

## **Denial of Services and Expulsion Policy**

**Board Approval March 2024**

In the interest of protecting the assets of Scient Federal Credit Union, the Board of Directors has adopted the following Denial of Services and Expulsion Policy in reference to member conduct. The Board of Directors believes that all members and employees should be able to conduct business without fear of harassment or without fear of disruptive or abusive conduct. This policy describes the denial of services and member expulsion process for members who have caused the Credit Union a loss or who have engaged in actions that put the Credit Union, the employees and/or members, at risk of loss, liability, or harm.

### **Denial of Services**

It is the intent of the Credit Union to address certain unacceptable conduct to assure the rights and protections of Credit Union employees, members, volunteers, shared branch participants, and vendors. Any or all of the following services may be denied to a member or other person(s) who has engaged in unacceptable conduct:

1. Restricting financial services (i.e. restricting ATM usage, cards, remote deposits, online banking, deposits, and/or withdrawals).
2. Denial of all services other than the right to maintain a share account and the right to vote at annual meetings and special meetings.
3. Denial of services which involve personal contact with credit union employees.
4. Denial of access to Scient Federal Credit Union premises.
5. Taking any other action as deemed necessary under the circumstances and that is not expressly precluded by the Federal Credit Union Act, the NCUA Rules and Regulations, or the Credit Union's Bylaws.

The Credit Union will not tolerate members or other persons who are abusive whether it be over the phone, in-person or through electronic media. For the purposes of this policy, unacceptable member conduct includes, but is not limited to, any of the following or similar conduct involving the credit union or on credit union premises:

1. Member-Caused Loss
  - a. Member failure to pay amounts due under a loan. "Amounts due" include, without limitation, principal, interest, fees and charges, insurance premiums, collection agency charges or attorneys fee incurred in collecting amounts due under a note or guarantee, in repossessing and liquidating collateral under a security agreement or in obtaining a deficiency judgment.
  - b. Member failure to provide collected funds to cover share account withdrawals or to cover personal share drafts written.
  - c. Member failure to pay fees or charges due the Credit Union for any reason.
2. Member Actions
  - a. Members who engage in check kiting, attempted or actual deposits of known counterfeit checks or other nonnegotiable items, attempted or actual theft of credit union or other member's funds, or similar activities whereby the member attempts to obtain funds not legally payable to the member.
  - b. Members who threaten staff.
  - c. Members who engage in abusive language or inappropriate conduct on Credit Union premises, online or on the phone.
  - d. Members who engage in abusive conduct or language directed at staff based on sex, race, national origin, marital status, sexual orientation, physical or mental impairment, or age.
  - e. Members who make false, malicious, or libelous statements about any employee or the Credit Union and its services, operations, policies, practices or management.

- f. Members who deliberately or repeatedly violate security procedures or safety rules, misuse or damage property, or possess or use drugs or alcoholic substances on Credit Union premises.
- g. Members who fail to protect blank personal checks and/or ATM or debit cards as evidenced by repeated claims of lost or stolen checks and/or plastic cards and unauthorized transactions (particularly when forgeries are committed by persons living in the member's household) or engage in similar activities resulting from repeated failure to keep accounts, records and Personal Identification Numbers (PINs) secure.
- h. Members who attempt to coerce or interfere with Credit Union employees in the performance of their duties at any time.
- i. Members who conduct or attempt to conduct or engage in any fraudulent, dishonest or deceptive activity of any kind involving Credit Union employees or Credit Union services.

This list is not comprehensive and is used only as an example of types of behavior that may be viewed as abusive conduct by the Credit Union. Threats of any nature may be reported to federal and local authorities.

#### Member-Caused Loss Exemption/Exception

Notwithstanding the foregoing, a member who caused a loss, but in the sole discretion of the management of the Credit Union, establishes that the loss was unavoidable and the result of extraordinary hardship resulting from: loss of job, serious family illness, dissolution of marriage, or death in the immediate family, may remain eligible for membership.

#### Member Rights

If Credit Union terminates or limits access to member services as outlined in this policy the member can still:

1. Maintain a dividend bearing share account with Credit Union, and
2. Vote at annual and special membership meetings subject to Credit Union Bylaws and policies.

#### Member Notification

In all cases the member will be notified of denied services orally or in writing.

### **Membership Expulsion**

In addition to termination or limitation of member services, the Credit Union reserves the right to move for expulsion of the member from the Credit Union in accordance with the Credit Union's Bylaws.

Pursuant to Article III Section 3 and Article XIV Section I of the Credit Union Bylaws and the Federal Credit Union Act, §1764(a) and §1764(b), the Credit Union may expel a member or terminate a member in one of three ways.

1. Special Meeting
  - a. Under this option, the credit union must call a special meeting of the members, provide the member the opportunity to be heard, and obtain a two-thirds vote of the members present at the special meeting to expel a member.
2. Nonparticipation Policy
  - a. Credit Union may terminate any membership and close account(s) for non-participation in Credit Union affairs or failure to maintain the required minimum share balance with Credit Union.
    - i. "Non-participation" is defined as the member's failure to vote in elections or failure to conduct business with Credit Union. This will not apply to any account held by a member who has at least one other active account or relationship with Credit Union. Termination of membership due to non-participation will be effective thirty (30) days after the member has been notified of the termination by mail, sent to the member's last known address on Credit Union's records unless the member has notified Credit Union of their intention to participate as defined above before the expiration of the thirty (30) day period.

Upon termination for non-participation, Credit Union will close the terminated member account and provide him or her with the remaining funds. If the member cannot be located to receive the funds, Credit Union will escheat the funds to the applicable state in accordance with state's escheatment laws.

- ii. A member who fails to complete payment of one share within 1 month of admission to membership, or within 1 year from the increase in the par value of shares, or a member who reduces the share balance below the par value of one share and does not increase the balance to at least the par value of one share within 45 days of the reduction will be terminated from membership.

### 3. Board of Directors

- a. Credit Union may expel a member by a two-thirds vote of a quorum of the directors of the credit union. The credit union can only expel a member for cause.
- b. Cause is defined as follows: (A) a substantial or repeated violation of the Membership and Account Agreement with the Credit Union; (B) a substantial or repeated disruption, including dangerous or abusive behavior, to the credit union's operations; or (C) fraud, attempted fraud, or a conviction of other illegal conduct that a member has been convicted of in relation to the Credit Union, including in connection with our employees conducting business on behalf of us.
- c. Before the board votes on an expulsion, the Credit Union must provide written notice to the mailing address (or email, if applicable) on record or personally provide the written notice. The Credit Union must provide the specific reasons for the expulsion and allow the member an opportunity to rebut those reasons through a hearing, if elected. It is the member's responsibility to keep their contact information with the Credit Union up to date, and to open and read notices. Unless the Credit Union determines to allow otherwise, there is no right to an in-person hearing with the board. If the member fails to request a hearing within 60 calendar days of receipt of the notice, the member will be expelled. The member may submit any complaints about the pending expulsion or expulsion to NCUA's Consumer Assistance Center if the complaint cannot be resolved with the Credit Union.

The Credit Union will confirm any expulsion with a letter with information on the effect of the expulsion and how the member can request reinstatement. Expulsion or withdrawal from membership does not relieve a member of liability to the Credit Union, and the Credit Union may demand immediate repayment of the money owed after expulsion, subject to any applicable contract terms and conditions.

For additional information on expulsion and a copy of our expulsion policy, see [Article XIV of our Bylaws].

### **Effect of Policy**

The Credit Union will apply this policy only to member actions which occur more than thirty (30) days after the Board of Director's approval of this policy and the mailing of written notice to the membership of the adoption and effective date of the policy. (Electronic delivery of such notice to member's who have agreed such delivery of Credit Union notifications shall also meet the mailing requirement.) Additionally, written notice of this policy shall be included in the Membership and Account Agreement provided to each new member and an effective version of this policy shall be published and maintained Credit Union's public website.