CREDIT UNION SHARED BRANCH

OPERATING POLICIES AND PROCEDURES MANUAL

FOR

PARTICIPATING CREDIT UNIONS

FEBRUARY 2014
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MISSOURI CREDIT UNION ASSOCIATION
CREDIT UNION SHARED BRANCH DEPARTMENT

MISSION STATEMENT

TO PROVIDE PARTICIPATING CREDIT UNIONS WITH A QUALITY, COST EFFECTIVE FINANCIAL SERVICE DELIVERY SYSTEM WHICH WILL ENHANCE THEIR ABILITY TO MEET THE NEEDS OF THEIR MEMBERS.

AS OF FEBRUARY 2014
PREFACE

Credit Union Shared Branches are a unique, cooperative service for credit unions which provide "branch office" type services to their members on a cost-sharing basis. The official name at each location will be Credit Union Shared Branch (CUSB).

Credit unions have varying policies and procedures for serving their individual members. However, in order for Credit Union Shared Branches to operate effectively and efficiently in serving all CUSB participating credit unions’ members, it is necessary to operate under certain standardized, uniform policies and procedures which all CUSB participating credit unions are required to observe under the terms of the CUSB agreement.

This operating policies and procedures manual for participating credit unions specifically identifies the nature of our operating relationship with our user credit unions and their members. The Credit Union Shared Branch Advisory Committee (Advisory Committee) is responsible for recommending operating policies and procedures to MCUA management.

In order to avoid inconsistencies between CUSB offices in serving our credit unions, CUSB offices are not authorized to treat individual credit unions differently than this operating policies and procedures manual indicates. CUSB authorization for changes or deviation from policy and procedure must come through the CUSB Department and credit unions are requested to submit their requests in writing to the Missouri Credit Union Association. Such requests, however, will generally be discouraged in the interest of uniformity as emphasized earlier, except in the case of extremely unusual circumstances which would then require approval by the Advisory Committee. If the request is granted, a fee may be charged based on the time it takes to implement and enforce the policy or procedure change. The amount of the fee will be determined at the time of the request.

Credit unions are in the business of serving their members' financial needs and as such, are exposed to certain financial risks, which in essence, is a cost of doing business. Credit unions can minimize, but never eliminate such risks through appropriate internal controls, staff training, security measures, bonding, etc.

To further minimize financial risk to CUSB participating credit unions, the Advisory Committee has also established sound internal controls, precautionary procedures in serving members of credit unions, sophisticated security systems and bonding coverages. However, just as in the case of an individual credit union's operation, the element of risk is still present and as an extension of the credit union in providing services to your members, the credit union shall assume all liability for any losses incurred from transactions originating at the CUSB; provided they were consummated in accordance with the policies and procedures outlined in this manual or otherwise authorized by the credit union.
SECTION 1 - POLICIES
ADOPTION OF CO-OP SHARED BRANCHING NETWORK POLICIES AND PROCEDURES MANUAL

It is the policy of CUSB that all Shared Branch Network transactions are governed by the CO-OP National Shared Branch Network Policies and Procedures Manual (“CO-OP Manual”) as amended from time to time. The CO-OP Manual is subject to change at any time.

SUPPLEMENTAL SHARED BRANCH POLICIES

It is the policy of CUSB that the following additional policies and procedures shall supplement the CO-OP Manual, and apply exclusively for serving CUSB participating credit unions. If the policy or procedure varies from those that appear in the CO-OP Shared Branching Network Policies and Procedures Manual, these policies and procedures will take precedence when serving CUSB credit unions and their members:

OWNERSHIP/ORGANIZATION STRUCTURE

The CUSB Department is a department within Credit Union Partnership, Inc. (CUP). CUP is governed by Missouri Credit Union Association’s Executive Committee. The Executive Committee is a body of three Missouri Credit Union Association (MCUA) board members elected by the entire board, which governs the MCUL.

The overall responsibility of the CUSB network rests with the Executive Committee of the Missouri Credit Union Association. Certain operational responsibilities have been delegated to the Advisory Committee. Please refer to the Advisory Committee section under Procedures for a complete listing of their role and organizational structure.

MARKETING

It is a policy of the CUSB Network to make marketing an integral part of the on-going operations. A Marketing Fund has been established for the purpose of conducting network wide marketing campaigns. Every Participating Credit Union agrees to participate in all marketing campaigns sponsored by the Missouri Shared Branch Network and funded by the Shared Branch Marketing Fund. All Participating Credit Unions agree to participate in free marketing campaigns sponsored by individual outlets, i.e. provide member mailing list to third party mailing house for postcards. Only the members living within two (2) miles of the outlet are required to receive a postcard, which is determined using the nine digit ZIP Code. Credit Unions with a proprietary branch within two (2) miles of a Shared Branch location can choose not to market that outlet. The distance between the locations will be determined by “Mapquest”, or any other mapping software approved by Credit Union Partnership (CUP).
MISSOURI CUSB NETWORK TRANSACTION/SERVICE FEES

The fees charged for transactions are reasonable fees to recover direct and indirect costs, and to provide a small profit and recover initial investments. This fee is established by the CUSB Network and is subject to change at any time. CUSB Network transaction fees may vary from those charged by the CO-OP Shared Branching National Network. See Fee Schedule for current fee information.

OUTLET LOCATIONS

A decision for approving outlet locations will be made on a case-by-case basis. Management will research the proposed location to determine if it will benefit the network and potential outlet credit union. Language in current contractual agreements with host credit unions may delay the opening of an approved outlet facility up to one year from the “Starting Date” of an existing outlet within two (2) miles.
SECTION 2 – GENERAL PROCEDURES
CREDIT UNION SHARED BRANCH ADVISORY COMMITTEE

The Credit Union Shared Branch Advisory Committee made up of six credit union leaders and a staff liaison. Each Advisory Committee member must be from a credit union participating in the CUSB project; at least one from each geographical region (St. Louis, Kansas City, Central Missouri and Southwest Missouri). In this way, decisions on CUSB operations will be made by credit union people whose credit unions participate in the CUSB Network. All appointments are for one-year terms.

The role of the Advisory Committee is to assist League management with operating policies and procedures and dispute resolution between credit unions.

The Advisory Committee's Charter:

To assist in operational and service issues, for the Missouri Credit Union Association Credit Union Shared Branch network.

APPOINTMENT PROCEDURES

Candidates interested in serving on the CUSB Advisory Committee should notify MCUA management or the MCUA Chairman of their desire to serve on the CUSB Advisory Committee. All candidates should submit a brief statement of their qualifications and biographical data. The name(s) of the candidate(s) will be presented to the Executive Committee, and the Chairman of CUP will make the appointments. The Chairman of CUP will notify the Chairman of the Advisory Committee the appointment results no later than fourteen (14) days after the selection(s) have been made.

CREDIT UNION MARKETING PROCEDURES AND RECOMMENDATIONS

1. Each credit union’s advertising should include CUSB locations and hours, this includes brochures, newsletters, website etc.

2. Each credit union must promptly provide member names, addresses, statistical, geographic data and information in a format requested by the CUSB, including but not limited to member saturation and density data by ZIP Code, for use by CUSB in providing marketing, analysis, feasibility and other services.

3. If your credit union utilizes a telephone answering device for after-hours and holidays, reference the CUSB as an alternate location for transactions.

4. Shared Branches are powerful marketing tools and increase the value of member account relationships with their credit unions. Credit unions reporting the most positive results from
CUSB participation treat their CUSB users no differently than they do in their own proprietary office(s).

5. Each credit union should include shared branch explanation video on their website.

OTHER LOSSES

To further minimize financial risk to our user credit unions, the CUSB Network has established sound internal controls, precautionary measures, sophisticated security systems and bonding coverages. However, just as in the case of an individual credit union’s operation, the element of risk is still present and as an extension of the credit union in providing services to your members, the credit union shall assume all liability for any losses incurred from transactions originating at the CUSB, provided they were conducted in accordance with the policies and procedures outlined in this manual or otherwise authorized by the credit union. Member credit unions are urged to check with their insurance or bonding companies regarding losses since they may have specific requirements regarding shared branching transactions.

All collection activity on returned items (NSF, uncollected funds, alterations, counterfeits, etc.), forged withdrawals, and losses to CUSB related to stop payments on CUSB Official Checks will be the responsibility of the credit union, unless policies and procedures outlined in this manual were not followed by the CUSB staff. If the credit union which suffered the loss feels the CUSB staff did not follow proper procedures they must contact the outlet where the loss occurred, ideally within two weeks from the transaction date, speak with a supervisor and come to an agreement on the collection plan, i.e. only the credit union that suffered the loss (see below for more details and procedures), host credit union (outlet) or a joint effort. The outlet must provide the credit union with all documentation associated with the loss, i.e. deposit/withdrawal slip. If the outlet host credit union has accepted responsibility on a collection item and every possible collection effort fail, the outlet host credit union will reimburse the credit union for the amount of the actual loss. The credit union should also notify the Vice President of the CUSB Network within two weeks of the date the credit union discovered the loss. If there is a dispute between the CUSB and a credit union regarding the responsibility of the loss, the CUSB Advisory Committee will settle the dispute (see Grievance Procedures below). If dispute is between CUSB and a national credit union, please see Grievances section in CO-OP Shared Branching Network Policies and Procedures.

- In the event a credit union suffers a loss due to an outlet not following procedures, and the decision is made for the credit union to collect, they must make their best effort (i.e. the same it regularly uses for its own business) to recoup the loss from their own member or members. Collections effort examples are but not limited to:
  - Contacting the member(s)
  - Written letters to the member(s)
  - Checking for ACH or other Automatic deposits
  - Hold funds from other accounts held mutually by the member(s)
GRIEVANCE PROCEDURES

Before any transaction(s) is disputed, the credit union must ascertain if any Rules have been violated that contributed to the loss. If the investigation reveals that Rules have been violated by the acquirer, the issuer credit union will follow the grievance procedures below. If the investigation reveals that Rules have been violated by the issuer credit union, the issuer will accept the loss without recourse.

In the event a dispute arises between the issuer and the acquirer, the issuer must make its best effort (i.e., the same it regularly uses for its own business) to collect from its member or members before entering into the dispute process. Collections effort examples are, but not limited to:

- Contacting the member(s)
- Written letters to the member(s)
- Checking for ACH or other Automatic deposits
- Hold funds from other accounts held mutually by the member(s)

The issuer may be asked to demonstrate its efforts in collecting or recovering funds from its members.

Grievances, regardless of the dollar amount, will not be accepted for review on transactions older than 120 calendar days from the date of the original transaction. The intention here is to give issuers sufficient time with their collection efforts yet ensure any grievances submitted are done so within reasonable timeframes also.

Exceptions to this policy and timeframes are those items that fall under the guidelines specifically defined in the Uniform Commercial Code.

Resolution Procedures: In the event a dispute arises between the issuer credit union and the acquirer, the following procedures should be followed:

The party initiating the dispute should phone the other credit union for resolution.

If no agreement can be reached within two (2) business days, the initiating credit union will submit the complaint directly to the other credit union, including all documentation regarding the dispute. The written request should also include a deadline for a response (10 business days). A copy of this complaint should also be sent to the Vice President of The Credit Union Shared Branch Network. If no agreement is reached by the response date (10 business days), the initiating credit union can request a resolution by the CUSB Advisory Committee. All credit unions involved will send a detailed description of the dispute, including all documentation and actions taken to resolve the dispute to the Vice President of The Credit Union Shared Branch Network. The CUSB Advisory Committee will render a decision within three weeks of the request, and all parties agree to abide by the decision.
The dispute must be a minimum of $200.00. Any dispute less than $200.00 must be resolved between the two credit unions involved and will not be accepted for review by the CUSB Advisory Committee.

INVOICE PROCEDURES

Each month, either CO-OP Shared Branching or the credit union’s processor (using data provided by CO-OP Shared Branching) will prepare and provide transaction fee invoices/reports to participating credit unions. The automated fee settlement system will settle each credit union individually for its previous month’s switch transactions by transaction types according to the CUSB and CO-OP Shared Branching fee schedules in effect. A separate invoice for all other fees will be sent by the 15th business day of the month, with the debit occurring on the 27th of the month, unless that date falls on a Saturday or Sunday, then the debit will occur on the previous Friday.
SECTION 3 – OPERATIONAL PROCEDURES
SUPERVISORY DISCRETION

1. On occasion, there are situations or requests from a member that exceed or vary from the regular procedures. Supervisory personnel have the authority to approve these transactions as a special service to members, and are required to initial the voucher when such exceptions are made. Host Credit Union Outlet accepts responsibility for the exception.

2. Non-management employees have no authority to exceed established procedures without prior authorization from management, or credit union approval. If credit union approval is given, it should be noted on the transaction slip, including the name of the person giving approval.

NOTIFICATION FAX for CHECK OVER $5,000

CUSB faxes notification to the credit union of any single check accepted in excess of $5,000 by the end of the business day on which it is accepted in CUSB’s shared branch.

The shared branch provides a copy of the front and back of the check to the credit union.

The shared branch retains a copy of the form for 90 days.

The credit union should review the transaction and the member’s account to determine that the appropriate hold is placed on the check.

MEMBER SERVICE

1. Member must sign transaction slip regardless of the type of transaction being processed.

2. Transactions cannot be accepted or processed if off-line

WITHDRAWALS

A withdrawal minimum of $25.00 has been established, $5.00 for national credit union members.

HANDLING CHECKS

A check from a member payable to another member shall be treated as any other personal check, even if they belong to the same participating credit union.
CHECK HOLDS

1. Non-payroll business checks under $200 from local or national recognized companies (includes a brokerage company) shall be coded for Immediate credit.

2. Cashiers checks, Official or Teller checks under $2,500 can be coded for Immediate credit.

ADJUSTMENTS

Acquirer can make no adjustments to the issuer’s “Suspense Account” (if available) without notifying the credit union and providing documentation for the adjustment.

LOANS

1. Loan advances are limited to CUSB cash availability. A $100.00 minimum draw on loan advances is set unless otherwise specified by the credit union.

2. The member is required to complete and sign a loan advance voucher before a loan advance can be made

3. The CUSB will accept applications and close loans at the request of the issuer credit union

RECORD RETENTION

1. The CUSB retains the following as permanent records:

   * Credit Union Daily Settlement & Transaction Reports (microfiche, digital image or network)

2. The CUSB retains the following for (7) years:

   * Corporate Draft/Official Checks copies (microfilmed of digital image)

3. The CUSB retains the following for five (5) years:

   * All transaction (deposit/withdrawal/loan vouchers (microfilmed or digital image).

4. The CUSB retains the following for one (1) year:
* All vouchers (originals)
* Travelers checks and money order receipts

5. The CUSB retains the following for 30 days:

* Copies of loan applications/closings