

# **Complaint Policy and Procedures**

## **POLICY STATEMENT**

It is the policy of Citizens Guaranty Bank to respond to customer complaints swiftly and to take each complaint seriously. The board of directors delegates the responsibility of monitoring and responding to complaints to the senior management of the bank. All written complaints will be directed to Regina Robertson. The Chief Operations Officer (COO) will direct each complaint to the appropriate functional department. The appropriate staff personnel will draft responses to consumers and/or regulators, and the Vice President of Operations will review the responses before they are sent. Generally, the COO will keep a central file of complaints and responses, and the board of directors will review new complaints and responses at a Audit Committee meeting at least quarterly. Senior management will determine if certain complaints must be brought to the attention of the board more often or if the response to the consumer and/or regulator should come from the board.

The internal audit department is responsible for auditing all functional areas, and Vice President of Credit Administration records adherence to this policy.

Citizens Guaranty Bank understands that many specific complaint procedures are required by regulation. It is the policy of the bank to follow the procedures listed below covering complaints in each area.

## **UNFAIR OR DECEPTIVE PRACTICES (12 CFR 227, 15 USC 57A(F))**

Subpart A of Regulation AA defines the consumer complaint procedures that must be followed if the Federal Reserve (Fed) receives a complaint by a consumer directly. The Fed must respond to the consumer within 15 business days. If we receive a complaint directly from the Fed, our federal regulator, or the Federal Trade Commission regarding unfair and deceptive acts or practices, we will:

- Investigate the allegation and develop a response to the complaint within 15 business days of receiving it from a consumer or regulatory agency.
- If the bank's investigation is not complete within the above time limit, the bank will notify the consumer and the regulatory agency of its findings to date and specify a date when the bank expects to complete its investigation.

## **ELECTRONIC FUND TRANSFER ACT (12 CFR 205, 15 USC 1693)**

See Regulation E Compliance Audit.

Citizens Guaranty Bank will keep a complaint file regarding Electronic Fund Transfer Act (EFTA) errors. The bank will only accept notifications of an EFTA error written.

## **Types of EFTA Errors**

Errors may include but are not limited to:

- Unauthorized electronic fund transfer
- Incorrect electronic fund transfer
- Statement error regarding an electronic fund transfer
- Computational or bookkeeping error
- Incorrect amount received from an electronic terminal
- Consumer's request for any documentation, information, or clarification of an electronic fund transfer to determine an error

## **Timely Notice**

The bank will consider the notice of an EFTA error on a customer's statement timely if it is received within 60 days after the bank sent the periodic statement. The bank will consider the notice of an EFTA error timely based on documentation or clarification previously requested by the customer, if it is received within 60 days after the bank sent the clarifying information.

The bank will consider the notice of a lost or stolen access device timely if it is received within two business days after the customer discovers the loss or theft of the device. The bank will accept the notice in writing, by telephone, or in person. Customers will be asked to sign a letter of lost or stolen access device regardless of the means of notification.

## **Time Limits and Extent of Investigation**

Citizens Guaranty Bank will investigate each error promptly and determine whether an error has occurred within 10 days of receiving the notice of an EFTA error. If the error involves a transfer to or from the account within the first 30 days after the account was opened, the time limit for investigation may be extended to 20 days. In order to be considered a "new" account, the customer must not have had any other account at the bank for more than 30 days.

If the bank is unable to determine whether an error has occurred within 10 days of receiving the notice, it may take up to 45 days to resolve the error. If the error resulted from a transaction outside of Kentucky or involves a new account, the bank may take up to 90 days to resolve the error.

The bank may limit the investigation of an alleged error to "a review of the bank's own records" where the allegation pertains to a transfer to or from a third party with whom the bank has no agreement for the type of electronic fund transfer (EFT) involved.

In these situations, the bank will review any relevant information contained in its own records for the particular account to resolve the consumer's claim. The extent of the bank's investigation required may vary depending on the facts and circumstances.

However, the bank may not limit its investigation solely to the payment instructions if additional information from the bank's own records pertaining to the particular account in question could help to resolve a consumer's claim.

The following are examples of information that the bank may review in addition to the payment instructions:

- The automated clearinghouse (ACH) transaction records for the transfer
- The transaction history of the particular account for a reasonable period of time immediately preceding the allegation of error
- Whether the check number of the transaction in question is notably out-of-sequence
- The location of either the transaction or the payee in question relative to the consumer's place of residence and habitual transaction area
- Information that may be relative to the account in question and the alleged error that is in the control of the bank's third-party service providers

If the bank extends the time limit for investigating the error, it will provisionally re-credit the customer's account for the amount of the error including interest, if applicable, within the 10- or 20-business-day time limit, unless the bank requested but did not receive a written confirmation of the error notice from the consumer.

The bank will withhold \$50 from the amount re-credited, if the bank has a reasonable basis to believe the error resulted from an unauthorized transfer. If the bank has a contract with VISA or MasterCard for zero liability for unauthorized transactions, the bank will follow their policies as set forth by the contract and in their policy manual.

### **Notifying the Customer**

The bank will notify the customer in writing of the result of its investigation within three business days after completing the investigation and will correct the error within one business day if it determines an error has occurred.

The bank will notify the customer that it is provisionally re-crediting the account within two business days and give the customer full use of the funds during the investigation.

The report of the results of the bank's investigation will include:

- A written explanation of the findings
- A statement indicating the customer's right to request the records the bank used to make its determination
- A statement that an error was made, the nature of the error, and that provisional credit (if given) is final
- A statement that an error was not made, the bank's reasons for that conclusion, and that the consumer's account will be debited for the credit provisionally given, if appropriate

- The date and amount debited from the account
- A statement that the bank will honor checks, drafts, or similar instruments payable to third parties and preauthorized transfers from the customer's account up to the amount of the error without an overdraft charge for five business days after the date of the notification letter

### **Complaint File**

The deposit operations department will maintain the EFTA complaint file. The bank will keep all documentation regarding consumer complaints for two years from the date of the first written or oral notification of an error from a customer. The complaint file will contain:

- A copy of the notice of error
- All correspondence to and from the customer
- All documentation used in the investigation

### **REGULATION CC — SUBSTITUTE CHECK INQUIRIES/COMPLAINTS**

Citizens Guaranty Bank will follow the procedures set forth in Regulation CC, 12 CFR 229.54, for customer claims or inquiries regarding substitute checks.

#### **Circumstances Giving Rise to a Claim**

A customer may make a claim for a re-credit with respect to a substitute check if the customer asserts in good faith that:

- The bank charged his or her account for a substitute check that was provided to the customer (although the customer need not be in possession of that substitute check at the time he or she submits a claim)
- The bank did not properly charge his or her account
- The customer suffered a resulting loss
- Production of the original check or a sufficient copy is necessary to determine whether or not the substitute check in fact was improperly charged or whether the customer's warranty claim is valid

#### **Timing of Claim**

The bank must receive the customer's claim by the end of the 40th calendar day after the customer receives the account statement with the information concerning the transaction, or he or she receives the substitute check giving rise to the claim, whichever is later.

The bank will extend this period if the customer cannot make his or her claim within the 40-day period due to illness or other extenuating circumstances that the bank finds to be reasonable.

The bank will require its customers to make their claim in writing. However, customers may make their initial claim orally and follow it up in writing within 10 days.

### **Content of Claim**

The customer's claim must include the following information:

- A description of the customer's claim, including the reason why the customer believes his or her account was improperly charged for the substitute check, or the nature of his or her warranty claim with respect to such check
- A statement that the customer suffered a loss and an estimate of the amount of that loss
- The reason why production of the original check or a sufficient copy is necessary to determine whether or not the charge to the customer's account was proper or the customer's warranty claim is valid
- Sufficient information to allow the bank to identify the substitute check and investigate the claim

The bank will notify the customer if information is missing and inform him or her of what information is required for the bank to begin its investigation.

### **Action on Claims**

#### *Valid Claims*

If the bank determines that the customer's claim is valid, the bank must re-credit the customer's account for the amount of the customer's loss, up to the amount of the substitute check, plus interest if the account is an interest-bearing account, no later than the end of the business day after the banking day on which the bank makes that determination. The bank will send the customer a notice of its findings using the model forms in the regulation.

#### *Invalid Claims*

If the bank determines that the customer's claim is not valid, it will send a notice using the model forms in the regulation.

### **Re-credit Pending Investigation**

If the bank is unable to complete its investigation by the end of the 10th business day after the banking day on which the bank received the claim, it will, by the end of the 10th business day:

- Re-credit the customer's account for the amount of the customer's loss, up to the lesser of the amount of the substitute check or \$2,500, plus interest on that amount if the account is an interest-bearing account
- Send the customer the notice using the model form in the regulation

- Re-credit the customer's account for the remaining amount of the customer's loss, if any, up to the amount of the substitute check, plus interest if the account is an interest-bearing account, no later than the end of the 45th calendar day after the banking day on which the bank received the claim and send another notice, unless the bank has determined that the claim is not valid

### **Availability of Re-credit**

The bank will make the re-credit amount available for withdrawal no later than the start of the business day after it provided the credit. The bank may delay availability to a customer of a re-credit provided until the start of the earlier of the business day after the banking day on which the bank determines the customer's claim is valid, or the 45th calendar day after the banking day on which the bank received the oral or written claim in the following circumstances:

- The claim was made during the first 30 days the account was opened.
- On six or more business days during the six-month period ending on the calendar day on which the customer submitted the claim, the balance in the customer's account was negative, or would have become negative, if checks or other charges to the account had been paid.
- On two or more business days during such six-month period, the balance in the customer's account was negative, or would have become negative, in the amount of \$5,000 or more if checks or other charges to the account had been paid.
- The bank has reasonable cause to believe that the claim is fraudulent, based on facts that would cause a well-grounded belief in the mind of a reasonable person that the claim is fraudulent. The fact that the check in question or the customer is of a particular class may not be the basis for invoking this exception.

### **Reversal of Re-credit**

The bank may reverse a re-credit that it made plus interest it paid, if any, on that amount, if the bank:

- Determines that the customer's claim was not valid
- Notifies the customer using the model form in the regulation

### **Notices Relating to Customer Expedited Recredit Claims**

#### *Notice of Re-credit*

The bank will send a notice of re-credit to the customer no later than the business day after the banking day on which the bank re-credits the customer's account. This notice must describe:

- The amount of the re-credit
- The date on which the re-credited funds will be available for withdrawal

### *Notice That the Customer's Claim Is Not Valid*

If the bank determines that a substitute check claim was properly charged to the account or that the customer's warranty claim for that substitute check was not valid, the bank will send a notice to the customer no later than the business day after the banking day on which it makes that determination. The notice must:

- Include the original check or a sufficient copy, except as provided in 12 CFR 229.58;
- Show that the substitute check was properly charged or the customer's warranty claim is not valid
- Include the information or documents (in addition to the original check or sufficient copy), if any, on which the bank relied in making its determination, or a statement that the customer may request copies of such information or documents

### *Notice of a Reversal of Re-credit*

If the bank reverses an amount it previously re-credited to a customer account, the bank will send a notice to the customer no later than the business day after the banking day on which it made the reversal. This notice must:

- Include the original check or a sufficient copy
- Show the customer that the substitute check was properly charged or the customer's warranty claim is not valid
- Include the information or documents, if any, on which the bank relied in making its determination or a statement that the customer may request copies of such information or documents
- Include the amount of the reversal, including both the amount of the re-credit (including the interest component, if any) and the amount of interest paid on the re-credited amount, if any, being reversed
- Include the date on which the bank made the reversal

## **MORTGAGE SERVICING ERRORS UNDER THE REAL ESTATE SETTLEMENT PROCEDURES ACT (24 CFR 3500, 12 USC 2601)**

Section 6 of the Real Estate Settlement Procedures Act (RESPA) and section 3500.21(e) of the Department of Housing and Urban Development's (HUD's) Regulation X have certain requirements concerning the bank's duty to respond to borrower inquiries about residential mortgage loans.

### **Qualified Written Request**

It is the policy of Citizens Guaranty Bank to respond to qualified written requests from borrowers about the servicing of their residential mortgage loans within the time limits prescribed by law.

The regulation defines a qualified written request as any written correspondence, other than notice on a payment coupon or other payment medium supplied by the servicer, that:

- Includes, or otherwise enables the servicer to identify, the name and account of the borrower
- Includes a statement of the reasons for the belief of the borrower that the account is in error or provides sufficient detail to the servicer regarding other information sought by the borrower

The bank is not required by regulation to respond to any request that it receives more than one year after the loan servicing was transferred to another servicer or paid in full. However, the bank may choose to do so in the interest of customer service.

### **Responses to Inquiries**

The bank will provide a written response acknowledging receipt of any correspondence relating to the servicing of a mortgage loan within 20 business days (excluding legal public holidays, Saturdays, and Sundays). The written response will take the place of a written acknowledgment of receiving the inquiry.

### **Action Regarding Inquiries**

After receiving the qualified written request, the bank will take action on the request within 60 business days (excluding legal public holidays, Saturdays, and Sundays) or less. The bank will document the actions (before and after) taken in response to the borrower's request and keep the documentation in a file for five years after the date of the request/inquiry. The file will be kept in the loan operations department.

The appropriate documentation will include the following:

- Any corrections made to the account of the borrower, including the crediting of any late charges or penalties, and a written notification of such correction given to the borrower (including the name and telephone number of a representative of the servicer who can provide assistance to the borrower)
- A written explanation or clarification of the results of the bank's investigation provided to the borrower that details the following:
  - To the extent applicable, a statement of the reasons the institution believes the account of the borrower is correct
  - Information requested by the borrower or an explanation of why the information requested is unavailable or cannot be obtained by the servicer
  - Name and telephone number of an individual employed by, or the office or department of, the servicer who can provide assistance to the borrower

## **PERIODIC BILLING ERRORS (REGULATION Z) (12 CFR 226, 15 USC 1601)**

Regulation Z has specific requirements for handling consumer complaints. The regulation provides specific procedures for consumers to follow in questioning creditors about items that appear on their periodic billing statements and also specifies procedures that creditors need to follow after receiving billing inquiries from customers. It is the policy of Citizens Guaranty Bank to comply with all of the requirements of Regulation Z when dealing with billing errors.

### **Types of Errors**

The regulation defines billing errors as:

- Posting a credit that was not made by the consumer
- Extension of credit that is not identified in the periodic statement
- Billing for property or services not accepted by the consumer or not delivered to the consumer as agreed
- Institution's failure to properly credit a payment or other credit issued to the consumer's account
- Computational or accounting error made by the institution
- Consumer's request for additional clarification on an item appearing on his or her periodic statement, including documentary evidence
- Institution's failure to mail or deliver a periodic statement to the consumer's last known address if that address was received by the institution, in writing, at least 20 days before the end of the billing cycle

### **Acknowledging Notice of the Error**

After receiving a billing error notice, the bank will send the consumer a written acknowledgment confirming that the bank received the error notice. The bank will send the acknowledgment to the consumer within 30 days of receiving the error notice. The bank will not provide a written acknowledgment if:

- The consumer notifies the bank (either orally or in writing) that he or she is withdrawing the error notice.
- The bank resolves the dispute within the 30-day period.

### **Timing of Investigation and Resolution of Errors**

The bank will resolve the billing error within 90 days or less, or within two billing cycles, of receiving the error notice from the customer. Two billing cycles means two full cycles after the end of the billing cycle in which notification was received. For example, if the bank receives the notification in mid-August, it has until the end of October to resolve the dispute.

The bank will keep full documentation of its investigation in a file in the loan operations department and will maintain these records for two years from the date of receiving the notice.

### **Corrective Action**

If the bank determines that an error has occurred, it will credit the consumer's account for the disputed amount (and related finance charges) and will send a notice to the consumer that corrective action has been taken. The corrective notice will be sent to the customer in a separate letter and filed in the error resolution file.

If the bank determines that no billing error has occurred, the bank will notify the consumer within 90 days or within two complete billing cycles, whichever is less. In the notification, the bank will:

- Mail or deliver to the consumer an explanation of the reasons it believes the billing error alleged by the consumer is incorrect in whole or in part.
- If the consumer requests, furnish copies of documentary evidence supporting the bank's conclusions.
- If a different billing error occurred, correct the billing error and credit the consumer's account with any disputed amount and related finance or other charges, as applicable.

If the bank has determined that a consumer owes all or part of the disputed amount, including related finance or other charges, it will:

- Promptly notify the consumer in writing of the portion of the disputed amount and related finance or other charges that the consumer still owes and when payment is due.
- Allow any time period during which the consumer can pay the amount due without incurring additional finance or other charges.

### **Resolution of Error Notices — Credit Cards (12 CFR 226.12(c))**

If the consumer submits a billing error notice alleging non-delivery of property or services, or that the information appearing on a periodic statement is incorrect because a person honoring the consumer's credit card has made an incorrect report to the card issuer, the bank will not deny the assertion unless it conducts a reasonable investigation and determines that the property or services were actually delivered, mailed, or sent as agreed or that the information was correct.

### **Relation to Electronic Fund Transfer Act and Regulation E**

If an extension of credit is incident to an electronic fund transfer, under an agreement between the bank and a consumer to extend credit when the consumer's account is overdrawn or to maintain a specified minimum balance in the consumer's account, the bank will comply with error resolution procedures set forth in the policy under Regulation E rather than the requirements under Regulation Z.

### **REGULATION BB — COMMUNITY REINVESTMENT ACT (12 CFR 228, 12 USC 2901)**

The bank will keep all written comments, including complaints, about its record of helping to meet the credit needs of its community and its responses to those comments in its public

Community Reinvestment Act (CRA) file for the current year and the two previous calendar years. The bank will make sure the letters are redacted to ensure that they do not contain any statements that reflect adversely on the good name or reputation of any persons other than the bank. The bank will monitor and respond to these complaints according to the procedures set forth in the fair lending policy.

#### **FAIR CREDIT REPORTING ACT (FCRA)**

We will follow the procedures in our FCRA policy and procedures regarding a consumer's right to directly dispute information furnished to a consumer reporting agency.

#### **FAIR LENDING**

The bank will monitor and respond to complaints regarding fair lending regulations according to the procedures set forth in the fair lending policy.

#### **RETAIL NONDEPOSIT INVESTMENT SALES**

The bank will follow the complaint policy and procedures outlined in the Financial Industry Regulatory Authority (FINRA) rules and regulations and set forth in its retail non-deposit investment sales policy.

#### **CONSUMER PRIVACY**

The directors, management, and staff of Citizens Guaranty Bank are concerned about and respect the privacy of customers'/consumers' personal financial information. The bank understands that its customers furnish sensitive information to the bank in the course of daily business, and it is committed to treating such information responsibly. The bank knows that its customers expect privacy and security for their personal and financial affairs.

The bank will take all the necessary steps to safeguard sensitive information that has been entrusted to it by its customers. The following privacy policy and disclosure outlines the bank's practice regarding personally identifiable financial information for consumers and those consumers who become its customers.

Citizens Guaranty Bank protects consumer privacy by ensuring that only employees who have a business reason for knowing information have access to it. The bank has appointed, Regina Robertson, Chief Operations Officer, who is responsible for maintaining internal procedures to ensure that its customers' information is protected.

Bank staff will be trained to direct all questions/complaints about the bank's privacy policy to the privacy coordinator for investigation and resolution.

The board of directors approved and adopted this policy on \_\_\_\_\_.