

MCGRAW-HILL FEDERAL CREDIT UNION

ASSET AND LIABILITY (ALCO) COMMITTEE CHARTER

I. Purpose

The Asset and Liability Committee (“the Committee”) of McGraw Hill Federal Credit Union (“the Credit Union”) assists the Board of Directors by ensuring that policies are in place to preserve the integrity of the Balance Sheet.

II. Organization

The Committee shall consist of three to five Board members, one of whom will be the Treasurer. Any member of the Committee may serve as the Chair as long as they meet the qualifications. The members of the Committee shall serve terms of two years, with no less than one member, but no more than three members up for appointment each year. Members serving on the Asset and Liability Committee may not also hold a position on the McGraw Hill Federal Credit Union (MHFCU) Supervisory Committee. No member of the ALCO Committee may be compensated as such. Not more than one member of the Committee may be appointed as a loan officer.

The Committee, with appropriate authority from the Board, may delegate certain components of its responsibilities and duties, as it deems appropriate to (1) subcommittees comprised of the Committee's own members or (2) Officers of the Credit Union or Committees comprised of Officers of the Credit Union with concurrence from the CEO. Each such delegation shall be reflected in the minutes, reported to the Board and be in one or more of the Financial Policies.

Committee members must meet the qualifications set forth in the MGFCU Director Criteria. Committee members, as a group, shall ensure they maintain the qualifications necessary to ensure the Committee's particular fiduciary responsibilities can be effectively executed.

III. Structure and Meetings

- The Committee shall convene at least one meeting each quarter and more frequently as needed to support management and the annual budget planning and review process. Each Committee member shall participate in at least one of the weekly management led ALCO each quarter.

- Meeting agendas and minutes will be prepared and distributed.

IV. Goals and Responsibilities

The ALCO Committee has the authority to conduct or authorize the investigation into any matters within its scope of responsibilities as part of its oversight role. Specific duties include:

1) General Financial Responsibility

- The Committee shall meet with management as it deems appropriate to discuss identifying significant financial risk exposures facing the Credit Union and the steps management is taking to monitor and control these exposures.
- Monitor the Credit Union's treasury responsibilities related to capital adequacy, interest rate risk management and funds management, including cash, investment and borrowing activities.
- Monitor the management of credit risk, inclusive of an annual review of the allowance of the loan loss by the Credit Union's Chief Loan Officer and Chief Financial Officer.
- Monitor any significant transactions outside the Credit Union's ordinary course of business.
- The Committee may consult with such officers as they deem appropriate concerning financial matters that have a significant impact on the Credit Union's financial condition, earnings, or policies.
- Monitor aspects of financial activities of the Credit Union's CUSO's (if any) that are material to the Credit Union's reserve position.

2) Policy Oversight

- The Committee will review and determine whether to approve transactions that are subject to the Committee's authority.
- The Committee will review and make recommendations to the Board as to approval of transactions that are subject to the Board's authority.
- The Committee will have oversight responsibility for the following policies:
 - Member Shares, Deposits and Non-Deposit Investment Products;
 - General Loans;
 - General Member Business Loans;

- Mortgage Lending Member Business Loans;
- Investment.
- Asset/Liability Management
- New Product Development

3) Guidance Oversight

The Committee will review, at least annually, guidelines for the following:

- Capital Adequacy;
- Liquidity- Operational and Contingent;
- Net Interest Income;
- Net Economic Value;
- Interest Rate Risk;
- Authorized Wholesale Funding Limits.

The Committee will document their reviews in the minutes.

4) Loan Review

The Committee shall:

- Appoint one or more loan officers and delegate to those officers the power to approve or disapprove loans, lines of credit or advances from lines of credit.
- Review denied loan applications of members who file written requests for review. At its discretion the Committee may overturn denials of loan applications. The Board, upon written request of the member, must review any denial of a loan by the Committee.
- Ensure all actions are compliant with regulatory requirements.

5) Other Responsibilities and Duties

- The Committee shall report its activities, finding and recommendations to the Board regularly.

The responsibilities set forth in this Charter should serve as a guide only, with the express understanding the Committee may carry our additional responsibilities and duties, and adopt additional policies and procedures as may be necessary in light of any changing business, legislative, regulatory, legal or other condition.

V. Committee Resources

The Committee shall have the sole authority to retain or terminate consultants to assist the Committee in the fulfillment of its duties. The Committee shall have sole authority to determine the terms of engagement and the extent funding is necessary for payment to any counsel, advisor, consultant or other professional retained to advise the Committee. The Committee also shall have sole authority over ordinary administrative expenses that are necessary or appropriate in carrying out its duties.

VI. Disclosure of Charter

This Charter will be made available on the Company's Web site at www.mcgrawhillfcu.org.

Drafted: July 14, 2010
Approved: July 20, 2010