

**OFFICIAL LOAN GUIDELINES  
FOR  
THE EUGENE B. COOPER STUDENT LOAN FUND**

**General**

The Eugene B. Cooper Student Loan Fund (hereinafter referred to as “The Fund”) was established to make loans to students who will be attending an institution of higher learning after graduation from High School. The Fund is a non-profit corporation under the laws of the Commonwealth of Virginia and as approved under the U. S. IRC.

The Fund was established as a “revolving fund” using the interest earned on the loans made to replenish the fund. In addition, unused or “unloaned” monies are invested to earn interest.

Additional funding such as donations from the Winchester Kiwanis Club and other individuals has been accepted and is encouraged by to the Fund.

The following guidelines have been established by The Fund to aid the Loan Committee in the approval of loans, to aid the Treasurer in the handling of the distribution, tracking, and collection of the loans, and to aid the Board of Directors in the overall administration of the Fund.

It is accepted that the Officers and Directors of The Fund have a fiduciary duty to The Fund to maintain its principal in order to maximize its value to the Community through lending to student borrowers.

These Guidelines are required by the By-Laws of The Fund. The Guidelines are also required to be reviewed annually by the Loan Committee, updated for appropriate interest rates, and changed when considered necessary to bring them in line with appropriate financial practices and laws. Any such changes shall be proposed by the Loan committee and submitted for approval to the Board of Directors.

**Who May Apply?**

Any person who has graduated from High School and has enrolled in an accredited Community College, University or College, or advanced school of learning such as a Technical or Vocational School. No one will be discriminated against on the basis of race, color, religion, national origin, sex, marital status, age, or dependence on public assistance.

**Application Method**

The applicant shall complete one of The Fund’s Loan Application forms for each loan requested. The Loan Application form shall be designed to capture sufficient information for the Loan Committee to make an informed decision about the student’s ability to meet the requirements of Article VIII of the Fund’s By-laws. In addition, the Loan Application shall capture sufficient credit and financial information about the student and the student’s parent(s) or guardian to satisfy credit worthiness. Each loan shall be treated as a new loan and updated information shall be required.

Proof of acceptance by one of the approved institutions for the coming semester or year shall be submitted as part of the Application. Approval of a specific loan application shall require a three-fourths vote of the Loan Committee and be evidenced by a recorded motion.

**Loan Terms Disclosure**

The applicant, and any person submitted as a guarantor, shall be given a Loan Disclosure pamphlet that outlines the process and terms of the Fund’s loan. The Disclosure pamphlet shall be updated for any changes approved by the Fund’s Board of Directors. Borrowers and guarantors shall be mailed a new pamphlet if changes are made. Interest rates shall be set annually. If a student receives multiple loans, the rate in effect when the first loan was approved shall be applied to the subsequent loans so that the multiple loans can be combined for amortization and payment.

### **Loan in Form of Note Payable**

The disbursement of funds to the student shall be made upon the signing of a note payable to The Fund. The note shall be dated as of the date of disbursement and shall indicate the necessary terms of a note payable to be a valid and binding lien under the laws of Virginia.

The note, at a minimum, shall indicate:

- 1) the date of the note,
- 2) the amount of the note,
- 3) the interest rate to be charged,
- 4) the name of the borrower,
- 5) the name(s) of guarantors,
- 6) the signatures of the borrowers and guarantors,
- 7) The Fund's name as Lender,
- 8) that the loan is due and repayable under the specific terms of the loan – in particular that the start date of interest accrual and repayment of the principal and interest shall begin with the graduation of the student or the date of their withdrawal from the school whether voluntary or otherwise (this will be termed "Activation" of a loan),
- 9) that a loan may be prepaid without penalty.

### **Collection of "Activated" Loaned Funds**

The Treasurer will prepare "loan amortization schedules" to be distributed to the borrower and the guarantors upon the "activation" of a loan. These schedules will be used initially for the recording of reductions in the principal of a loan upon payment by the borrower or guarantors. The Treasurer shall also take into account prepayments of principal by reducing the amount owed and adjusting the subsequent distribution of principal and interest accordingly.

Delinquency in payment shall be considered upon the payment being received later than 20 days from the assigned due date of a payment. Prepayment of principal will not be construed as changing or postponing the next due date of a payment. Unless a deferral or extension is approved, interest will begin to accrue on the balance due as of the date of the missed payment. Subsequent payments shall be first applied to the accrued interest, then to the principal of the loan.

If payments are not received within 45 days, a "follow-up" notice will be sent to the borrower as a reminder.

If the borrower has not complied or contacted The Fund with a request for deferral within 60 days, a notice will be sent to the borrower and the guarantors indicating the need to bring the loan current. All loans that go 120 days without payment or response from the borrower or guarantors shall be considered for default processing and notice to the borrowers and guarantors that the collection process will begin as of the 180<sup>th</sup> day of non-payment. If arrangements are not worked out by the 180<sup>th</sup> day, the loaned will be submitted to the Small Claims Court for judgment or a collection agency. All collection costs shall be borne by the borrower.

The Loan Committee and Treasurer shall work together to insure that communications between The Fund and the borrowers is timely and appropriately addressed. Should requests for deferral or extension by a borrower be received by any Loan Committee member, Officer or Board member, it should be immediately brought to the attention of the Loan Committee and the Treasurer. Approved deferrals or extensions shall have specific terms and must be met to avoid the note being called.

The Fund shall give the borrower as much leeway as reasonable; however, the Loan Committee and the Board of Directors must assume the role of caretaker of The Fund to insure its continuance.

### **Deferment of Loan Payment**

A borrower may apply to The Fund for a temporary deferral of loan payments. The request MUST be in writing, it must state the reasons for needing the deferral and it must outline the span of time considered necessary by the borrower. The Loan Committee and Treasurer must both be notified immediately of such requests and act promptly to consider the request. Deferrals may be made up to six (6) months. Interest shall accrue on the outstanding balance of the loan. Subsequent payment shall be applied first against the accrued interest then to principal. Reduced payments, as a form of deferral, may be considered and will be treated in the same manner as to time and interest. A borrower may receive only one deferral during a two-year period. Terms of the deferral shall be communicated in writing and acknowledged in writing by both the Loan Committee and the Borrower.

### **Forms to be Used by The Fund**

All forms to be used by The Fund shall become a part of these Guidelines. The format of each form shall be submitted to the Board of Directors for approval. At a minimum the following forms shall be utilized:

- 1) Student Loan application
- 2) Parent(s) or Guardian Financial/Credit Information
- 3) Note Payable
- 4) Notice to student for activation of loan repayment
- 5) Request for Deferral/Extension
- 6) 45-day "Follow-up" letter
- 7) 60-day Notice to Guarantors
- 8) 120-day Notice of Collection Process
- 9) Loan Terms Disclosure Pamphlet

### **Overall Loan/Investment Strategy for The Fund**

The Loan Committee needs to be aware of The Fund's status when considering new applications for loans either to current clientele or to new applicants. The overall strategy of The Fund shall be kept in mind when loans are in the approval process. This Strategy has been approved by the Board and must be complied with annually:

- 1) The Fund shall attempt to make loans to the extent The Fund is approximately 80% "loaned out". This amount is designed to maximize the use of The Fund for student loans yet allow for sufficient funds to be invested to cover operating costs and/or loan losses.
- 2) A maximum of \$10,000 shall be loaned to any one individual.
- 3) The maximum term of repayment shall be sixty (60) months (exclusive of any deferments).

### **Approved Rates and Terms:**

A Schedule of Approved Terms for loan interest rates, penalty charges, loan minimums, maximums and lengths, and investment goals must be kept by the Loan Committee. All changes must be done by motion and approval three-quarters of the Loan Committee.

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**Schedule of Approved Loan Rates and Terms**

<b><u>Date Approved</u></b>	<b><u>Annual Interest Rates</u></b>	<b><u>Penalty Rate</u></b>	<b><u>Loan Minimum</u></b>	<b><u>Total Loan Maximum</u></b>	<b><u>Maximum Length of Loan</u></b>
_Feb, 2008	__6.0__ %	\$ __15.00	\$ _2000.00	\$ 10,000	__60__ months
_____	_____ %	\$ _____	\$ _____	\$ _____	_____ months
_____	_____ %	\$ _____	\$ _____	\$ _____	_____ months
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