



Otter Co-op Policy #5: Credit Policy



Objective: To provide the membership with a credit program that is an effective marketing tool for the co-operative but which is also fair, clear and provides a minimum of risk to the Co-operative.

Customers, who wish to utilize credit privileges provided by Otter Farm & Home Co-operative, must make application in writing and enter into a Credit Agreement, signed by the customer.

The Co-operative shall have the right to refuse Credit privileges to any applicant.

The Co-operative may withdraw Credit privileges without notice, if credit terms and conditions are violated.

The types of accounts provided are:

- Monthly Charge
- Budget Accounts
- Equalization Accounts (Home Fuel Oil)
- Tempo Accounts
- Wholesale Bagged Feed Accounts

All accounts over \$25,000 must have secondary approval from the Director of Finance.

Monthly Charge

1. Available to Otter Co-op members and non-members. Applications must be preauthorized by the Credit Manager, Designate or Director of Finance.
2. All purchases made during a calendar month, are payable in full by the end of the following month. Failure to pay in full by the due date will result in a late payment charge of 1.75% per month, 23.86% per annum levied on the unpaid balance only.
3. Customers to whom credit privileges have been extended shall receive a service card. This card shall remain the property of the Co-operative, and be subject to recall at the option of the Co-operative. Service cards will be validated by the signature of the applicant. Additional or replacement service cards are available at the request of the account holder.
4. Effective April 1, 2009 the following items will no longer be able to be charged: Lottery and Post Office.
5. All charge customers are required to present a service card at the time of purchase. If a service card is not presented, then the clerk must call the Administration for authorization by the Credit Manager, Designate, Director of Finance or Administration staff during office hours or the Department Supervisor after office hours. Authorizations are required for all charges in excess of \$500 (Floor Limit). The Floor Limit is not applicable on Bulk Feed, Wholesale Bagged Feed Accounts or Bulk Petroleum.
6. Should a service card be lost or stolen, it is the responsibility of the customer to report the occurrence to the Credit Manager, Designate or Director of Finance by phone (604) 856 2517; however, it is preferred to be in writing credit@otter-coop.com or 3650 248 Street Aldergrove, BC V4W 1X7.
7. Applications for service cards are available at all Otter Co-op locations. The Credit Manager or Designate are responsible to ensure all areas of the Credit application are completed. If the Credit Application is declined, a letter is mailed to the applicant, notifying them of this decision.
8. All accounts area mailed a monthly statement, no later than the tenth day of each month.
9. Any changes in credit terms and/or interest rates must be reviewed and approved by the Director of Finance or CEO: after which the charging members will be notified by the Co-operative according to the governmental regulations before such change(s) become effective.
10. Credit limits are set by the Credit Manager, Designate or Director of Finance on all customer accounts. These limits are Credit Department guidelines and will be reviewed on an ongoing basis or upon the request of the customer. This may include requests for members or other information as requested by the Credit Manager, Designate or Director of Finance.
11. At the Credit Manager, Designate or Director of Finance's discretion, personal guarantees and/or letters of credit will be obtained on commercial accounts.



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Budget Accounts

1. The purpose of the budget account is to assist members in purchasing goods now and paying for them over an extended period of time.
2. Budget applications are available at the Administration Office or thru the Credit Manager, Designate or Director of Finance.
3. The interest rate and statement frequency is identical to that of the monthly charge account.
4. The minimum purchase on Budget accounts is \$500 with a minimum payment of \$100. The maximum term allowed is eighteen (18) months. Types of purchases allowed on a budget account are medium to large General Merchandise ticket items and petroleum storage items. Add-ons to existing budget accounts fall under the same policy and are treated as new and separate budget accounts.
5. Upon approval, the Credit Manager, Designate or Director of Finance will arrange repayment terms with the customer.
6. At no time will a customer be allowed to transfer any arrears on the monthly charge to a budget account.

Equalization Accounts

1. The purpose of the equalization account is to assist members purchasing home heating fuel or feed bins by providing an option to make monthly instalments on a twelve (12) month basis.
2. Those members utilizing an equalization account for feed bins must be exclusively purchasing feed from Otter Co-op during the period of repayment. Discontinuation of purchases will result in the immediate repayment of any balance and interest from the initial set up date.
3. Equalization applications are available at the Administration Office thru the Credit Manager, Designate or Director of Finance.
4. The interest rate and statement frequency is identical to that of the monthly charge account.

Tempo Accounts

1. Terms and conditions of these accounts will be as per the Tempo Contract.
2. The interest rate and statement frequency is identical to that of the monthly charge account.

Wholesale Bagged Feed Accounts

1. Terms and conditions of these accounts will be as per the Monthly Charge Account or as determined by the Credit Manager, Designate or Director of Finance.
2. The interest rate and statement frequency is identical to that of the monthly charge account.

Collection and Control

1. If full payment is not received by the due date, a past due reminder will automatically be printed on the monthly statement.
2. If the arrears carry over to 30-60-90 days past due, then a written notice is mailed to the customer advising of the arrears and that charging privileges may be curtailed. The Co-op will utilize the "30-60-90 Dunning Letters" be provided by the CRS.
3. The membership number is then placed on curtailment as a Code xx (must call Credit Manager, Designate or Director of Finance or Administration for authorization before charging). If the arrears are over \$500, the Credit Manager, Designate or Director of Finance will promptly call the customer in place of a notice.
4. Once the arrears are over ninety (90) days old (unless repayment arrangements have been made), the customer is contacted by phone and/or a final letter is sent. The final letter advises the customer that unless payment or arrangements are made by a certain date, the account will be placed in the hands of a third party collection agency.
5. The membership is then placed on curtailment as a Code xx (no charging allowed). If a response is not received by the specified date on the final letter, the account is then assigned to a collection agency.
6. The account will not be removed from curtailment until the debt has been fully satisfied and a new credit application has been completed and approved by the Credit Manager, Designate or Director of Finance and/or at the discretion of the Credit Manager or Director of Finance.
7. All commission charged by the Collection Agency, for the collection of the accounts, if not paid by the member, will be offset to the member's equity (if applicable). These offsets require the Board of Director's approval.



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Late Payment Charge Reversal

Administration Staff may approve reversals up to \$50, the Credit Manager or Designate may approve reversals of \$50 - \$250, the Director of Finance or CEO may approve reversals of \$250-\$1000. Over \$1000 requires Board of Director approval.

Curtailement

This is a numerical listing of members and non-members whose accounts require attention. The following action is to be taken for each code:

Code 1 – No Charge

Code 2 – No Cheque

Code 18 – Lost or stolen Credit Card (ID must accompany charge or cheques)

Payments Received On Accounts

1. Payments for Otter Co-op charge accounts are accepted at all locations.
2. The following methods of payment are accepted on accounts:
 - Cash
 - Cheque
 - Debit Card
 - Electronic Banking Payment (EFT) – Direct Deposit
3. The Co-operative will not accept payment on account by way of a credit card.

Write Off of Uncollectible Accounts

1. The Credit Manager and/or Director of Finance shall prepare a list of accounts to be written off to the Board of Directors two (2) times per year (September and February) for approval.
2. All members whose accounts are written off will be reported.
3. All members whose accounts have been written off will forever lose their credit privileges as well as their membership may be cancelled (subject to the discretion of the Board of Directors).