under the authority of the DNVA.~~
- B. Existing and outstanding ~~loans obligations~~ shall not be ~~disturbed or affected~~ affected by these Operating Policies and Guidelines so long as ~~they are repaid~~ repayments are made as agreed. ~~Such loans will be managed according to the Plan of Operation in place at the time the loan was approved.~~ Should a default occur, or if a loan account is in default at the time of adoption of these Operating Policies and Guidelines, then that account shall be managed and collected as set forth herein, or as set forth in any current or subsequent applicable law of the Navajo Nation pertaining to collections, repossession, or to recover such assets and obligations as are due and owing to the Navajo Nation.

SECTION 5-6 - APPLICATION PROCEDURES:

- A. Loan requests ~~will~~ shall be made only on an approved Veterans Loan application form. ~~approved by the Committee for that purpose. They Committee DNVA may require any additional information that they which the Committee may deem necessary in order to make the credit decision and appropriate.~~ All applications shall contain an authentic copy of the Veterans Discharge papers, Form DD-214 or other military personnel records.
- ~~B. Intentional statements of facts or misrepresentation of information on the application shall be grounds for denial, of the loan. Any evidence of intentional falsification shall referred to the Office of the Prosecutor for appropriate action.~~
- B. All applications shall be subject to the Navajo Nation Privacy Act, Council Resolution CAP-48-99 for privacy and access information in respecting individual applicants' right to privacy.
- ~~C. No application shall be presented to the Committee for consideration until it is determined that the applicant is eligible under the Navajo Business and Procurement Act, 12 N.T.C., Section 1401 et. seq.~~

SECTION 6-7 - APPROVAL /DISAPPROVAL PROCEDURES

- A. All loan applications shall be considered as follows:
- (i) ~~Applications must~~ shall be complete, prior to presentation to the Committee ~~for consideration; by the applicants and processed in a form of written summary by the Loan Officer before presentation for consideration to by the Committee;~~

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- (ii) The Loan Officer, shall present the loan recommendation to the Committee and shall be responsible for providing any further information required by the Committee.
- ~~2-~~ ~~A summary of the loan application shall be prepared, along with such other information as the Department shall require.~~
- (iii) ~~3~~ The entire loan application package, shall be presented to the Committee by Executive Director, Loan Officer, or designee to answer, any questions arising from the Committee.
- (iii) ~~All Committee decisions pertaining to any action on all loans (approval, disapproval, modifications, etc.) shall be reduced to in writing, signed by all voting the Committee Chairperson showing number of members present and voting.~~
- B. Every eligibility condition set forth in SECTION 8 ~~Seven~~ of these Operating Policies and Guidelines ~~must~~ shall be met, before ~~a~~ any loan application is presented to the Committee for consideration.
- C. In order to avoid the appearance of undue influence and conflict of interest, loan applications from ~~Department~~ DNVA staff, except clerical personnel, and other appointed or elected officials, or employees of the Navajo Nation supervising or otherwise associated with the implementation or administration of any lending or financing program involving public funds, or other property of the Navajo Nation, are subject to approval by the Advisory Government Services Committee of the Navajo Tribal Nation Council, upon recommendation from the Central Loan Committee. ~~An opinion pertaining to conflict, and other appropriate matters, shall be obtained from the Navajo Ethics and Rules Office for any applicant subject to the disclosure requirements under the Navajo Nation Ethics in Government Law~~
- D. Incomplete applications ~~that are~~ submitted to the Department DNVA shall be ~~cancelled~~ voided after thirty (30) days. The applicant ~~will~~ shall be notified in writing of the status of the application and the additional information needed, prior to cancellation. ~~The Executive Director or designee~~ Loan Officer, shall have the authority to qualify or disqualify ~~the~~ any application for noncompliance with requirements hereunder, prior to presentation to the Committee for consideration.
- E. No applications shall be presented to the Committee for consideration until it is determined that the applicant(s) and vendors are ~~is eligible~~ cleared under the Navajo Business and Procurement Act, 12 N. ~~7~~ N.C. Section 1501, et seq., and other applicable Navajo Nation Laws.
- F. Any misstatement of fact(s) or false representation made with respect to any loan may be grounds for ineligibility or cancellation or other appropriate action.

SECTION 78 - ELIGIBILITY:

- A. Successful Applicants must be enrolled members of the Navajo Tribe Nation, who is a are Veterans of the United States Armed Services, or the surviving spouse of such a Veteran, or the Gold Star Mother of such a Veteran as defined by the Navajo Veterans Commission DNVA. Applicants who were discharged from the armed services with other than honorable discharge, must obtain recommendations from the Navajo Veterans Commission DNVA before consideration of their application by the Committee. Married applicants shall apply jointly, although only the applicant must be an enrolled member with the Navajo Nation. Each partner shall agree to assume the joint and several legal obligations and responsibilities arising from the granting of any credit made under the Program.
- ~~B. Loan may be made for any specific purpose, including but not limited to the following:~~
- ~~1. Payment of past due indebtedness; Refinancing of an existing debt; Home purchase or improvement; Payment of past due Education or training expenses; Purchase or down payment on personal or real property.~~
 - ~~2. If the applicant does not have a clear understanding of the purpose of the loan, or does not have a plan for the use of the proceeds, the staff person accepting and evaluating the application shall provide the applicant counseling regarding the cost of the loan and personal budgeting before processing the application for presentation to the Committee for consideration.~~
- B. A financial emergency need shall be defined as demands for payments which cannot be met at one time by the applicant(s). All applicant(s) shall demonstrate the need for the purpose in which financing is requested in writing.
- ~~C. Except as set forth below, applicants must be currently, permanently employed or if on lay-off status or furlough status, must have a firm recall or startup date.~~
- C. All applicants for loans under the Program shall be permanently employed or demonstrate a steady source of income from verifiable sources within the last two years prior to the submittal of the application.
- ~~D. Applicants must demonstrate an ability to repay the loan according to a formula whereby projected household income exceeds living expenses by an amount at least equal to or exceeding five percent (5%) of the loan requested.~~
- D. The applicants' debt-to-income ratio shall not exceed seventy percent (70%) to be eligible for a loan.

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E. ~~All information regarding applicant's income from any source, must be attached to the application, such as the applicants shall submit proof of projected monthly household income (most recent payroll or other check stubs or benefit award letter, and etc.) or for income from self-employment, the most recent year's Federal Income Tax Return. from all sources and shall be attached to the application.~~

~~1. Verification shall be made by the Department staff member who is assisting the client by any reasonable method, including written or by telephone verification with the employer or other appropriate party.~~

F. ~~All information regarding projected monthly household living expenses must be as accurate and reasonable as possible. Information shall be gathered regarding the following categories (food, utilities, transportation, insurance payments, child care and etc.) shall be as accurate and reasonable as possible. All monthly financial debts and obligations (vehicle payments, credit cards installments payments, finance companies, and etc.) shall be disclosed on the loan application and other information as may be required by the Program.~~

- ~~1. House Payments (rent or mortgage)~~
- ~~2. Utilities (electricity, water, gas, sewer, etc.)~~
- ~~3. Food~~
- ~~4. Scheduled Monthly Payments~~
 - ~~a. Vehicle~~
 - ~~b. Vehicle Insurance~~
 - ~~c. Other Transportation costs (gas expenses, repairs)~~
 - ~~d. Credit Cards~~
 - ~~e. Other Credit Accounts~~
- ~~5. Medical Expenses~~
- ~~6. Clothing Expenses~~
- ~~7. Other Insurance~~
- ~~8. Child Care Expenses~~
- ~~9. Other Payroll Deductions~~
- ~~✓ 10. Other~~

~~Other information may be required by the Committee. All projected household expense shall be verified to the greatest extent possible.~~

G. ~~No loan shall be made by the Program in an amount less than two hundred dollars (\$200.00) or in amount greater than three thousand dollars (\$3,000.00)~~

H. ~~The term of any loan made under the Program shall not exceed 36 months, and repayment shall be scheduled over as short a time period as possible, given the financial circumstances of the borrower.~~

I. ~~The minimum monthly repayment of any loan made under this Program shall be \$20.00 per month.~~

~~4. No applicant's total indebtedness to the Navajo Nation shall exceed one hundred thousand dollars (\$100,000).~~

SECTION 82 - LOAN DOCUMENTATION:

A. All loans shall be documented according to the following standards:

1. A promissory note signed by the applicant borrower, the applicant borrower's spouse, and/or cosigner or cosigner, which as is appropriate and loans made under the Program shall not exceed the following maximum repayment terms.

AMOUNT OF LOAN AND MAXIMUM TERMS

AMOUNT OF LOAN	MAX. LOAN TERMS(MOS.)	INTEREST RATE	FINANCE CHARGE	MONTHLY PAYMENTS
\$3,000.00	24	9%	292.56	137.19
\$2,500.00	20	9%	204.20	135.21
\$2,000.00	16	9%	132.00	133.25
\$1,500.00	12	9%	75.72	131.31
\$1,000.00	08	9%	35.04	129.38
\$ 800.00	06	9%	21.94	136.99

2. An amortized monthly repayment schedule calculated on a twelve-month basis.
3. A signed payroll deduction authorization form shall be executed by the borrower if such service is available from the application or other responsible party for an amount of at least two and one half percent (2 1/2%) of the principal balance of the loan if made on a biweekly basis, or at least five percent (5%) of the principal balance of the loan if made on a basis less frequently than biweekly. The authorization for payroll deduction shall remain in effect until the entire loan is repaid in full their respective employer and the deductions shall remain in effect until the entire loan is repaid in full and shall be in the amount of one half of the scheduled monthly payment.
4. Applicant must meet at least one the following collateral requirements:
 - a. ~~If a payroll deduction is in place, lien documents pledging collateral and granting to the Navajo Nation a first lien on personal property with an established or estimated market value equal to or exceeding 50% of the principal amount of the loan.~~
 - b. ~~If a payroll deduction is not available, lien documents pledging collateral and granting to the Navajo Nation a first lien on personal property with an established or estimated value equal to or exceeding 100% of the principal amount of the loan.~~

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- e. ~~Lien documents obligating a co-signor, who demonstrates the ability to repay, to all of the obligations and responsibilities of the loan, including the payroll deduction or collateral requirements.~~
 - 4. If a payroll deduction is not available, borrower must execute lien documents pledging collateral and granting to the Navajo Nation as first lien holder on personal property with an estimated market value equal to or exceeding 100% of the principal amount of the loan.
 - 5. A qualified cosigner, who is employed with the Navajo Nation or entity of the Navajo Nation who demonstrates the ability to repay, shall execute loan documents assuming all of the responsibilities and obligations of the loan or by executing a payroll deduction form if available or pledge collateral with an estimated market value equal to or exceeding 100% of the principal amount of the loan.
 - 6. Property pledged as collateral shall have a certificate of title, and current certificate of registration. Such property shall include automobiles, trucks, and mobile homes. The property shall be free and clear of any existing liens shown on the certificate of title that is pledged as collateral. No other types of personal property shall be accepted as collateral.
 - 7. The property must be owned by the borrower or the cosigner to be used as collateral. Borrower(s) shall execute lien documents showing the Navajo Nation as the first lien holder. Property pledged as collateral must be physically inspected by the Loan Officer upon determination of eligibility.
 - 8. The property to be used as collateral shall have full coverage insurance policy, and kept in effect for the duration of the loan period covering liability, comprehensive and collision with a loss payee clause payable to the Navajo Nation.
 - 9. The property to be used as collateral shall be in good operable condition and only those models dating back five (05) years or less shall be taken as collateral. Property pledged as collateral shall be valued according to the Fair Blue Book market value for said property.
- B. ~~The following types of property shall not be eligible for use as collateral:~~
- a. ~~Grazing Permits issued by Navajo Nation or Bureau of Indian Affairs~~
 - b. ~~Livestocks~~
 - c. ~~Any property already encumbered~~
 - d. ~~Jewelry or other works of art or craft items~~
 - e. ~~Property restricted by law from being encumbered~~

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- ~~f.~~ Intangible assets such as future benefits, manuscripts, etc. except that a certain award of future benefits may be considered as applicant income if the benefits will be received by the applicant within 30 days of the application, and the certain cash value of whole life insurance or other intangible benefits may be considered for collateral purposes on a case by case basis as determined by the committee.
- ~~C.~~ Property must be owned by the borrower or the co-signor to be used as collateral. Borrowers who pledge property that can be titled and currently registered (automobiles, mobile homes, trailer, etc.) must consent to the placement of title lien showing the Navajo Nation as the first lien holder. Property pledged as collateral must be physically inspected by the Veterans Loan Officer or designee or other appropriate party, before any loan funds are disbursed.
- ~~D.~~ Property pledged as collateral must have full coverage insurance policy, that covers loss due to damage of the property (comprehensive coverage), with a loss payee clause payable to the Navajo Nation. Such insurance shall be written for a term coinciding with the term of the loan, or for such other reasonable term as the Committee shall require. Such insurance must remain in effect for the term of the loan.
- ~~E.~~ Property to be used as collateral must be in good condition. Property that does not have an established, verifiable market value, shall be valued by the Department staff making the inspection in accordance with any policies established by the Committee. If no policies established by the Committee. If no policies and procedures have been established, then according to the best personal judgment of the staff member making the inspection.

SECTION 9 10 - LOAN CLOSING AND DISBURSEMENT:

- ~~A.~~ All disbursements of loan proceeds from the ~~p~~Program shall be made payable to third party vendors, unless approved otherwise by the Committee. All disbursements from the Program shall be made by check the borrower(s) and/or third party creditors. All disbursements from the Program shall be made in the form of a check.
- ~~B.~~ Closing will take place at the Central Office of the Department, except as may be approved by the Veterans Loan Officer on a case by case basis. Disbursement checks will be mailed or delivered directly to the creditor, unless the Committee specifically directs, otherwise. If the loan is approved subject to certain conditions, the Veterans Loan Officer or designee shall ensure that those conditions are met prior to closing. If one of the conditions is the payment of funds by the borrower in addition to the loan funds, the Veterans Loan Officer or designee shall receive evidence that such funds have been paid, prior to closing.
- ~~C.~~~~B.~~ No closing or disbursement shall take place unless the ~~Veterans~~ Loan Officer or designee is satisfied acknowledges that all appropriate loan documents have been received and executed, and that the borrower has complied with all applicable Navajo Nation laws Operating Policies and Guidelines pursuant to Section 7 herein. The loan closings shall take place at the Central DNVA Office.

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- ~~D~~ C. All loans shall be closed within ~~forty-five (45)~~ fifteen (15) calendar days ~~of after approval.~~ If the loan is not closed within ~~forty-five (45) days~~ the specified days, the loan commitment shall ~~is~~ be canceled, and the client borrower(s) must reapply thereafter. No commitment shall be extended beyond forty-five (45) days.

SECTION ~~10~~ 11 - COLLECTION:

- A. All loan payments are due on the date specified in the promissory note. It is the borrower's responsibility to ensure that the payment is received at the ~~proper office on or before the date specified~~ DNVA Office or Navajo Nation Accounts Receivable Office on or before the due date.
- B. Payments received after the due date with a grace period of ten (10) days shall be considered late and subject to a late payment ~~of charge of five ten dollars (\$5.00) (\$10.00).~~ Such late payment charge shall accrue for each monthly payment that is late or missed. Borrower(s) / Co-signer shall be notified in writing to this effect. Throughout the formal collection process, every effort shall be made to contact the borrower. Contacts shall be made with the borrower(s)/cosigner, either in person, by mail or by telephone, to encourage payment of sums due and owing on the loan account.
- ~~C.~~ If payments are not received prior to the tenth (10th) day following the due date, the borrower will be contacted in writing, requesting payment. Such written contacts shall continue every fifteen days, unless suspended due payment by the borrower of sums due and owing.
- C. Collection efforts by the Program or Navajo Nation Accounts Receivable Office shall be in compliance with all applicable laws, which may include the Fair Debt Collection Practice Act.
- ~~D.~~ If payments are not received prior to the sixtieth (60th) day following the due date, and after the borrower has received at least four written notices, the Nation may accelerate the debt and declares the entire amount outstanding due and owing, and request payment of the same. The borrower will be notified in writing by certified mail of this action.
- D. The Program and/or Navajo Nation Accounts Receivable Office shall keep written detailed records of efforts and contacts with the borrower(s) / cosigner(s). All letters sent to borrower(s) / cosigner(s) shall be by a certified mail.
- E. If the entire debt is ~~declared due and payable, the loan account and all appropriate supporting documents shall be forwarded to the Department of Justice for further collection efforts.~~ Partial payments shall be accepted with justification, although a partial payment shall not act to cure delinquency or default.

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- F. ~~Throughout the formal collection process identified above, every effort shall be made to contact the borrower, either in person or by telephone, and encourage payment of sums due and owing. If payments are not received prior to the tenth (10th) day following the due date, the borrower(s) shall be contacted in writing, requesting payment from the collection staff. Such written contacts shall continue every ten (10) days, until the borrower has brought loan current of sums due and owing, or has made satisfactory written arrangements with the Loan Officer.~~
- G. ~~The Department shall keep detailed records of efforts and contacts with borrowers. All letters sent to borrowers shall be mailed at least a certificate of mailing or as certified, which ever is appropriate.~~
- F. ~~The Committee shall have the discretion to pursue or abandon collection efforts, based on discussions with the borrower and consultations with the appropriate offices. No collection efforts shall be abandoned until the account has been referred to the Department of Justice. The borrower may voluntarily relinquish the collateral pledged as security for a loan, or such other property as may be required, or takes such other action as is appropriate (authorizing a payroll deduction) to settle all or a portion of the outstanding loan account.~~
- H.G. Partial payments will not be accepted. If payments are not received prior to the sixtieth (60th) day following the due date, and after the borrower(s) has received four written notices, the Program shall exercise its authority to accelerate the debt pursuant to the promissory note and declare the entire outstanding balance due and owing. The borrower(s) will be notified in writing by certified mail of this action.
- H. If the entire debt is declared due and payable as provided in Subsection G above, the loan account and all appropriate supporting documents shall be forwarded to the Navajo Nation Department of Justice for further legal actions as deemed appropriate and suit for breach of contract.
- † I. Default in loan agreements, other than late or missed payments, shall initiate collection procedures as set forth by the Committee. The liability and responsibility of the cosigner shall be enforced if the loan is identified as a default loan account and the borrower(s) has not brought the loan current within a reasonable time frame allowed by the Program. The cosigner shall be notified in writing, and given the opportunity to work with the primary borrower(s) to bring the loan account current as soon as possible.
- J. Voluntary settlements of delinquent loan accounts, whereby the borrower(s) relinquishes the collateral pledged as security for a loan, will be subject to compliance with the Agreement for Voluntary Liquidation of Loan.
- K. Debtor shall not be considered for another loan until the balance owed is fully repaid.

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- L. Repossession of personal property shall comply with relevant procedures and laws of the Navajo Nation and all other applicable state laws. This recourse shall be to liquidate and recover assets and satisfy obligations due and owing to the Navajo Nation.
- M. Bankruptcy (Chapter 7 or 13) cases shall be subject to federal bankruptcy laws and all other applicable state laws to discharge an individual debt to the Navajo Nation. Upon discharge by the U.S. Bankruptcy Court, the Program and Navajo Nation Accounts Receivable Office shall not seek repayment in accordance with the terms of the original agreements. The borrowers may voluntarily assume any further indebtedness to the Navajo Nation with proper execution of new loan agreements.

SECTION 12 - ACCOUNTING:

- A. ~~The records and books of account for the Program shall be kept by the~~ The Navajo Nation Accounts Receivable Office ~~section within the Financial Services Department shall keep the records and books of account for the Program of Division of Administration and Finance in accordance with~~ Generally Accepted Accounting Principles (GAAP) and Navajo Nation Accounting Policies.
- B. All loan payments shall be credited to the Program account as follows in the following order of priority to the respective loan accounts identified by loan numbers.
1. ~~First~~ To accrued interest due and owing calculated from the date of the last payment.
 2. ~~Second~~ to direct expenses incurred by the Nation in servicing the loan account, including filing fees associated in the perfecting any security interests, late fees as prescribed by Committee policy, insurance purchased to protect collateral, or costs associated with collection efforts. ~~To late fees.~~
 3. ~~Third, the remainder if any, to the principal balance~~ To non-sufficient fund fees for returned checks, if applicable.
 4. To the principal balance, if any funds are remaining.
- C. ~~Periodic accounting reports shall be prepared and presented to the Committee for review. Such reports shall include at a minimum, the total amount of funds collected, the amount of such funds collected representing program revenue (interest and direct expense reimbursement), and the amount representing principal repayment, the balance of the program loan account and operating budget, information pertaining to delinquencies, and such other information as the Committee may require.~~

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C. Monthly Reconciliation:

1. The function of posting loan payments shall be done by the Navajo Nation Accounts Receivable Section of Financial Services Department.
2. The function of monthly reconciliation to the General Ledger of the Financial Records System (FRS) shall be done by Navajo Nation Accounts Receivable Office and Financial Services Department.

~~D. Upon approval by the Budget and Finance Committee of the Navajo Tribal Council, interest earned on idle funds of the Program shall be credited to the program account, and available for use in the operation of the program as directed by the Committee.~~

D. Reporting:

1. Year End Closeout and Reconciliation Reports shall be prepared by the Navajo Nation Accounts Receivable Office to be applied to appropriate accounts on an annual basis.
2. Periodic accounting reports shall be prepared and presented to the Committee upon request for review. Such reports shall include at a minimum, the total amount of funds collected, the amount of such funds collected representing program revenue interest, and the amount representing principal repayments, the balance of the program loan account and operating budget, information pertaining to delinquencies, and such other information as the Committee may require.

SECTION ~~13~~ 13 - MODIFICATIONS FEES:

- A. ~~Applicants~~ Borrower(s) shall be responsible for the payment of any filing fees associated with the placement of liens ~~in the closing of their approved loan~~ for personal property pledged as collateral to secure the loan.

SECTION ~~14~~ 14 - REPAYMENT MODIFICATIONS:

- A. Requests for modification of loan terms shall be in writing, and accompanied by such information and documentation as the Committee or the Veterans Loan Officer shall require. A history of regular partial payments shall be one factor considered in any request for a modification of terms. No application for a modification of terms shall be considered if the loan account is delinquent.

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- ~~B. Reductions of regular scheduled payments amounts in excess of 25%, or extensions of payback periods of more than six months from the original long terms shall require Committee approval. Reductions of regular scheduled payment amounts less than 25% or extensions of payback periods less than six months from the original terms may be approved by the Executive Director upon adequate justification by the borrower. Other modifications of loan terms may be approved by the Committee, upon an adequate showing of justification.~~
- B. Any requests for modifications of scheduled repayment amounts shall be adequately justified in writing by the borrower(s), and require approval by the DNVA Director or his/her designee, and concurrence by the controller or his/her designee.
- ~~C. Modification as to the use of proceeds effecting more than 25% of total loan amount shall be approved by the Committee. Modifications as to the use of proceeds effecting less than 25% of the total loan amount may be approved by the Executive Director, with sufficient justification.~~
- C. No request for a modification of loan terms shall be considered if the loan account is delinquent and any modifications shall be reported to Navajo Nation Accounts Receivable Office within twenty four (24) hours.
- ~~D. Other requests for modifications shall be considered on a case-by-case basis by the Committee.~~
- E. Requests for an additional add-on loan amount shall be considered as a new loan application. No such application shall be approved, if the applicant has a delinquent loan or other account receivable with the Navajo Nation. An applicant for an additional add-on loan amount must have paid at least one-half of the principal balance of the outstanding loan before the new application may be presented to the Committee for consideration. An applicant for an additional add-on loan amount must demonstrate a regular and consistent repayment history.

SECTION 43 15 - REPAYMENT:

- A. All loan payments shall be made to the following address in a form of cashier's checks, money orders, or cash. No personal checks will be accepted, no exceptions.

CASHIERS
Division of Administration and Finance
P.O. Box E
THE NAVAJO NATION
Accounts Receivable Section
P.O. Box 3150
Window Rock, Navajo Nation (Arizona) 86515

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- B. Payroll deductions shall start with the payperiod immediately following the disbursement of loan proceeds. Repayment other than payroll deduction shall start within 30 days if the disbursement of loan proceeds. Repayment of loan funds either through payroll deductions as authorized by the borrower(s), or regular monthly payments shall start within thirty (30) days of the disbursement of loan proceeds until the loan is repaid in full.
- C. There shall be no prepayment penalty. Clients Borrower(s) are encouraged to repay the loans as quickly as possible.
- D. Within 30 days of the full and complete repayment of any loan, ~~The~~ lien on collateral pledged as security shall be released or other security documents shall be released to the borrower(s) within thirty (30) days after loan has been paid in full.
- E. Release of all or a portion of collateral upon partial repayments of a loan, ~~will~~ shall be considered on a case-by-case basis, according to policies adopted by the Committee and subject to an Officer approval with concurrence of DNVA Director.

SECTION ~~15~~ 16 - INTEREST RATES:

- A. Interest rates to be charged on loans made through the Veterans Loan Program shall be ~~set reviewed and approved~~ by the Committee upon the recommendation of the Program. Rates shall be reviewed ~~semiannually~~ periodically and adjusted as needed. ~~The initial rate for loans made under these Operating Policies and Guidelines shall be eight percent (8%) per annum.~~
 - 1. All loans shall be charged interest at a fixed rate.
 - 2. The effective Interest Rate for Veterans Loan shall be calculated based on a 365-day calendar year.
- B. The current Interest Rate for all Veterans Loans shall be at nine percent (9%).
- C. Any modification of the Interest Rate shall be approved by a Committee Resolution.

SECTION ~~16~~ 17 - CHARGE-OFF:

- A. Any any time after the loan account has been referred to the Department of Justice, it is determined that further collection efforts will not result in substantial repayment, the account may be deemed uncollectable and charge-off. Such action shall be taken only according to policies adopted by the Committee, and shall not effect the liability of the borrower in regards to the debt. No action to charge off a loan shall be taken until the Department of Justice has taken necessary and proper action in pertaining to the collection of the debt. Interest and late charges shall stop accruing as of the date of charge-off.

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- A. Charge-Off on an account shall be initiated by the Program when payment arrearage has not been eliminated within (180) calendar days of accumulating and the loan has previously been accelerated pursuant to Section 11. All recommendations for Charge-Off shall require the final approval by the DNVA Director. Such action shall be reported to Navajo Nation Accounts Receivable Office for further adjustment to the loan account.

SECTION 18 - WRITE-OFF: DEFINITIONS

- A. A Write-Off on a loan account shall be initiated by the Program and Navajo Nation Accounts Receivable Office when a loan is determined uncollectible, and all collection efforts have been exhausted or when a settlement agreement between the borrower(s) and the Program has been entered to reduce the amount of the debt in order to collect at least part of the debt (or loan account).
- B. The Program shall consider factors such as death, bankruptcy and other circumstances on a case-by-case basis to recommend for Write-Off on a loan account. Any recommendations to Write-Off a loan or a portion thereof, shall require final review by the DNVA Director and the Department of Justice prior to consideration by the Committee.
- C. All recommendations for Write-Off on a loan account, or a portion thereof, shall require the final approval by the Committee. Upon approval, the remaining principal balance and uncollected interest, or the written off portion thereof shall be reported to Navajo Nation Accounts Receivable Office and taken off the active books of the Navajo Nation.

SECTION ~~17~~ 19 - ACCOUNT MAINTENANCE MAINTENANCE OF ACCOUNTS:

- A. Each active loan account receivable within the Program shall be monitored ~~at least once a month to ensure timely receipt of repayments, proper insurance coverage, etc.~~ on a monthly basis to ensure compliance with loan terms.
- B. Written notices of any delinquencies or defaults (late payments, lapse or required insurance, etc.) shall be provided to the borrower(s) by certified mail in a timely manner.

SECTION ~~19~~ 20 - MODIFICATION OF OPERATING POLICIES AND GUIDELINES:

- A. These Operating Policies and Guidelines may be modified from time to time as the need arises by action of the ~~Central Loan Budget and Finance Committee of the Navajo Tribal Nation Council upon recommendation of the Human Services Committee of the Navajo Nation Council. The Navajo Veterans Commission may make recommendation to the Central Loan Committee regarding such modifications.~~