

CREDIT UNION

LOAN POLICY MANUAL

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Credit Union Philosophy

Credit Union Philosophy

We believe this page is the most important page of our loan policy. Our Board of Directors, our various Committees, Senior Management Team and staff all support this philosophy. All our new employees or volunteers will read and have explained to them what this philosophy means and will subscribe to this philosophy.

It is the philosophy of **(Insert CU Name)** Credit Union to help as many of our members as possible with their credit needs. Our credit union believes in relationship lending. We have strong evidence, based on years of experience, that members pay us when they do not pay others. **While we will not ignore the fact that others may not be getting paid we also will not solely use that as a reason to deny the loan if it is evident the member has and will continue to pay the credit union.** The credit union will also consider a member's credit score but will not deny a loan due to a credit score. The credit union understands that credit scores are very volatile plus can and will change quickly. Our mission is to counsel our members regarding their credit scores and show them how to dramatically improve their credit scores. **We want to show our members how to pay us less.**

We believe lending has been and still is a judgment business. While we will instruct our staff to use good judgment in decision making; they are not to judge a member's character. None of us are qualified to judge someone's character. We realize that bad things happen to good people. We also realize that under enough pressure, our members can and will make mistakes. We also believe our members deserve a chance to get a fresh start. **The only reason we believe a member should ever be turned down is when our loan officers or decision makers believe the member will not pay the credit union.** We expect our employees to be honest with the members in communicating their decisions and then to listen to the member's response. **It is more important that our employees make the right decision than to personally be right.**

Finally, **we believe that training our employees has to be our highest priority and under no circumstance will we compromise training.** Our members deserve to talk to highly motivated and highly trained employees who are positive and really care. This is our philosophy.

General Policy Statements

A. Statement of Purpose

The Board of Directors of (Insert CU Name) Credit Union shall establish policies to ensure that loan services to members shall be fair, equitable and in the best interest of all members of the credit union.

Board and management will review and monitor the entire lending process each year and make any changes to policy deemed necessary. Additionally, the credit union's legal counsel will review the lending policies and recommend necessary changes periodically.

B. Non-Discrimination

Limitations

Loan policies of the **(Insert CU Name)** Credit Union are established within the limitations imposed by State Statutes, Federal Credit Union Act, Rules and Regulations of the State and the National Credit Union Administration, **(Insert CU Name)** Credit Union's by-laws and sound management practices. It is the credit union policy to not discriminate in any credit decision on the basis of race, color, religion, national origin, disability, sex, marital status, familial status, or age (provided the person has the capacity to enter into a binding contract); because all or part of a person's income derives from any public assistance program; or because a person has in good faith exercised any right under the Consumer Credit Protection Act.

C. General Lending Considerations

1. Exceptions to Policy

Any exception to loan policy shall be approved by the credit manager and be reported to the Board of Directors.

2. Loans to Minors

Loans may be made to any member who is legally able to contract. Loans may be approved for members unable to legally contract when a guarantor, who is of legal age to contract agrees to guarantee or co-sign the loan along with the minor. Guarantors must be of the immediate family or legal guardian of the member. Minors are ineligible for revolving loans.

3. Purchase of Insurance

The credit union will not require borrowers to purchase insurance from a particular insurer or insurance agent. The credit union understands the importance of protecting the loans and will show the member the benefits of the insurance while allowing the member to make their own decision.

D. Controls and Underwriting

1. Quality Control of Underwriting

All loan officers will exercise good judgment. Factors including, but not limited to, credit history, payment history, employment and income stability, level of indebtedness, loan type, loan term, and net worth must be taken into account as a part of credit judgment. **The credit union will focus more on the probability the member will pay the credit union and lesser on how the member has paid others.** The credit score is just one of many tools the credit union will use.

The quality control program utilized by this credit union involves a monthly verification of loans produced by employees with lending authority. The actual percentage of loans to be pulled will be determined by the credit manager. The vice president of lending, credit advisor manager, and/or vice president of operations may request additional levels of review if problems are believed to be present. The Board of Directors will receive a summary of all reviews monthly in their board packets. Additionally, the board will receive a quarterly report on the credit quality mix of all non-credit card loans as defined by credit scores.

It is the responsibility of the credit manager to monitor the gross and net loan yield by product type and grade of paper after charge-offs and cost of collections. The credit union, in an effort to serve all its members, is not trying to avoid risk but manage its responsibility.

2. Previous Losses

The credit union will make every effort to recover any losses it has suffered from a member that is legally collectible. **The credit union will not deny services or future loans to a member who was discharged in bankruptcy and caused the credit union a loss.** The member will be given two options if the credit union suffered a loss due to bankruptcy:

Option One: Voluntarily pay the loss at 0% interest and get a new loan at a rate consistent with their credit score before their bankruptcy. The credit union will only honor this on the first loan after bankruptcy and this will be explained to the member. Future loans will be at a rate consistent with the member's credit score. The member will sign a statement that this previous loan is not legally collectable and that the credit union will in no way attempt to enforce collecting the loan. We realize that many members who wanted to pay the credit union were told they could not pay the credit union and that a reaffirmation would not be approved by the trustee, their attorney or bankruptcy judge. This is why no effort will be made by the credit union to collect the loan.

Option Two: Do not pay the loss and pay a rate consistent with their current credit score.

3. Employment and Income Verification

The credit union will generally verify income and/or employment if the loan officer has a reason to believe there is a reportable difference or as specified below. When verifications are obtained, the credit union staff will see a pay stub, W2 form, or other form of proof. However, this will be done on an exception basis. This policy also includes self-employed members.

(Insert CU Name) Credit Union will generally, but not always verify income on all applicants who are rated C, D, or E tier paper. Income verification will not be required for consumer loans including pre-approved loan promotions where the members meet A or B quality of credit standards. An applicant's credit rating is determined and assigned based on the credit bureau's credit score listed below:

Example:	730+	=	A+
	680 – 729	=	A
	640 – 679	=	B
	600 – 639	=	C
	550 – 599	=	D
	549 and below	=	E

Generally, real estate loan underwriters will verify income for all Fannie Mae eligible 1st mortgage loans. However, for non-conventional and home equity real estate loans, loan underwriters will verify income if they view the risk associated with the loan merits income verification.

On indirect lending, the credit union will use more caution in verifying income as car dealers may inflate the income or the loan may be a straw purchase.

Other Household Income

Other household income may be used when the member has significant joint obligations that are reflected on their credit bureau report. Proper documentation is needed in notes. The following information must be listed in notes:

- Name
- Employer name
- Employer phone number
- Length of employment
- Job title
- Date hired; if less than two years previous is needed
- Salary information

Rental Income

The credit union recognizes that members have rental income that is not always verifiable as members not always report this income. If the member has good credit

and it is apparent they have this income and they are making the payments on the rental property, the credit union will include this income, even though it is not verifiable.

4. **Bankruptcy Indicators**

The credit union will treat members who have been bankrupt the same as any other member. The credit union's lending staff generally will avoid making unsecured loans if the following indicators of bankruptcy potential are present:

- a. **High level of unsecured debt** exists (over 35% of the member's gross annual income)
- b. **Escalating debt** (a majority of the unsecured debt occurred within the past 18 months)
- c. **Capacity** (balances are near or exceed limits = over 60% of capacity has been used up)
- d. **Excessive number of recent inquires**, suggesting the member has not slowed down their spending. **We will use extreme caution when the number of inquiries exceeds the member's age.**

When reviewing a loan requested from a member with a prior bankruptcy, our lending staff will focus on the following:

- a. When did the member go bankrupt?
- b. Why did the member go bankrupt?
- c. What credit has the member established since bankruptcy? (NOTE: **It is not a problem if the member has established no credit since the bankruptcy.** We are far more concerned with the member who has established too much credit.)
- d. Is the member applying for a secured or unsecured loan?
- e. **How well did the member pay the credit union before bankruptcy?** (NOTE: This is very important to us, not only how well the member paid us but also everyone else.)
- f. **How well has the member paid since the bankruptcy?**

The credit union will actually solicit members who have recently filed bankruptcy, focusing on how they paid before going bankrupt knowing most of these members are debt free. These members should have the ability to pay and they

will need a vehicle or a credit card. Most of these members will get credit somewhere, so why not us.

5. **Derogatory Items**

Those items found on the credit bureau report, which are considered as derogatory items will be addressed and documented by the loan officer as a part of the regular interview process. **Proof of payment will not normally be required.**

6. **Employee Loans**

Employees are encouraged to borrow from their credit union and will be treated just like other members. **The credit union believes that if we cannot get our own employees' business, then we will have a difficult time getting the member's business.**

Employees' applications shall be referred to the credit manager. Members of the immediate families of employees require the signature of both a loan officer and a member service officer for approval. Members of the immediate families shall be defined to include parents, children, spouse, or surviving spouse or any other relative by blood marriage or adoption even though such individuals do not reside in the same household. Share secured loans are exempt.

The credit committee is needed for the following employees: executive officers (AVP, VP, and CEO), directors, credit manager, and members of the supervisory, audit, and credit committee. For loans less than \$20,000, the credit committee is not required, only the credit manager. The credit committee can consist of internal employees who are senior management as opposed to volunteers.

Employees only will be offered a 2% discount on all loans as a benefit of working for the credit union. If the employee leaves their employment with the credit union, their rate will convert back to the same rate any non-employee would pay at the time the loan was granted, in most cases this would be 2% more.

Any employee or member will be issued a credit card with a \$500 limit that has to direct deposit or payroll deduction. The employee or member will be counseled on the importance of not maxing out the card and will understand the limit will not be increased until they demonstrate they can manage their credit.

7. **Official's Loans**

No preferential treatment will be given as to:

Credit Union "officials" (directors, officers, members of the credit committee, members of the supervisory committee, credit manager and any other person authorized to approve extensions of credit)

Immediate family members of credit union officials

Any individual with a common pecuniary interest with a credit union official or the immediate family member of a credit union official

Note: The credit union should check with their attorney to see if this is a violation of the regulations by rewarding all direct deposit or payroll deduction members and employees with the credit union's credit card.

8. **Board Approval**

A majority quorum of the Board of Directors, with any interested director abstaining from the vote, must approve loans made to or guaranteed by a credit union official or a "related interest". A "related interest" is defined as:

- a. A credit union official's interest in a partnership as a general partner.
- b. Any limited partnership, corporation or other business organization as to which a credit union official:
 - i. Owns, controls or has the power to vote 25% or more of any class of its voting securities
 - ii. Controls in any manner the election of a majority of its directors
 - iii. Has the power to exercise a controlling influence over its management or policies

Approved loans will be recorded in the minutes of the Board of Directors meeting. All extensions of open-end credit over \$20,000 require annual review by the Board of Directors. The credit manager shall cause a review of these open-end loans to ensure they remain credit worthy as defined by this policy and good lending judgments. The results of this review shall be reported to the board along with any exceptions and noted in the minutes of the board meeting.

A loan made to or guaranteed by a credit union official or their "related interest" does not require the Board of Directors' approval if:

- a. The loan is secured by shares or deposits.
- b. The loan or the aggregate of loans to the credit union official and their "related interest" do not exceed \$5,000.

E. Risk Based Pricing, Managed Risk Lending

1. Background

In an effort to expand the ability to make more loans, many credit unions and other financial institutions are pricing loans according to default risk. Risk based pricing involves setting a tiered pricing structure that assigns loan rates based upon an individual's credit risk. Through a carefully planned risk based lending program, lenders may be able to make loans to somewhat higher risk borrowers as well as better serve their more credit-worthy members. **(Insert CU Name)** Credit Union recognizes the importance of managed risk lending.

2. Why Risk Based Pricing?

The credit union has adopted risk based pricing to be more able to become the lender of choice for all members by offering the best possible rate based upon each individual's credit history. Less credit worthy members benefit by qualifying for a loan with the credit union instead of resorting to higher cost alternatives such as finance companies. Members with a good credit history may qualify for lower rates rather than seeking other financial institutions offering preferential rates to high quality applicants.

3. Advantages

- a. Loans are available to a broader member base.
- b. Increased profitability/capitalization and loan volume.
- c. Allows the credit union to manage versus minimize risk.
- d. Ability to say "yes" to most members.
- e. Improves our competitive advantage.

4. Loans Eligible for Risk Based Pricing

The loans ultimately qualifying for risk based pricing include:

- a. Auto Loans
- b. Boat Loans
- e. Recreational Vehicle Loans
- f. Motorcycle Loans
- g. Balloon Note Loans
- h. Signature Loans
- i. Lines of Credit
- j. Home Equity Loans
- i. Portfolio First Mortgage Loans
- j. Chattel
- k. Credit Cards

5. The credit union understands there are basically four types of risk when it comes to granting loans:

a. **Liquidity Risk**

The credit union has no money to loan out as the demand for loans has exceeded the growth in deposits. The credit union will maintain lines of credit to insure money will always be available for member loans.

b. **Interest Rate Risk**

Interest rate risk is defined as the credit unions inability to adjust rates in a rising interest rate environment. The credit union will protect against interest rate risk by:

- Having an adequate percentage of re-priceable loan products in the credit union portfolio.
- Using a tiered system on interest rates on signature loans.
- Using a tiered system for interest rates on vehicle loans to offer flexible rates for short and long term loans. The longer the maturity, the higher the rate.

By using a tiered approach and multiple pricing by product, the credit union can maintain margins as rates go up or down.

c. **Default Risk**

Default risk is defined as the chance taken that the member will not pay his/her financial obligation with the credit union. **(Insert CU Name)** Credit Union will always use judgment in granting loans.

d. **Collateral Risk**

Collateral risk is measured by the loan to value of the collateral the credit union is using to securitize the loan.

6. **Rates**

Loan rates will be adjusted periodically for each risk based category.

7. **Discounting Rates**

The credit union will discount its rate to members who represent less risk based on the down payment they make, electing to have an automated payment plan and

protecting their loan with the credit union's payment protection plan. The maximum discount will be:

A+ and A paper: up to 1%

B and C paper: up to 2%

D and E paper: up to 3%

8. **Multiple Scores, Choosing the Right Rate**

When determining the rate to charge:

- a. If two or more credit scores are offered, the credit union will adhere to the following:
 - i. **In the event of two signers (joint borrowers or maker and co-maker) the credit union will use the average of the two credit scores.**
- b. **If there is no credit score due to:**
 - No Credit: The credit union will assign a score of C paper
 - Credit but No Activity:
 - If the credit is good; a score of A paper
 - If the credit is bad; a score of E paper
- c. **The credit union will refinance a member's loan at a lower rate anytime if the member has improved their credit score by cleaning up their credit. The new rate will be based on the current rates that the member qualifies for at the time of refinance.**

9. **Mix of Risk Base Priced Loans**

The goal of **(Insert CU Name)** Credit Union is to make safe and sound loan decisions. Maximum limitations of high risk tiers will be established, although it is understood that the mix by category will typically be much lower. Both the Board of Directors and Management acknowledge responsibility of monitoring the quality of the loan portfolio. This will be accomplished through a quarterly report, which will document the current mix of risk base priced loans. Limits exclude credit cards, which cannot be tracked operationally in the same manner as other loans.

The total amount in higher risk tiers will not exceed the balances as described below:

D tier 20% of the total risk based unsecured loan portfolio

E tier 10% of the total risk based unsecured loan portfolio

NOTE: The credit union can adjust the above based on the type of members we are serving in an effort to truly be able to serve the underserved.

10. Matching Rates

The credit union has the authority to match a competitor's rates and terms when it is in the best interest of the credit union. The credit union will not require proof of rates or terms, simply the name of the financial institution and the rate the member was promised and that the member had applied and been approved. The credit union will use good common sense in matching rates such as we do not believe E paper members were approved for A paper rates. Loans will be lowered by:

A+ and A paper: up to 1%

B and C paper: up to 2%

D and E paper: up to 3%

Note: The above discounts or matching rates are cumulative and cannot exceed the maximum 3% for D and E paper.

The loans ultimately qualifying for matched rate pricing include:

- Auto Loans
- Boat Loans
- Recreational Vehicle Loans
- Motorcycle Loans
- Balloon Note Loans
- Signature Loans
- Lines of Credit
- Home Equity Loans
- Mortgage Loans

Term may be extended up to six months if loan contains value added products.

11. Setting Rates

The Board of Directors empowers the CEO to adjust rates as deemed necessary by competitive practices. A survey of current market rates will be conducted as needed. Loans may not be more than 1% less than the lowest rate or 1% more than the highest rate.

Competitive sources include:

- Banks
- Credit Unions
- Finance Companies
- Businesses offering finance options

12. **Pricing Loans**

a. **Consumer Loans**

Loans will be priced using the credit score. The Board of Directors will receive a quarterly rate update that includes market information.

Listed below are the credit bureaus and the scoring models they use:

<u>Name of Credit Bureau</u>	<u>Model</u>
Equifax	Beacon
Experian	Fair Isaacs
TransUnion	Empirica

The credit manager adjusts assigned scores as needed to be competitive in the market place when it is in the best interest of the credit union.

Loan officers will use the interest rate schedule to price loans

b. **Real Estate Loans**

- Up-front paid points and fees may be charged to cover administrative costs of underwriting, inspections, and the maintenance of escrow.
 1. Variable-rate mortgages will be indexed to the New York prime, as quoted in the *Wall Street Journal*.
 2. Adjustable-rate mortgages will be based on one-year constant maturity/treasury yield.
 3. **(Insert CU Name)** Credit Union portfolio loans will be priced using the credit score. Higher risk loans will receive higher rates based on their credit score.
 4. Setting Rates – the Board of Directors empowers the CEO to adjust rates as deemed necessary by competitive practices. A survey of current market rates will be conducted as needed.
- **Correspondent First Mortgage Loan Program**

Rates will be set on a daily basis according to the respective correspondent requirements.

- **Real Estate Loans Sold on the Secondary Market**

Rates will be set on a daily basis according to the respective correspondent requirements.

- **Programs**

Real Estate loan programs consist of: Fixed, Interest only, and Adjustable-Rate Mortgages.

F. Terms

The credit union will first and foremost always provide the member a payment the member is most comfortable with. We want our employees to learn to sell to the payment. The payment the member selects must in the best interest of the member and the credit union. A recommended guideline for terms is as follows:

- Auto Loans 84 months (exception if approved by level 3 with justification)
- Boat and RV Loans 15 years (recommend 15 year amortization with a 5 year balloon)
- Motorcycle Loans 84 months
- Chattel Loans 60 months
- Signature Loans 60 months
- Home Equity Loans 15 years (The credit union will guarantee the rate for up to 15 years however if the member is willing to share the risk they can get a lower rate by using a five year balloon.)

G. Blended Rates

In efforts to recapture loan business, the credit union will offer a blended rate for partially secured loans.

Example:

Value of Car	=	\$18,000
Pay Off On Car	=	\$20,500
Grade of Paper	=	“D”
Secured Rate	=	14.25%
Unsecured Rate	=	18.00%
% of Loan Secured \$18,000/20,500	=	87.8%
% of Loan Unsecured \$2,500/20,500	=	12.2%

$$87.8\% \times 14.25\% = 12.51\%$$

$$12.2\% \times 18.00\% = \underline{2.20\%}$$

$$\text{Blended Rate} = 14.71\% \text{ vs. } 14.25\%$$

Note: If you price auto loans according to loan to value as is recommended, you will not need to do the blended rate.

H. Consumer Loans

1. Secured Versus Unsecured

Loans shall be secured with appropriate collateral when good judgment dictates the credit union needs collateral. We also understand that lots of members prefer to borrow from the credit union with no collateral and will be allowed to do so as the credit union gives up yield by taking collateral when collateral is not needed. The difference in payments will be discussed with the member. The value of collateral will be documented.

2. Unsecured Guidelines

As a guideline, a member's total unsecured debt should not exceed more than 35% of his/her gross annual income. **The credit union will generally not loan members more than four times the monthly gross salary including the unsecured debt they have elsewhere unless the credit union is paying off the unsecured debt.** See Lending Authority Matrix for approval authority.

3. Maximum Loan Limit

A member's total loan obligation to (Insert CU Name) Credit Union shall not exceed \$_____ for unsecured loans. Secured loans should not exceed \$_____. These limits exclude limits established in the business lending policy.

4. Termination of Lines of Credit and Credit Card Limits

Unsecured lines of credit loans or credit cards will be revoked by the credit manager or level 2 loan officer or higher when it is determined the credit union's interests are at an unacceptable risk level. We will instruct our employees not to over react to a delinquency or over-limit as the credit union is compensated with fees. Before canceling a credit card or lines of credit, we require a new credit bureau report with a complete analysis.

5. Annual Review of Revolving Credit

The CEO will conduct an annual review of all revolving unsecured lines of credit on C, D, and E paper and a two year annual review on A+, A, and B paper.

6. Automobile Insurance Requirement

Comprehensive and collision coverage with appropriate deductible is required on loans over \$10,000 only. (Insert CU Name) Credit Union shall be listed as Loss Payee. The credit union has the option to add Collateral Protection Insurance (CPI) on loans where the member's automobile insurance was dropped or canceled. Recognizing the fact that the member cannot afford their own insurance or that their

insurance was cancelled, the credit union believes this could be a sign that the member is having serious financial problems; therefore our policy is:

- **Order a new credit bureau report at the time the insurance is added; if the score has dropped substantially and the member is struggling to pay, consider picking up the auto.**
- **Since the cost of the insurance is high, the credit union will not add insurance on balances under \$10,000. (NOTE: This amount has to be determined by each credit union and the Board of Directors based on the level of risk they are comfortable with.)**

7. **Age of Collateral**

The credit union will finance any vehicle, regardless of age, as long as the credit union can determine the value of the vehicle.

8. **Redeeming of Security**

Share pledged loans shall be redeemed with the security when good judgment dictates and when it is determined by the credit manager or the level 2 loan officer or higher that the credit union's interests are at an unacceptable risk level.

Policies on Specific Type Consumer Loans

New and Used Autos

We may finance up to MSRP plus one month gross income. We may finance up to retail plus one months gross income on used autos.

Members have the option to receive a pre-approved draft.

Income may be required to be verified. If it is determined that the possibility of the vehicle would be used for the business then this loan should be referred to the “business lending department”.

Who Can Approve	See Lending Authority Matrix If level 2 or 3 loan officer disagree with the level 1 loan officer and want to reject the loan, they must first talk to the member. Minimum loan amount \$500.
Term & Rates	See current rate sheet

New and Used Boats

We may finance up to MSRP. **Great caution will be exercised in financing retail because of the large mark up on these loans.** We may finance up to retail plus one months gross income on used boats. All boats financed must have a boat trailer included as part of the security on the loan. Exceptions to this would be large boats that are docked at a marina. If the boat is registered with the Coast Guard, the loan must be approved by a level 3 loan officer, additional documents may be necessary.

Older Boats/Motors-5 Years and Older

Once the loan is approved, applicants with a beacon score below **639**, that are purchasing a boat 5 years or older **from an individual**, must do the following:

- A certified compression check to insure the overall operation of the motor is required. The cost for the compression check will be paid by the member and can be added to the loan amount.

In the event the member lives out of town with prior approval, the member may use an outside marina.

UCC1 is required on all boat loans.

Who Can Approve	See Lending Authority Matrix If level 2 or 3 loan officer disagree with level 1 loan officer and want to reject the loan, they must first talk to the member. Minimum loan amount \$500.
Boat size and term of loan	There is no boat size limit.
Term & Rates	See current rate sheet
Down Payment Requirements	The credit union recognizes that big ticket luxury items have a lot of markup. It is expected that the member should get a good discount due to the markup.

New and Used RVs

We may finance up to MSRP. Great caution will be exercised in financing retail because of the large mark up in these loans. We may finance up to retail on used RV's. Since there is a big markup in RV's, it is expected that the credit union would finance less than retail.

If the RV is self contained, includes bathroom, then a certificate of non-dwelling is required.

Who can Approve	See Lending Authority Matrix If level 2 or 3 loan officer disagree with level 1 loan officer and want to reject the loan, they must first talk to the member. Minimum loan amount \$500.
Condition Report	A condition report must be completed on all RV's over \$30,000 that are 5 years or older purchased from an individual.
Term & Rates	See current rate sheet

Motorcycle Loans

We may finance up to MSRP plus one months gross income on a new motorcycle. We may finance up to retail plus one months gross income on used motorcycles.

If the loan is less than \$10,000, the member may choose not carry casualty insurance, but the rate will be 2 basis points higher then the current listed rate.

Who can Approve	See Lending Authority Matrix. If level 2 or 3 loan officer disagree with level 1 loan officer and want to reject the loan, they must first talk to the member.
Terms and Rates	See current rate sheet

Unsecured Loans

There are three forms of unsecured loans which consist of lines of credit, Visa and signature loans.

Maximum Unsecured Limit	A member's total unsecured loans with <u>(Insert CU Name)</u> Credit Union shall not exceed \$_____. The member's unsecured limit with the credit union may not exceed 35% of their combined household annual income. The minimum loan amount is \$500.
Who Can Approve	See Lending Authority Matrix *Note total indebtedness for any one member cannot exceed \$1,250,000.
Term & Rates	See current rate sheet

Credit Cards

Visa Platinum	Insert CU Credit Card Number???	Limit \$500 - \$_____ Based on credit score
Terms & Rates	See current rate sheet	

Limits will be based on:

- A+/A paper up to 4 times the member's monthly gross income (requires level 3 approval)
- B/C paper up to 2 times the member's monthly gross income (requires level 1 and level 2 approval)
- D/E paper up to 1 time the member's monthly gross income

Note: The credit union also reserves the right to match a competitor's limit when good judgment dictates.

Revoking Credit Cards

Revoking credit cards or line of credit requires level 2 or 3 loan officers or the collection manager. The member must receive an adverse action letter stating their credit card limit has been revoked.

Written notification must be sent to the credit card coordinator requesting revocation of the card.

Credit Re-Builder Loans

Credit Re-builder loans are a special loan product set to give members extra cash for the holidays or any other reason, but at the same time help the member improve their credit score. Please note this product can be used anytime throughout the year.

Loan Criteria	<ul style="list-style-type: none">• The credit score is not a factor; the credit union will market to scores of 639 or below.• Current member in good standings.• Score enhancement action plan must be completed.• Member must have a checking account.• Direct deposit-payroll deduction is strongly encouraged.• Payment protection is strongly suggested.
Who Can Approve/Additional Terms	<ul style="list-style-type: none">• All qualified members are pre-approved.• Amounts of \$500 to \$1,000.• Member must have a steady income with a strong likelihood that the income will continue.• No credit report is required but it is encouraged so that the credit union can look for other opportunities such as a car loan.• The member cannot be denied due to their credit or credit score.• The member will strongly be encouraged not to stop the automated payment plan with the promise that if this loan is handled well, they can add an additional \$500 to their next loan.
Term & Rates	<ul style="list-style-type: none">• 12 month term.• 18% rate (for federal credit unions, state credit union can charge up to 21% if permitted) regardless of credit score since no credit report is required.

First Time/Young Borrowers Underwriting Guidelines

1. Know something positive about the member.
2. Are their parents members?
3. What is their motivation?
4. Is this the first car they have ever purchased from a dealer?
5. Do they know or did they look up the value of the car they are buying?
6. Do they have a commitment for insurance?
7. Do they know the cost of insurance?
8. Where is their checking and savings accounts?
9. How much money have they saved to put down?
10. What is their level of education?
11. How did they get their last job, did they know someone?
12. What is their performance evaluation like?
13. Do they like their job?
14. The loan request should not exceed 50-75% of their member's gross annual income.
15. Direct deposit if possible.
16. Payment protection plan strongly encouraged.
17. Try to get equity/down payment on vehicle.

Note: Co-signer (if needed) must be strong; preferably parent who is a member and has credit established for age and is not a bankruptcy threat.

Consumer Credit Counseling Loans

Members who are on a payment schedule with consumer credit counseling service shall have loan interest rates adjusted as approved by the credit manager. A new credit report plus a detailed list of the plan and all the creditors must be included.

Monthly payments may be reduced by the credit manager provided there is no negative amortization of the loan.

The member will not be automatically denied for future credit but instead be given high marks for paying their bills and not going bankrupt.

Bounce Free Loans

Bounce Free loans are offered when a member's checking account has been negative up to forty-five days and no longer then sixty days.

Bounce Free charge off is offered when a members checking account has been charged off.

Primarily Bounce Free loan request are handled thru the collection department.

Who Can Approve	A designated collector will handle all loan request.																								
Terms and Rates	<div>Terms:</div> <table><tr><th>Balance</th><th>Loan Term in months</th></tr><tr><td>100</td><td>2</td></tr><tr><td>200</td><td>3</td></tr><tr><td>300</td><td>4</td></tr><tr><td>400</td><td>5</td></tr><tr><td>500</td><td>6</td></tr><tr><td>600</td><td>7</td></tr><tr><td>700</td><td>8</td></tr><tr><td>800</td><td>9</td></tr><tr><td>900</td><td>10</td></tr><tr><td>901-1000</td><td>11</td></tr><tr><td>1000 or greater</td><td>12</td></tr></table> <div>* Note terms cannot be extended Rate: 17.99%</div>	Balance	Loan Term in months	100	2	200	3	300	4	400	5	500	6	600	7	700	8	800	9	900	10	901-1000	11	1000 or greater	12
Balance	Loan Term in months																								
100	2																								
200	3																								
300	4																								
400	5																								
500	6																								
600	7																								
700	8																								
800	9																								
900	10																								
901-1000	11																								
1000 or greater	12																								
Loan Requirement	<div>Checking account must be negative forty-five days no longer then sixty.</div> <div>No skip payments</div>																								

Chattel Loans

A chattel loan is a secured loan by an item that may or may not have a title. Examples are: Computer, Boat Motor, Dirt Bike, ATV, or Jet Ski

Chattel loan over \$1500.00 require a UCC1.

Who Can Approve	See our Lending Authority Matrix If level 2 or 3 loan officer disagree with level 1 loan officer and want to reject the loan, they must first talk to the member.
Term & Rates	See current rate sheet

Certificate/Share Loans or Share Estate

Certificate secured or share loans do not require verifying income or pulling a credit bureau report. The funds securing the loan must be on deposit at the credit union. The certificate of deposit or savings will be pledged or have a declining hold which remains equal to the existing loan balance. **IRA accounts do not qualify.**

A share estate loan is designed to help a member establish their credit history. The loan proceeds must be deposited into their regular shares and a permanent hold placed on those funds until the loan is paid in full.

Who Can Approve	Level 1-3 can approve up to 100% of the savings or Certificate of Deposit amount.
Rate	See current rate sheet

Youth Loans

Youth loans are designed to support the efforts of families attempting to teach money management skills to their teenagers. The youth must be 15 years old not to exceed 18 to qualify for loan.

Anyone under the age of 18 is not of legal age to contract; therefore no credit report is required on the youth. The parent(s), grandparent(s), or guardian will be legally responsible. The loan decision is only based on the legally responsible party. The title/registration must include the legally responsible party's name.

Who can approve	Level 2-3 Loan Officers If level 2 or 3 loan officer disagree with level 1 loan officer and want to reject the loan, they must first talk to the member.
Loan Products	All loans except RV and boat loans
Rate & Terms	See current rate sheets

I. Loan Approval Authority

Level 1 loan officers are authorized to approve A and B category loan applications that meet the following criteria:

- Total outstanding unsecured debt - Member's total unsecured debt is not more than 35% of their gross annual income. Generally, this will not include limits. The credit union will give a lot of consideration to limits when it's evident the member maxes out all their new credit cards. The credit bureau report will be used as a tool to determine this tendency. Student loans are not included in the unsecured debt total. All unsecured loans and lines of credit as well as credit cards plus any amount the member is upside down on with a car loan will be considered.
- The unsecured amount of the proposed loan does not exceed 35% of the member's annual gross income.
- All vehicle secured loans where total loan does not exceed 50% - 75% of the gross annual income. (75% when that member has little or no other outstanding debt).

Any loan referred to a level 2 loan officer or higher must be fully developed and include a recommendation by the level 1 loan officer.

Level 2 and level 3 loan officers may approve all exceptions to level 1 loan officers. Level 1 loan officers will not have loan denial authority. If a level 1 loan officer wants to approve a member that the level 2 or 3 loan officer wants to deny, they must talk to the member as this often can and will change their mind.

For more information on levels 1, 2 and 3 loan officers please see the Lending Authority Matrix.

J. Lending Authority Matrix for Decision Making

Matrix

The credit union believes in empowering its employees to make loan decisions, in an effort to empower as many employees as possible, the credit union is using a lending authority matrix with level 1, level 2, and level 3 loan officers. The requirements to be a loan officer are listed following the matrix. (The matrix is located on the next page.)

Lending Authority Matrix			
Employees are empowered to approve loans or in some cases, deny loans if all of the following conditions are met.			
Condition	Level 1	Level 2	Level 3
1. Risk Score	640 +	550+	Any Score
2. Valid Credit Report	- 4 trade lines - 2 yrs. est. credit - 1 trade line in excess of \$5,000	same same same	N/A N/A N/A
3. Max. Loan Amt. Unsecured	To: \$10,000 not to exceed	To: \$15,000 not to exceed	To: \$30,000 not to exceed
	- 3 times mo. gross income on scores of 680+	- SAME	- 4 times mo. gross income on scores of 680+
	- 2 times mo. gross income on score of 640-679	- 2 times mo. gross income on score of 600-679	- 3 times mo. gross income on all other scores
		- 1 times mo. gross income on score below 600	
4. Total Unsecured Debt Note: Total unsecured debt must include upside down amt on car loans	With our loan cannot exceed 25% of member's annual income	35% of member's annual income	No restriction on total unsecured debt
5. Max. Loan Amt. on Secured Vehicle Loan	To: \$30,000	To: \$50,000	To: \$100,000
	Not to exceed 75% of members gross annual income	Not to exceed 75% of members gross annual income on score of 600+	On any score 75% of gross annual income Exception: may go over 75% for mbs who make very strong down payment and mbrs who have very little other debt
6. Max. LTV on Vehicle Loans	Retail	Retail + 1 month gross income	any score Retail + 1 month gross income
7. Home Equity or 2nd Mtg.	\$50,000 not to exceed 80% LTV	\$100,000 not to exceed 100%	\$300,000 not to exceed 100% LTV work out loan (collections) 125% LTV
8. Determining the Value of the Vehicle	must have print out on book value: A) Vehicle being purchased B) Vehicle being traded New cars must have MSRP	Same as Level 1	Same as Level 1
9. Turndown Authority	Cannot Reject any Loan Request However, must recommend as if it was their decision	Can Deny any secured or unsecured loans. If Level 2 or 3 rejects a loan they must talk to member.	Same as Level 2
10. Max. Term on Unsecured Loans	\$5,000 or less (3 yrs.) \$5,000 to \$10,000 (4 yrs.)	SAME SAME \$10,000 to \$15,000 (5 yrs.)	Can set any term provided it is in the best interest of Credit Union and Member
11. Max. Terms on Secured Loans	60 months on loan	72 months \$25,000 to \$35,000 84 months \$36,000 to \$50,000	same as unsecured loan (see above)
12. Debt to Income Ratio	Cannot exceed 45%	Cannot exceed 50%	No restriction on debt to income; however, if it's over 55%, L3 must show the member has the ability to repay.

Requirements for Level 1, 2, and 3 Loan Officers

The credit union wants to develop your decision makers so level 1 loan officers can become level 2 and level 2 loan officers can be level 3. To help with the development, it has to be clearly understood that when the employee takes the application it is theirs from start to finish. A level 1 loan officer cannot see the score and just pass it on to a level 2 or 3 loan officer. They must handle it as if they were level 2 or 3, interview the member, go over the member's credit bureau report, clear up any issues and build the loan if possible. They must then present it to a level 2 or level 3 loan officer with a recommendation as to what they would do, including signing off on the loan. If the level 2 or level 3 loan officer disagree with the level 1 decision, they must then talk to the member and advise the member that they disagrees with the level 1 and the decision is ultimately theirs and why they disagree. The rationale behind this is we want level 1 to start thinking like level 2 and 3 instead of just passing the application off. They will never become level 2 or 3 unless they start thinking like them.

Length of time required to advance.

Level 1

Any MSR, FSR, teller, etc... who has attended the University of Lending (U of L) would be eligible to be level 1 within 60 days of completing the course and making loan recommendations provided the recommendations are consistently good.

Level 2

A level 1 can move up to level 2 within 12 to 18 months as long as management is comfortable with their decisions.

Level 3

A level 2 employee can become a level 3 employees within 24 months provided their decisions are consistent and management is satisfied with their performance.

To summarize:

Level 1 = Completion of University of Lending plus two months of solid performance.

Level 2 = Level 1 plus 12 to 18 months experience and good performance.

Level 3 = Level 2 plus 24 months with good performance. This would be equivalent to three to four years of good decision making.

NOTE: As employees are promoted through the perspective levels, they should be entitled to a raise.

Decision Making, Guidelines Are Expected to Follow for Marginal Loans

The credit union believes it is critical to find out why the member chose the credit union. We call this motivation. We define motivation as why members do what they do when they do it.

Secured Loans - Questions and analysis employees are expected to use:

1. **Motivation**
 - What motivated the member to come to the credit union today and apply for a loan?
 - Why now?
2. **Good job** – Is it likely to continue?
 - Is the employer is reputable?
 - Professionals (include schooling)
 - No seasonal or part-time
 - Professional trades with longevity are looked at very favorably. This includes those in management, supervisor, foremen positions or those who obtain a license or certification (AC, Mechanic, Electrician, etc.).
3. **Probably will continue** – job satisfaction
 - Ask “Do you like your job?”
 - “Do they like you?”
 - “Looking at retirement?” (If older their salary will probably will be no more than 65% of today’s salary.)
 - “What kind of benefits does their employer provide?” If none, really push payment protection, etc.
 - Longevity plays a factor, the longer the member has on the job, the better we like them.
4. **Payroll deduction**
 - Entire check is preferred, over 50% acceptable. Nothing less than 50%.
 - Either we set up with known employers or the payroll must be coming in to set up the loan.
 - No transfers.
 - Payment frequency must match payroll frequency.
5. **Evidence pays car loans/mortgage**
 - Mostly current payment pattern on autos or mortgages.
6. **If bankruptcy threat** – (35% of gross income is unsecured) – The credit union will only loan trade-in value or invoice on auto loans.
 - If the member is not a bankruptcy threat – loan retail plus 1 month’s gross income (only level 2 and level 3 employees can approve).
7. The credit union will generally loan no more than 50% of the member’s annual gross for marginal C, E, and E members. Exceptions to this policy will require level 3 approval.

8. **Inspect the collateral** when possible – must be document in notes.

Unsecured Loans

1. **Motivation**

- What motivated the member to come to the credit union today and apply for a loan?
- Why now?

2. **Good job** – Is it likely to continue?

- Is the employer reputable?
- Longevity – 5 years or more on the job is a real plus.
- Professionals (include schooling)
- No seasonal or part-time
- Professional trades with longevity are looked at very favorable. This includes those in management, supervisors, foremen positions or those who obtain a license or certification (AC, Mechanic, Electrician, etc.).

3. **Probably will continue** – job satisfaction

- Ask “Do you like your job?”
- “Do they like you?”
- “Looking at retirement?” (If older, their salary will probably be no more than 65% of today’s salary.)
- “What kind of benefits does their employer provide?” If none, really push payment protection, etc.
- Longevity plays a big factor here too

4. **Payroll deduction**

- Entire check is preferred, over 50% acceptable. Nothing less than 50%
- Either we set up with known employers or the payroll must be coming in to set up the loan
- No transfers
- Payment frequency must match payroll frequency

5. **If bankruptcy threat** – (35% of gross income is unsecured), debts are escalating, the member has used up most of their capacity, then the loan should be denied without collateral that would have made the loan bankruptcy proof.

6. **Total unsecured debt, including our loan, should not exceed 35% of the member’s annual gross income**, must include upside down amount on autos. Not to exceed 2 month gross income for level 2 approval. No limitations for level 3.

7. **Loan terms:**

under \$1000	12 months
\$1000-\$2000	24 months
\$2001-\$3000	36 months
\$3001-\$5000	48 months
\$5001-greater	60 months

K. Overdraft Privilege Policy

As a benefit to our members, the credit union will offer a useful feature on most checking account products – an overdraft privilege. The overdraft privilege is subject to rules, criteria, and limitations as set forth in this policy. This feature will save our members time, embarrassment, and may prevent additional fees charged by others to process their returned checks.

With the overdraft privilege, the credit union will generally pay our members' overdraft items up to \$500. Whether overdrafts will be paid is discretionary and the credit union reserves the right not to pay. For example, the credit union typically does not pay overdrafts if an account is not in good standing, if the member is not making regular deposits, or if they have too many overdrafts. When the credit union pays overdraft items, members will be charged our normal overdraft fee, currently \$_____ for each item that is paid. Both the amount of the overdraft items and all applicable fees, including but not limited to the overdraft fees, are included in this limit. Members will be mailed a system generated notice each time the overdraft privilege is accessed.

It is always the policy of the credit union to comply with all applicable laws and regulations and to conduct business in accordance with applicable safety and soundness standards. Accordingly, the conditions that apply to this overdraft privilege service are:

1. Employees

The credit union employees will be eligible for the overdraft privilege subject to the same conditions as any other member. Specifically, employees may be granted the overdraft privilege:

- In accordance with this policy, the credit union will be no more liberal regarding employee overdrafts than any other member in similar circumstances.
- Employees shall be charged the same fees as any other member of the credit union in similar circumstances.
- Employees may be granted the overdraft privilege if there is no more than the normal risk of non-repayment of the overdrawn amount.
- Notice will be provided to the employees each time the overdraft privilege is accessed. Failure by an employee to maintain their account per these conditions is a serious matter which could result in counseling and disciplinary action up to and including termination.

2. Eligibility

Members will be eligible for the overdraft privilege unless:

- They do not have the \$_____ minimum deposit in their share savings account.

- They are more than 30 days past due on any credit union loan or delinquent on any other obligation to the credit union.
- They are subject to any legal or administrative orders, levy or are currently a party in a bankruptcy proceeding.
- They have a current outstanding balance in the overdraft repayment plan.
- They have ever caused the credit union a net loss.
- They have the special checking account – ATM Access Account (marketed as AAA or Second Chance Checking).
- An extended hold is being placed on their checking account or any other account relationship, in which case their overdraft privilege will automatically be suspended without prior notice.
- They are a minor.
- A ChexSystems or any other negative indicator is present.
- Their account has been opened less than 30 days, or if they were overdrawn for more than 5 consecutive days during the first 30 days that their account was open.
- Their account is a fiduciary trust or escrow.
- Their account is classified as dormant.

3. **Suspension/Removal of Privilege**

Members may be suspended or removed immediately from the overdraft privilege if:

- They do not bring their account to a positive balance within a 30 day period.
- They fail to meet our eligibility criteria.
- If they meet all of the criteria listed above; the credit union may still remove the privilege if we believe the member is not managing their account in a responsible manner which may harm the member or the credit union.

4. **Monitoring and Reporting**

The credit union does not intend to strictly monitor all of the above criteria. However the credit union does intend to use these criteria to deny, suspend, or revoke the overdraft privilege to reduce our risk when the credit union becomes aware of accounts that do not meet these criteria. It is the credit union policy that these criteria be applied in compliance with ECOA and Regulation B. We will monitor the credit risk associated with the overdraft privilege and report to the ALCO Committee and to the Board of Directors on a quarterly basis.

The credit union will not have more than 1% of its total capital exposed to loss through the overdraft privilege program at any given time. Repayment plan balances are included within this aggregate amount. The credit union's Board of Directors will be updated monthly by management with respect to the aggregate risk exposure and advised of any significant adverse change in the amount of charge offs or aging of accounts.

5. **Transactions Covered by Overdraft Privilege**

Overdraft Privilege will be available for checks written, ACH items, preauthorized automatic debits, telephone-initiated transfers, debit card transactions, ATM withdrawals, the credit union Bill Payer transactions, and other electronic transfers. Members will be advised to check their balance before initialing an ATM withdrawal to see if the withdrawal will create an overdraft on their account, which will result in an assessment of our overdraft fee for each withdrawal.

6. **Charge Offs**

The credit union will close and charge off all checking accounts that are overdrawn for 45 consecutive calendar days. Accounts with a repayment plan in force, where a payment has not been made within 7 days of the scheduled due date will be closed and charged off. Any exceptions shall be reported monthly as a potential credit risk.

7. **Marketing and Disclosures**

An overdraft privilege disclosure document is provided to each eligible checking account member 30 days prior to the initial offering of the overdraft privilege. New members will be provided with the overdraft privilege disclosure when the account is opened. The disclosure describes the overdraft privilege service, eligibility criteria and other overdraft protection alternatives and their relative benefits.

The credit union's marketing strategy and materials do not encourage members to overdraw their accounts. Our product training emphasizes the use of this service to cover inadvertent overdrafts, unforeseen and temporary shortfalls, honest mistakes and emergencies. The marketing materials used by the credit union focus on awareness rather than promoting usage. In addition, the credit union's marketing strategy and materials do not lead members to believe the overdraft privilege is a line of credit.

8. **Payment Order of Items**

Our overdraft privilege disclosures include a description of the order in which items are paid.

9. **Fee Limits**

The credit union considers imposing a cap on members' daily NSF/Overdraft fees; however, it has not been our practice in the past to establish limits on these fees.

10. **Repayment Plans**

The loan policy is hereby amended to incorporate the interest free repayment plans administered through the overdraft privilege risk management process. Management has determined that the accountholder's intent to repay is established by their signing and returning the repayment plan agreement. The credit union has assessed the individual's ability to repay the plan terms extended based on the historical experience of our third party vendor and advisor on this program, IMPACT's financial institution clients have reported that approximately 80% or more of the repayment plans that are signed by the account holder and returned are successfully repaid. The credit risk associated with these loans will be addressed by establishing an allowance for loan losses equal to or exceeding 50% of the outstanding balances and to charge off each account in full if funds are not available in the checking account within 7 days of the scheduled due date of the automated debit of the payment amount.

11. **Loss Allowances (Reserves)**

The credit union will set the initial allowance for loss reserves at 10% of total overdrawn checking account balances and 50% of outstanding overdraft repayment balances. The credit union will adjust the reserve ratio quarterly based on our own charge off experience.

12. **Program Usage**

The credit union will not report negative information to consumer reporting agencies when overdrafts are paid under the terms of the overdraft privilege program.

13. **Additional Disclosure Language**

The following language shall be included in our overdraft privilege disclosure:

Your account agreement describes the duties, obligations, and rights of depositors, authorized signatories and the credit union with regard to your deposit accounts. That account agreement is incorporated herein for all purposes as if it were set forth verbatim as to matters not directly addressed by this disclosure. Your account agreement and this disclosure shall be construed so as to minimize conflicts between them.

14. **Waiver**

The credit union's forbearance from, or delay in, exercising any of the credit union's rights, remedies, privileges, or right to insist on your strict performance of any provisions of your account agreement, this overdraft privilege disclosure, or any other provision related to your account, shall not be construed to be a current or future waiver of the credit union's rights, remedies or privileges.

You and the credit union agree that the exclusive remedy and forum for all disputes arising out of the overdraft privilege or your or the credit union's performance there under, except for matters you or the credit union takes to small claims court, is arbitration by an independent arbitrator pursuant to the applicable rules of the American Arbitration Association, except as prohibited by law.

L. Debt Ratios

The credit union will use a debt to income ratio as a tool in decision making. A debt ratio will not be a reason in of itself to deny a loan. The credit union will use the lending matrix in administering a debt ratio. The Lending Authority Matrix calls for the following:

- Level 1 up to 45%
- Level 2 up to 50%
- Level 3 has no restrictions; however, if it's over 55%, level 3 must show the member has the ability to repay.

In computing the debt ratio, we will allow our employees to use unverifiable income as long as it is apparent the income exists based on the member's assets and payment history. In addition, payments will not be counted that a spouse or someone else clearly makes, we will document information on the spouse such as salary, length of employment, etc. but will not require the spouse to co-sign if there is evidence the applicant pays their bills.

M. Credit Committee

Option One

The credit union does not use a credit committee.

Option Two

The credit union utilizes a credit committee to oversee all lending practices such as rate and policy changes. The credit committee will only get involved in decision making when a member is not satisfied with the credit union's decision. **If the credit committee is not trained in decision making, then the credit union should provide them training and certify they are capable of making good loan decisions.** If the credit committee is going to make decisions, they must not only be trained but also be available.

N. Denial of Change

- The credit union will fully comply with the Equal Credit Opportunity Act in notifying credit applicants through a written statement of adverse action on any loan request that has been denied.
- All loan applicants will be notified of any counter offer the credit union makes in response to a loan request such as requiring a co-maker or additional collateral. If the applicant accepts the counter offer, no further notification is necessary. If the applicant rejects the counteroffer, they must be notified in writing of a change in the conditions of a credit request.
- All reasons contributing to a denial or change will be provided to the applicant.
- Members withdrawing their application after approval can be filed in regular file.
- Members withdrawing their application before a determination can be made, shall have their application kept on-file for a period of at least 25 months. It should be noted on the application/worksheet that the member has requested their application be withdrawn.

O. Release of Collateral

- All requests for release of collateral shall require a new credit application. Only the Credit Manager, AVP of Lending, VP of Mortgage Lending, VP of Operations, or Credit Manager may approve the release of collateral.
- Collateral may be released under the following conditions:
 - The balance remaining on the member's secured loan may be transferred to their signature loan.
 - There is other collateral of sufficient value securing the member's loan.
 - The collateral securing the loan is deemed worthless, which the credit union reserves the right to substantiate.

P. Exchange of Collateral

- Collateral securing a loan may be exchanged when the value of the new collateral being offered equals or exceeds the member's loan balance.
- Interest rates on new collateral would be those in effect at the time loan was originally granted.

Q. Counter Offer

In the event a member does not qualify for the original loan request a loan officer may choose to make a counter offer. A counter offer adverse action letter must be mailed in within thirty days and the member must be made aware of the counter offer. All loans must be referred to level 2 or 3 for counter offers.

R. Real Estate Loans

1. Purpose

For the purpose of this policy, a real estate loan is a loan predicated on a security interest in real property, wholly secured by the property being financed. **(Insert CU Name)** Credit Union grants real estate loans for the acquisition or financing of one- to four-family dwellings, (vacation home) of the member; a condominium, or similar type; mobile or manufactured home and is fixed to the land and claimed as real property under the laws of our state for terms up to 40 years. Time share property is not eligible.

Such loans are to be secured by a perfected first lien, consisting of a properly executed and recorded security instrument, in favor of the credit union. Eligible property can be located anywhere in the United States of America. The CEO shall ensure procedures comply with all the states where the loan originates unless not required by the Federal Credit Union Act.

2. Flood Insurance

Beginning November 1, 1996, the credit union is required by part 760 of the NCUA Rules and Regulations to escrow flood insurance premiums (when escrow is required for other items in connection with a real estate loan). If the credit union makes increases or renews any real estate loans that are located in a special flood hazard area, insurance will be required. The amount of insurance must be at least the lesser of the outstanding principal balance of the loan or the maximum limit of coverage available for the property under the National Flood Insurance Act of 1968, as amended. Flood insurance coverage will be limited to the overall value of the property minus the value of the land on which the property is located.

The credit union is not required to make a retroactive review of its portfolio of loans closed before the November 1996 deadline. However, all loans made, increased, extended, or renewed after the November 1996 deadline are subject to this policy and a flood determination through a third party vendor is required.

3. Home Mortgage Disclosure Act

The purposes of the Home Mortgage Disclosure Act (HMDA) are to provide the public with loan data to help determine whether financial institutions are serving the housing needs of their communities; assist public officials in distributing public-sector investments to attract private investments to areas where it is needed; and assist in identifying possible discriminatory lending patterns and enforcing anti-discriminations statutes.

The real estate lending department must maintain data on first mortgage loans sufficient to prepare reporting required under the act and to submit it for timely filing.

4. Compliance

All first mortgage loan officers shall comply with all state and federal rules and regulations along with any specific requirements of FHA, FHLMC, FNMA, and VA including (Insert CU Name) Credit Union policies.

5. Appraisals

- The Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires federal financial regulatory agencies to set uniform standards for real estate appraisals performed in connection with federally related transactions.

Title XI of FIRREA and the NCUA's regulations are intended to protect federal, financial, and public policy interest in real estate-related financial transactions (any transaction involving the sale, lease, purchase, investment in, or exchange of real property, including interest in property, or the financing of real property; the refinancing of real property or interests in real property; or the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities) requiring the services of an appraiser. Title XI requires real estate appraisals used in connection with federally related transaction to be completed in writing, made in accordance with uniform standards, and performed by competent and supervised appraisers.

It is the intention of (Insert CU Name) Credit Union to comply with the above-mentioned regulation with reference to appraisals when making first mortgage loans. Appraisals will be conducted by a state certified appraiser and certified to the credit union. (Insert CU Name) Credit Union requires appraisals on all first mortgage loans unless it is a collection work out loan generally used to secure a better lien position and to bankruptcy proof (Insert CU Name) Credit Union existing loan.

Appraisals are required for all home equity loans with LTV ratios greater than 100%. For Home Equity Loans with LTV ratios less than 100% Full Appraisals, Drive by Appraisals, or Automatic Valuation Models AVM can be used. Fannie Mae (FNMA) compliant drive-by appraisals are required for all other real estate loans conducted by our state certified residential appraisers. Appraisals shall be conducted as described in NCUA Regulations and our state's statutes. There will be an annual review of this appraisal policy conducted by the Board of Directors. Appraisals will include as a minimum:

- An appraisal conducted by an independent third-party State licensed CEA or MAI.
- Three photos of the property.

- Location map and floor plan sketch.
- List of a minimum of three sales and buy-downs in the area within previous six months.
- Appropriate adjustments in the market analysis by the appraiser.
- Appraisal completed not more than 180 days prior to closing.

Prior to disbursing loan proceeds, the appraisal shall be received and reviewed.

6. **ALM Requirements**

- It is necessary that **(Insert CU Name)** Credit Union avoid any significant risk caused by changes in interest rates or lack of liquidity.
- The credit union will protect itself against these risks by only offering adjustable rate mortgages that adjust annually and are tied to the One-Year Constant Maturity Treasury Yield. Generally they will have a 2% annual cap and 6% lifetime cap on rate increases.
- **(Insert CU Name)** Credit Union will not offer any portfolio fixed rate first mortgage product over 30 years in maturity.
- Mortgage loan concentration limits will be defined in our credit union's ALM Policy.

7. **Advertising**

The credit union' marketing department will comply with the Fair Housing Act's advertising requirements.

- Advertisements related to residential real estate-related transactions may not indicate any preference, limitation, or discrimination on a prohibited basis. Selective use of advertising media is to be avoided because it may lead to discriminatory results.
- All advertisements relating to residential real estate-related transactions must contain an equal housing opportunity logo, statement, or slogan. Written advertisements must include a facsimile of the equal housing lender logo in accordance with the requirements of act.

8. Types of Mortgage Loans and Requirements

A. First Mortgage Loans

1. Loan Application

In compliance with state/federal rules and regulation, the loan application will be submitted on a standard Federal Housing Administration (FHA), Veterans Administration (VA), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), or Federal Home Loan Mortgage Corporation/Federal National Mortgage Association (FNLMC/FNMA) application form.

2. Security Instrument and Note

The security instrument and note will be executed on the most current version of the FHA, VA, FHLMC, FNMA, or FHLMC/FNMA uniform instruments for the jurisdiction in which the property is located.

3. Other Documentation

The credit union will also meet the following documentation requirements.

- Title binders and title insurance policies are required, showing clear title and naming the credit union as additionally insured.
- A current survey of the property is required and must be acceptable to the title company.
- The credit union will be named additional loss payee on insurance policies for general public liability, fire, hazards, and floods.
- An appraisal must be performed by a state-certified or state-licensed appraiser and be certified to the credit union.
- Residential first and second mortgage liens will meet all federal, state, and local statute and regulatory requirements.
- All documentation will be prepared or reviewed by an attorney and/or title agent.

4. Required Disclosures

- All credit union personnel involved in any phase of real estate lending are to be thoroughly familiar with all regulatory disclosure requirements relating to such transactions. The VP of Mortgage

Lending will assume responsibility for seeing that the potential borrower (and in certain instances the seller) is provided with all disclosures required by the Real Estate Settlement Procedures Act (RESPA), and Regulation Z, Truth in Lending. These disclosures are to be distributed to the parties involved on a timely basis and in the format prescribed by law.

- Escrow accounts will be required on all purchase money and refinance mortgages with a loan-to-value in excess of 80%.

5. Maximum Loan Limits

- For first mortgage loans originated, closed and delivered to an approved, correspondent buyer, the maximum loan amounts will be determined by the current lending guidelines of that correspondent buyer.
- For first mortgage loans originated and closed for **(Insert CU Name)** Credit Union's portfolio program, maximum loan amount is not to exceed \$_____.

6. Loan Approval

- **(Insert CU Name)** Credit Union Portfolio First Mortgage Loan Program

The CEO/Credit Manager will designate those loans officers authorized to approve portfolio first mortgage loans.

- Correspondent First Mortgage Loan Program

The loan will be approved according to the respective correspondent loan purchase and sale agreement that has been executed by **(Insert CU Name)** Credit Union. All loans must receive prior approval by the company or their designated contract underwriter. The VP of Mortgage Lending is responsible for ensuring proper approvals are obtained and/or mortgage loans meet investor standards.

7. First Mortgage Portfolio Adjustable Rate Products

All adjustable rate first mortgage loans will be priced off of the one year constant maturity treasury. Generally they will adjust annually with a maximum adjustment of 2% annually and 6% for the life of the loan.

B. Non Agency Single Wide Mobile Homes

Must conform to First Mortgage Lending Program and have a valid first lien on land and housing.

Term 20 years

Rate 100 basis points over the credit union's portfolio product rate

LTV 100%

C. First Mortgage Portfolio Product - *Greater than 90%*

- **(Insert CU Name)** Credit Union is able to make first mortgage loans up to 100% loan-to-value ratio. Other products may be offered based on the requirements of the correspondent buyer that **(Insert CU Name)** Credit Union has executed agreements with.
- **(Insert CU Name)** Credit Union ARMs that have a 3, 5, 7, or 10 year period of fixed interest rate and then become a regular adjustable rate mortgage tied to the one year constant maturity treasury rate are generally adjusted yearly subject to adjustment caps of 2% annually and 6% over the life of the loan. These loans are amortized over 30 years.
- **Inspections:** Termite inspections are required on purchase money portfolio loans. Other inspections may be required as deemed necessary from information available.

D. Residential Lot/Acreage Loan

(Insert CU Name) Credit Union land loans must conform to **(Insert CU Name)** Credit Union's First Mortgage Lending Program and have a valid first lien on the land with the intent to build a residential dwelling for the member's own personal use. Properties must have legal access and appropriate zoning.

- **Term**-conform to **(Insert CU Name)** Credit Union's Home Equity Loan Program.
- **LTV**-maximum 85% of sales price or appraisal, whichever is less.
- **Documentation**-to conform to first mortgage portfolio products.

Generally lot sizes will be valued on 25 or less acres. Acreage financed beyond this size must have the approval of the CEO and VP of Mortgage Lending.

E. Construction/Permanent Loans

(Insert CU Name) Credit Union will offer a construction/permanent loan program to aid members in building homes. A construction loan will be issued during the building phase of the loan, which will be converted into a permanent loan upon completion.

1. Eligible Products

- FHLMC/FNMA fixed rate products
- FHLMC/FNMA Arm products
- **(Insert CU Name)** Credit Union portfolio loan products
- VA loans
- FHA loans

2. Maximum Loan Amounts & LTV Ratios

- Determined by **(Insert CU Name)** Credit Union Correspondent Lender
- Determined by **(Insert CU Name)** Credit Union current first mortgage lending policy.

3. Secondary Financing

- Not permitted

4. Eligible Property

- Primary residence, single family detached properties
- True second homes
- Mobile/manufactured homes with land
- Duplexes and quadraplexes

5. Eligible Borrowers

Borrowers must meet **(Insert CU Name)** Credit Union and LOC correspondent permanent loan guidelines as appropriate.

6. Terms

- Determined by **(Insert CU Name)** Credit Union correspondent lender.
- For **(Insert CU Name)** Credit Union portfolio loans, maximum term will be 12 months.

7. Disbursements

Loans will be disbursed in draws, which will be defined in a schedule by **(Insert CU Name)** Credit Union prior to closing. The draw schedule will be based on a percentage of completion and work in progress as verified by credit union staff or their agents.

F. Home Equity Loans

Home Equity Lending Program

The home equity loan program for **(Insert CU Name)** Credit Union will consist of open-end and closed-end second mortgages including extra equity loans. Home equity loan files shall contain all legally required forms and disclosures approved by legal counsel and the bonding company

Compliance

All home equity loans shall comply with all credit union Statutes; NCUA Rules and regulations; and other applicable rules, regulations, or guidelines affecting real estate, credit, or financial institutions in general; Credit Union Bylaws and Policies; and sound management practices.

Home Equity Loans

(Insert CU Name) Credit Union may offer home equity loans to members as follows:

- **Closed-End**

This loan may have up to a 100% loan to value (LTV) ratio.

- **Terms**

Closed-end home equity loans shall be offered for periods of up to 180 months. The CEO shall set interest rates for these loans

monthly. Interest rates shall be offered on a fixed and variable basis.

- **Variable Rate Index**

All variable rate loans offered by **(Insert CU Name)** Credit Union fluctuate according to **(Insert CU Name)** Credit Union policies and a variable rate index. The Index used by **(Insert CU Name)** Credit Union shall be the prime rate of interest quoted in the Wall Street Journal on the last day of the month. Interest charged by **(Insert CU Name)** Credit Union shall be the prime rate plus an adjustment factor and shall be adjusted monthly on the first day of each month. The maximum shall be the lesser of 18% or the Usury ceiling. The maximum yearly rate increase caps at 2% and the loan lifetime cap is generally 6%. At no time shall the minimum monthly payment amount on a variable interest loan be less than \$25.00.

- **Open End**

The open-end home equity line of credit is an open-end loan with a recorded mortgage against the property. This loan may have up to a 100% loan to value (LTV) ratio.

- **Terms**

Home equity line of credit loans and interest-only loans shall be offered for a period of up to 180 months with a 15-year mortgage recorded. Payments shall be amortized over a 180 month draw period. At the end of this period, any remaining balance shall be refinanced. Interest rates shall be offered on a variable basis.

4. **Fast Equity Home Equity Program**

The fast equity home equity program is a closed or open-end mortgage loan **designed for a low credit risk member who wishes to close their home equity loan in an accelerated timeframe. The loans will be made to our best members and will not require a title search. These loans will be for \$50,000 or less, are expected to be approved in 30 minutes or less and closed within one week.** We will market these loans with “as easy to get as an auto loan.”

- **Eligible Property – Quick Close**

Only a member’s primary residence or secondary with not more than one outstanding mortgage loan.

- **Documentation**

The fast equity home equity loan is a mortgage loan and will be made in accordance with all laws and regulations including documentation as current credit union home equity loans are made with the exception of the appraisal. (In lieu of the appraisal, **(Insert CU Name)** Credit Union will use the following to determine value):

Method I – Automated Valuation Model (AVM): Automated valuation model as accepted by standard secondary market requirements.

Method II – Tax Assessment Based Property Value: The tax assessed appraised value (just value) is used for determining market value by using a factor of 1.20 as a current market multiplier.

- No Title Search Required

5. **Extra Equity Loan**

The extra home equity loan Ppogram is a closed-end loan designed for members with little or no equity in their home, and is primarily for, but not limited to, consolidation of current loans, credit cards, or other outstanding debts. **This loan is a signature loan with a mortgage filed against the property as additional security. The purpose of the mortgage filing is to protect the credit union from Chapter 7 and Chapter 13 bankruptcy filings.** Under a bankruptcy filing, real estate loans are not subject to cram-downs and have to be paid in full. By contrast, signature loans are generally totally discharged, especially in Chapter 7 filings. This additional security feature allows the credit union to make loans to individuals, not possible on an unsecured basis due to bankruptcy. Primary markets for the loan will be bill consolidation and home improvement.

- **Documentation**

The extra equity loan is a mortgage loan and will be made in accordance with all laws and regulations. It will be documented in the same manner as current the credit union closed-end second lien mortgage loans.

- **Eligible Property- Extra Equity**

Only a member's residence with not more than one outstanding mortgage.

- **Terms**

The extra equity loan shall be in an amount up to 125% of the appraised value, or 125% of the current tax value. The minimum amount financed will be \$5,000.00 with a maximum repayment period of 180 months, and shall be secured by a recorded mortgage. The maximum unsecured portion will not exceed \$40,000. Extra equity loans will be priced like consumer loans and not like real estate loans.

S. Workout Loans

This type of loan would be processed only when it is in the best interest of the credit union. This loan will be used to improve the credit union's position when the collectability of a loan is in doubt. This would include delinquency, deterioration of ability to repay, or high potential for a bankruptcy. The collection manager will recommend to the manager or AVP of Lending when it is in the credit union's interest to securitize its position. All such loans will need to be approved by the credit manager or AVP of Lending. No new monies in excess of what is currently owed to the credit union, except closing costs, may be added to the loan. Loan to value ratios will not be used in this situation as the funds are already owed to the credit union. The situation when this plan would be used is if a member's unsecured debts with the credit union are outside credit union guidelines, and the possibility is high that a member may file bankruptcy. The times when the collection manager may use this plan would be when the outstanding balance on the credit union loans may be delinquent or the member may file bankruptcy. Clear documentation must reflect the reason we are granting the workout loan secured by a mortgage. The collection manager must make a recommendation to the credit manager or AVP of Lending for approval. The member's remaining unsecured debt after a workout loan may not exceed our unsecured lending limits excluding the Extra Equity Loan. In the case of bill consolidation, checks will be made payable to the member's creditors.

NOTE: Workout loans will be coded differently than other loans so the credit union can track the results. The credit union realizes that many of the loans would have been charged off had the credit union done nothing. We also understand we can expect higher delinquencies and charge offs than with other loans but overall our losses will be lower than if we had done nothing.

T. Indirect Lending, General Policy

1. General Policy Statement

The Board of Directors of **(Insert CU name)** Credit Union hereby authorizes the credit union to engage in indirect dealer financing arrangements for motor vehicles (the Program). The purpose for this authority is to:

- Provide convenience to members of the credit union by allowing them to obtain financing at the same location where they make the purchase.
- Grow the credit union's loan portfolio.
- Expand membership opportunities.
- Otherwise generally benefit the credit union.

It is the intent of the Board of Directors that this Program be operated in compliance with all applicable laws and regulations including but not limited to the Credit Union Act, Truth-in-Lending Act, Fair Credit Reporting Act, Credit Practices Rule, Fair Debt Collection Practices Act, Debt Collection Practices Act, Consumer Protection Act and the Motor Vehicle Sales Finance Act.

Management is authorized to contract with third-party vendors to perform any and all of the actions authorized under this policy.

2. Dealership Eligibility and Investigation

It is the policy of the credit union to do business only with new vehicle sales and service dealerships and to avoid involvement with independent used car dealers. This does not mean that the credit union will only make new car loans but that it will only do business with new car dealers. The credit union shall only enter into indirect lending relationships with motor vehicle dealers licensed or otherwise authorized to do business in the state where located. All dealers will have to provide evidence of this authority and maintain their authority to sell motor vehicles at all times they participate in the credit union's program. Before entering into an indirect dealer agreement with a dealer the credit union shall evaluate the stability of the dealership. This evaluation shall include at a minimum:

- Perform site visit at each potential dealer.
- Interview dealer management.
- Contacting the Secretary of State (or other appropriate licensing agency if the dealer is in another state) to determine appropriate licensure and whether any complaints have been filed against the dealer.
- Length of time in business and general reputation and character in the community.
- Appropriate dealer agreement must be executed.

Ongoing analysis of the program shall be performed, as Management deems appropriate.

3. **Dealer Reserve Accounts**

Management shall make a determination as to whether a dealer will be required to maintain a reserve account with the credit union as well as the level of funding in such an account. This determination shall be made based upon the evaluation and analysis of the dealership at the time the relationship is established and on an ongoing basis.

The terms of a reserve account must be set forth in a written agreement between the credit union and the dealer. This agreement may be a separate agreement or incorporated into the general agreement between the credit union and dealer. Reserve accounts shall be audited as a part of the credit union's annual audit to assure accounts are properly maintained and reported.

4. **Indirect Dealer Contracts**

The credit union shall not engage in indirect financing without first executing a written contract with each dealer. The written contract shall be a standard contract used by the credit union that has been reviewed by the credit union's legal counsel that assures the interests of the credit union are adequately protected. In the event the dealer presents the credit union with its own contract, the credit union shall not execute the agreement until the credit union's counsel has obtained a legal opinion.

At a minimum all contracts with dealers must contain provisions to address membership eligibility, the Federal Trade Commission Holder-in-Due Course rule, member privacy, a dealer reserve account, assignment of loans, and placement of the credit union's lien.

It is important that the credit union representative must take time to thoroughly go over the dealer agreement with the dealerships appointed representative. The Senior Management person should sign the letter that he/she understands and agrees to all the conditions of the agreement. The signature should be witnessed and dated.

NOTE: Sample dealer contract follows.

5. **Membership Eligibility**

It is critical that the credit union ensures all consumers who participate and obtain credit through the program are members of the credit union and otherwise eligible for credit under the credit union's underwriting standards. Management shall develop and implement appropriate controls to assure that credit applications reviewed by the credit union are from persons that are members of the credit union or who are eligible

for membership in the credit union. For those persons that are eligible for membership but not members, adequate procedures shall be implemented to assure the person is a member prior to disbursement of the loan proceeds.

6. **Underwriting Standards**

All final credit decisions made under this program shall be made by the credit union or by a third-party contracted with management. Management will perform ongoing credit decision reviews to make sure decisions are made within our policy guidelines. No lending authority shall be delegated to a dealer under any circumstances.

The credit union hereby incorporates by reference its credit policy provisions that are applicable to indirect loans with the exception of income verification requirements noted below. All future amendments to the credit policy shall automatically be incorporated by reference herein.

Income Verification

The indirect loan officer will verify income on any loan where the salary appears to be overstated given the member's qualifications, age, etc... The credit union recognizes that dealers have inflated incomes and will do straw purchases.

7. **Loan Contract Assignment**

It is critical that the formation of the sales contract, the assignment of the loan, transmittal of funds, and the establishment of a debtor-creditor relationship occur in a very short timeframe, normally no more than 20 days. Failure to obtain the assignment may result in loans under the program being deemed purchases of eligible obligations. Therefore, controls must be in place to assure assignments of loans are made in a timely manner and that such timing is documented.

8. **Rates and Fees to Dealership**

Management is granted authority to determine the rate differential or flat fee that will be paid to dealers under the program. The rate differential should be set by comparing differentials paid by other financial institutions in the marketplace. The rate differential should also be set at a competitive amount so as to avoid the dealer only referring substandard credit applications. The rate differential shall be amortized in accordance with Generally Accepted Accounting Principles. **Rates and fees paid to dealers may vary by dealer and the specific agreement the credit union has with that dealer.**

9. **Line of Credit – Liquidity**

In the event of a liquidity problem that results in a lack of funds available to purchase loans presented by dealers under the program, the credit union is hereby authorized to

access a pre-existing line of credit or establish a line of credit to assure it fulfills its legal obligations under agreements with dealers.

10. **Marketing**

It is imperative for the success of the program that members are aware of and take advantage of the various dealer relationships that are established. As such, management is expected to develop and implement marketing strategies with the goal of promoting the program and the various dealers. These strategies may include joint efforts with various dealers or groups of dealers. Where appropriate and sufficient funds will be budgeted for these marketing activities.

11. **Monitoring and Audits**

Management shall be responsible for monitoring the program and assuring it complies with this policy and any procedures developed to comply with this policy. In addition, management shall monitor the performance of this program and whether it meets the stated goals of the program.

The program shall be evaluated on a monthly basis and reports shall be generated per dealership:

- Profitability, is the credit union making money.
- The number of applications processed
- The amount of loans approved, conditioned, and rejected,
- The number of loans closed.
- Delinquency
- Repossessions
- Charge-offs

These reports shall be reviewed to ensure the program is successful and to determine the effect of the program on the credit union's asset-liability program.

Other controls and audit procedures shall be implemented to assure compliance with this policy and any procedures developed for the program and to assure that dealership also comply with the terms of the agreement and procedures implemented by the credit union. At least annually an overall audit shall be performed on this Program.

12. **Collection Practices**

All normal collection practices, policies and procedures shall be followed by the credit union's collection department in connection with loans made under the program.

13. Loan Interest Rates

Rates for indirect loans will be:

- **Existing members:** Same rates as they currently enjoy in the credit union.
- **New members:** Studies show that 80% to 90% of all new members never move their business to the credit union therefore their rate will be 1% higher.

14. Discontinuance of Dealer Relationship

(Insert CU name) Credit Union reserves the right to discontinue any indirect loan relationship with any vehicle dealership if the credit union suspects that the loan portfolio or quality of loans being received from that dealership does not meet the required standards set forth by the credit union.

15. Fraternization between credit union employees and dealers should be restricted.

It is the policy of (Insert CU name) Credit Union that no employee or officer will accept any type of monetary gift or agree to accept anything of value from any person(s) in conducting their duties as an employee of (Insert CU name) Credit Union.

Anyone who corruptly gives, offers, or promises anything of value to any staff member with intent to influence or reward an employee, officer, director, agent, or attorney of the credit union in connection with any business or financial transaction is considered guilty of an offense.

A conflict of interest exists when such an interest affects judgment or decisions on behalf of the credit union. **It is the policy of the credit union that officers and employees avoid a personal transaction in which their personal interest will conflict or appear to conflict with those of the credit union.**

Examples of situations expressly prohibited include but are not limited to:

- Participation in a business venture (investment or profit) with a member or dealer while performing financial or other credit union services to the individual(s) owning the business or making the investment.
- Acceptance of gifts or trips.
- Receipt of fees, commissions, or anything of value from members or dealers that might influence judgment.

Dealer Agreement

NOTE: The following is a sample only provided by Koger and Williams Company. We recommend you have your attorney review your final version.

PERFECTION OF SECURITY INTEREST IN MOTOR VEHICLE PURCHASES

The Dealer agrees to complete the necessary forms and documents at the time of sale of the vehicle to Buyer and deliver them, together with all required fees, to the appropriate public officials for recording or filing the credit union lien upon the vehicle. The Dealer agrees to repurchase the LOAN DOCUMENT from the Credit Union for an amount equal to the unpaid balance under the LOAN DOCUMENT and pay any damages suffered by the Credit Union, including consequential damages and attorney's fees, **should the Credit Union's lien not be perfected within twenty (20) days from the loan date**. The Dealer will apply for title and record such documentation as may be necessary for the perfection of the Credit Union's lien.

DEALER'S REPRESENTATIONS AND WARRANTIES AND COVENANTS

With regard to each and every transaction wherein financing by the Credit Union is requested, The Dealer unconditionally makes the following promises, representations and warranties and covenants to the Credit Union:

- I. That all written documentation furnished to the Credit Union by or on behalf of Dealer is validly executed by the authorized party, that Buyer is of legal age necessary to enter into a binding contractual obligation.
- II. That the written documents submitted to the Credit Union accurately reflects the transaction with respect to selling price, down payment, trade-in allowance, listed vehicle options, and all other items shown thereon;
- III. That the Dealer has not misrepresented any information respecting the transaction with the Buyer, and neither knows of nor suspects that there are any misstatements or untruths in any financial or other information furnished by the Buyer;
- IV. That the Dealer has good title to the property being sold to the Buyer, and has the right to transfer title to the property. The vehicles purchased by the Buyers are and will be free and clear of all liens, claims, security interests and encumbrances whatsoever (other than the Credit Union's security interest hereunder);
- V. That the security interest to be taken by the Credit Union is superior to any and all other security interests, liens and encumbrances in the subject property and that the security interest in favor of the Credit Union is first priority and not avoidable, and cannot be divested by any administrative or judicial proceeding including, but not limited to, proceedings under the federal Bankruptcy Code.

- VI. That the down payment shown on the documentation furnished by the Credit Union was paid in cash by the Buyer (unless otherwise shown), and that no part of the down payment was advanced by the Dealer;
- VII. That the Dealer has complied with all federal, state, and local laws, ordinances, and regulations in the making of its LOAN DOCUMENTS with the Buyer(s);
- VIII. That all information disclosed in the vehicle title and odometer statements is correct and has not been altered.
- IX. That prior to the delivery of any vehicle, the Dealer shall disclose in writing to both the Buyer and the Credit Union the fact that a vehicle has been reconstructed, rebuilt or salvaged.
- X. That the Dealer has delivered the property described in the LOAN DOCUMENT to the Buyer in proper working order and has provided the Buyer a copy of all documents executed by such Buyer in connection with the purchase of the vehicle and the submission of the transaction for financing by the Credit Union.
- XI. That the Dealer shall not misrepresent any information furnished to the Credit Union in conjunction with proposed funding.
- XII. Discounts and cash rebates by the manufacturer or Dealer must be disclosed to the Credit Union at the time the Dealer offers the application.
- XIII. That the Dealer warrants and represents that is has obtained all licenses, registrations and permits required by law for the sale of cars and the making and assignment of installment sales contracts, and any related products and services provided by the Dealer.
- XIV. That the Dealer is a corporation duly incorporated and validly existing. The Dealer is in good standing under the laws of the State of _____ and is authorized to do business in _____.
- XV. That the Dealer has the corporate power to execute, deliver, and carry out the terms and provisions of this Agreement and other documents to be executed and delivered pursuant hereto, and the Dealer has taken all necessary corporate actions with respect thereto. This Agreement and the LOAN DOCUMENTS referred to herein are valid, binding and enforceable upon the Dealer and Buyers in accordance with the terms and conditions contained therein;
- XVI. The Dealer agrees that the rate of interest charged to a borrower on a Credit Union loan initiated at the dealership will not be based on the race, religion, sex, creed, national origin, handicap, sexual orientation or marital status of the borrower.

XVII. That the Dealer does not act as a broker or a third party for loans. Loans originated at the Dealership are for and between his Dealership and his customer only. Dealer initiated loans are for vehicles owned by the Dealership.

XVIII. Any and all “Branded” Titles for any-whatsoever, reason must be Noted – Prior to the Loan Decision.

BREACH OF AGREEMENT AND INDEMNIFICATION

If the Dealer breaches any of its representations or warranties or covenants under **Section VI**, or fails to fulfill any of its obligations under this agreement, the Dealer shall purchase from the Credit Union the LOAN DOCUMENT with respect to which the breach occurred and shall promptly pay to the Credit Union the unpaid balance of principal and interest hereon, the origination fee, and any other sums due under the LOAN DOCUMENT, as calculated by the Credit Union, together with all of the Credit Union’s losses and expenses, including reasonable attorneys’ fees, related in any way to the Dealer’s breach of its warranties and representations or failure to fulfill its obligations under this Agreement. Upon payment of such amount by the Dealer, the Dealer shall succeed to the rights of the Credit Union under the LOAN DOCUMENT, and the Credit Union shall assign the LOAN DOCUMENT to the Dealer without recourse.

If the Dealer breaches any of its representations or warranties or covenants under Paragraph VI, or fails to fulfill any of its obligations under this Agreement, the Credit Union shall have the right to immediately terminate this Agreement. This right to terminate shall be in addition to any and all rights set forth in paragraph (A) immediately above.

The Dealer agrees to indemnify and hold the Credit Union harmless from and against any claims, loss, liabilities, expenses, damages, and costs, including reasonable attorneys’ fees and court costs, if a court of competent jurisdiction determines that such claim or defense is in whole or in part meritorious, resulting from the Dealer’s breach of any representation or warranty or without limitation, such as may arise under any applicable federal, state, or local law, ordinance, rule or regulation.

U. Pre-Approved Auto Drafts

We want all our members, even our most marginal members if certain criterion is met, to finance their vehicle with the credit union. We also believe that members who have low scores feel somewhat desperate and will buy any car at any price as long as they can afford the payments. Our credit union does not believe in financing mistakes where the dealer took advantage of the member. We therefore will hold seminars teaching our members on how to buy a car and providing the member with a “pre-approved auto draft”. We will instruct the member to not allow the dealer to pull their credit report if they have had issues with there credit but instead to focus on getting the best price knowing the credit union will stand behind them.

Endorsement Labels

On the front of the check, the following should be documented:

Payee Name

Re: Member Name

FEID #

Complete collateral information including vehicle ID number;

Example: Payee Name

Member Name

2005 Acura TXS 1514JRKJF1548425

Black Type on Blue Label/Auto Purchase from Dealership

(If check is made payable to dealership, this label applies)

Endorsement by any payee creates an agreement by such payee to deliver (within a reasonable period of time, not to exceed 30 days) to the credit union which issued this check a valid certificate of title for the vehicle described on the face of this check, which said certificate of title shall show a properly perfected security interest in favor of the credit union which is superior to anyone. Failure to comply with this agreement shall entitle the credit union, which issued this check, to recover the amount of the check and any other consequential damages suffered by it, plus reasonable attorney’s fees. Endorsement by any payee who has signed an open-end credit plan acknowledges receipt and acceptance of the amount of this check as an advance under the plan subject to the terms described in the plan. If security (including a pledge of shares or deposits) and/or a change in terms is described or noted on any advance request from or security agreement, the endorsement also constitutes acceptance of the terms of the security agreement and/or the change in the terms.

X_____

Affix label to back of check

Black Type on Green/Auto Payoff from Other Financial Institutions
(If check is made payable to a financial institution)

Endorsement by any payee acknowledges payment in full of the debt(s) secured by the vehicle described on the face of this check, and in consideration thereof, the payee agrees to release its lien on the certificate of title on said vehicle and forward same to Drawer Credit Union at the address on the face of this check. Failure to comply with the above agreement (within a reasonable period of time, not to exceed 10 days) shall entitle the aforesaid Credit Union to recover the amount of this check, and any other consequential damages suffered by it, plus reasonable attorney's fees. Endorsement by any payee who has signed an open-end credit plan acknowledges receipt and acceptance of the amount of this check as an advance under the plan subject to the terms described in the plan. If security (including a pledge of shares or deposits) and/or a change in terms is described or noted on any advance request form or security agreement, the endorsement also constitutes acceptance of the terms of the security agreement and/or the change in the terms. **Note: Bank of America and Chase, will not accept checks if the credit union's endorsement label is affixed to the back of the check. A letter of guarantee will be required before payoff is sent – they usually provide this.**

X_____

Affix label to back of check

The above labels must be affixed to the back of the check. The purpose of the label is to protect the credit union's interest in the loan. There are times when a financial institution does not send the title to the credit union but instead sends the title to the member without the credit union's lien being applied. On the other hand, the dealership at times also mails the title to the member without a credit union lien applied to the title. If the label has been affixed to the back of the check this gives the credit union recourse to sue the financial institution or dealership for not applying our lien.

To all credit unions:

The Auto Buying Seminar and the Easy as 1, 2, 3 auto draft on the following pages is only an example. You may want to develop your own and run it by your attorney to make sure you are in compliance with all applicable laws in your state. Again, this is only an example.



Step 1.

GET DEALERS TO BUY IN IF YOU HAVE GOOD RELATIONS WITH THEM

Step 2.

MARKETING CAMPAIGN
TARGET MARKET

- C,D,E Paper members
- 1st time buyers
- Members who are upside down
- Members who don't want a hassle

PROMISE MEMBERS

- Free Credit analysis
- Food
- Draft Package to carry to dealers
 - Check
 - Instructions
 - Pre-Approved Amount
- (5) \$1000 drawings to be used as down payment (MUST be financed at credit union)

Step 3.

EDUCATE MEMBERS

- Dealers, UNDER NO CIRCUMSTANCES, are they to allow the dealer to pull their credit report
- The members are not to discuss financing insurances or add ons
- They are not to act like they are desperate
- They are to explain to the dealers they want the best price.
- **REMEMBER:** Most of these members think about just getting financed and a car to drive back and forth to work. As a result, because they feel desperate, they get a bad deal and make a mistake. We want to eliminate financing mistakes and instead finance a good deal.
- Once they negotiate the price, they immediately call the credit union so we can make sure they're getting a good deal.
- The credit union will show the audience a couple of examples of impulse buying, buying a car just to get transportation back and forth to work and what happens to their credit when the car is repossessed. We want to educate them on how they are being set up for failure and how to get a good vs. bad deal.

Step 4.

EXPLAIN CREDIT UNION'S NEW PLAN TO HELP THEM GET THE SAME GOOD PRICE AN A+ MEMBER GETS.
THE MEMBER WILL UNDERSTAND:

- Get pre-approved before coming to the seminar
- How the draft package works and how they can drive away with the car and hand the dealer the draft in one easy step.


Step 5.

INVITE PARTICIPATING DEALERS TO ATTEND AND POSSIBLY SPEAK.

ESTIMATED TIME NEEDED: 1 1/2 TO 2 HOURS.

WHEN MARKETING TO THE MEMBER, LET THEM KNOW THE SIMPLE QUALIFICATIONS LISTED BELOW:


- Must be actively employed or have a steady continuous source of income such as retirement or social security.
- Must have the ability to pay.
- Direct Deposit
- Pre-Approved draft amounts will be consistent with their income and no greater than 50-75% of their annual income.
- Pre-Approved drafts will be for franchise dealers, enterprise, Hertz, Avis, National or CarMax. Private party or other deals must be approved by the credit union first.



Congratulations and Welcome!
It's as EASY as 1, 2, 3.

Thanks for choosing ABC Credit Union for your auto financing needs.

- 1. Go shopping.**
- 2. Follow the instructions listed on the next page and read the Contract and Sales Agreement.**
- 3. Endorse check and drive off with your new vehicle.**

ABC CREDIT UNION		001
Jane Doe 123 Main Street Anytown, USA 12345		ISSUE DATE _____
PAY TO THE ORDER OF _____	\$ _____ /00 DOLLARS	
PAYABLE TO ANY LICENSED, FRANCHISED AUTOMOBILE DEALERSHIP IN THE UNITED STATES		
NOT VALID FOR LESS THAN \$5,000.00 OR MORE THAN _____		
PAYABLE Through ABC CREDIT UNION, Anytown, AnyState		
NOTE: By signing and negotiating this check, you become bound by and acknowledge receipt of the Note and Security Agreement delivered to you by ABC CREDIT UNION and bearing the above check number.		
VIN: _____	_____ 	
@'001'@'12345'@'123'@ 123456'@'123'@		

Vehicle Qualifications:

- Vehicle must be model 2000 or newer
- Odometer reading cannot exceed 65,000 miles.
- Loan to value is limited to 110% of invoice on new vehicles and 110% of NADA trade value on used vehicles.
- Minimum Loan Amount: \$5,000
- Maximum Loan Amount: \$ _____

Estimated Payment:

The credit union will allow you to pick your own payment as long as it's in the best interest of you and the credit union. We encourage you to select a payment you can afford, however we expect the payment that you select will pay off your loan in a timely manner. (The credit union must approve the payment you select).

Contract and Sales Agreement

Please read this entire agreement before endorsing the check.

NOTE: You can substitute your own note and security agreement. What is important is to make sure you include the default section, which may read as follows:

The Member is in Default if:

1. I fail to make any payment when it is due.
2. I break any promise, covenant or agreement or statement I have made to the Credit Union under this agreement or in any other agreement I have made with the Credit Union now or in the future.
3. Any statement (oral or written) I make under this agreement or in connection with the agreement or in connection with any other agreement I have with the Credit Union is not true.
4. I or any guarantor dies, becomes insolvent, files a petition for relief under any chapter of the Bankruptcy Code or for any reason is unable to pay their debts when due.
5. I for whatever reason, discontinue, dissolve or otherwise leave my usual business activity or employment.
6. A judgment is entered against me or any guarantor in any court.
7. A writ of attachment, a lien, a writ of garnishment or any similar legal process is issued against me or any guarantor.
8. Any loss, theft, or damage to any collateral given under this agreement should occur.
9. If I fail to keep in force any insurance which is required under the terms of this agreement or any other agreement I have with the Credit Union now or in the future.
10. Any collateral used to secure my payment of this agreement or any other agreement I have with the Credit Union now or in the future is moved to another county without the Credit Union's prior written consent.
11. I am in default under the provisions of any other security agreement given to the Credit Union.
12. Anything else happens which gives the Credit Union any reason to believe that my ability or willingness to pay the Credit Union is impaired or that any other loan account with the Credit Union is not adequately secured. If I am pledging property as an Other Owner of Collateral, I will be in default if anyone who signed the Note is in default.

V. Member Business Loan Policy

Note: NCUA requirements are noted by: (NCUA)

1. **Purpose**

This Member Business Loan (MBL) Policy is established to comply with regulations as required by NCUA.

2. **Definitions**

- a. **“Member business loan”** means any loan, or line of credit (LOC)(including any non-funded commitments) where the proceeds will be used for a commercial, corporate, business investment property, or venture of agricultural purpose except for the following: (NCUA)
 - A loan or loans fully secured by a lien on a 1-4 family dwelling that is the member’s primary residence.
 - A loan that is fully secured by shares in this credit union or deposits in other financial institutions.
 - A loan meeting the general definition of a MBL made to a borrower or an associated member, which when added to other such loans to the borrower or associated member, is less than \$50,000.
 - A loan, the repayment of which is fully insured, fully guaranteed by, or where there is an advance commitment to purchase in full by any agency of the Federal government or of a state or any of its political subdivisions.
- b. **“Associated Member”** means any member with a shared ownership, investment or other pecuniary interest in a business or commercial endeavor with the borrower. (NCUA)
- c. **“Immediate Family Member”** means a spouse or other family member living in the same household. (NCUA)
- d. **“Loan to Value” (LTV)** means the aggregate amount of all sums borrowed including outstanding balances plus any unfunded commitment or line of credit from all sources on an item of collateral divided by the market value of the collateral used to secure the loan. (NCUA)
- e. **“Construction or Developmental Loan”** means the financing arrangement for the purpose of acquisition of property or rights to property , including land or structures, with the intent of conversion into income-producing property including residential housing for rental or sale, commercial or industrial use, or similar use. (NCUA)

- f. **“Net Worth”** means the retained earnings of the credit union as defined under GAAP. Retained earnings normally include undivided earnings, regular reserves and any other appropriations designated by management or regulatory authorities. (NCUA)

3. **Limitations and Exclusions**

The credit union will not make any business loan to a senior management employee, elected or appointed officials, “Associated Member” or “Immediate Family Member” of such employees or appointed officials. (NCUA)

Directors, committee members, loan officers, senior management employees and immediate family members may not receive any loan related commission and/or fee income in connection with any MBL. (NCUA)

A MBL will not be granted wherein a portion of the amount of income to be received by the credit union in conjunction with such loan is tied to the profit or sale of the business or commercial endeavor for which the loan is made. (NCUA)

4. **Type of Business Loan**

It is the intent of the credit union to provide MBLs within the framework of this policy. Types of loans will be limited to:

- Business Equipment (Collateral that provides a identification number (i.e. serial number or VIN)
- Residential Real Property
- Developed Commercial Property

5. **Maximum Amount of Business Loans**

The aggregate total of the member business loan portfolio shall not exceed the lesser of 1.75 times the credit union’s net worth or 12.25% of the credit union’s total assets as calculated on a monthly basis. For the purposes of this policy, exempt loans and loans aggregating less than \$50,000 to any one member or group of associated members, or immediate family members, will not be included in this calculation. (NCUA)

6. **Maximum Loan Amounts**

The aggregate amount of outstanding MBLs to any one member group of associated members or immediate family members shall not exceed \$250,000. If any portion of a MBL is secured by shares in the credit union, or deposits in another financial institution, or fully or partially insured or guaranteed by, or subject to an advance commitment to purchase by any agency of the Federal government, or of a state or

any of its political subdivisions, such portions shall not be calculated in determining the \$250,000 limit.

All business purpose loans on which the member is personally liable will be counted in their total indebtedness to the credit union.

7. **Who Shall Sign**

No loan shall be granted/approved without the personal liability and guarantee by the principals for the total indebtedness to the credit union. (NCUA) Loans to Not-for-Profit organizations as defined by the Internal Revenue Service Code (26 USC 501), may require the personal liability and guarantee of its principals.

8. **Acceptable Collateral/Trade Area**

All collateral must be located/registered in _____.

Individual loans under \$50,000

Loans under \$10,000 may be unsecured and will be included in the member's total indebtedness to the credit union.

Loans over \$10,001 must be secured as follows:

- Standard automobiles/trucks/vans
- Tractor trucks
- Earth moving equipment to include dump trucks, front end loader (Bobcats), trenchers and similar equipment
- Developed real property - (both commercial and residential)
- Other collateral, provided that a identification number (serial or VIN) is available and said collateral is deemed appropriate by the credit committee

First position liens cannot exceed 100% LTV (depending on credit score and age of collateral).

Second position liens will only be allowed on real estate and will not exceed 80% LTV.

Individual loans over \$50,000

- First position liens cannot exceed 80% LTV. (NCUA)
- Second position liens will only be allowed on real estate and will not exceed 80% CLTV. (NCUA)

- LTV for all liens cannot exceed 80%, unless the value in excess of 80% is covered through private mortgage or equivalent insurance. In no case can it exceed 95%. (NCUA)
- First position liens (with PMI or similar type of insurance) can only exceed 80% LTV wherein the excess over 80% is covered through private mortgage insurance, or is insured or guaranteed by or is subject to advance commitment to purchase by an agency of the federal government, or the state or any of its political subdivisions. (NCUA)

9. **Unacceptable Collateral/Loans for Any Loan Amount**

- Accounts receivable
- Inventory, including raw material and/or goods in process and/or finished goods.
- Undeveloped real property
- Livestock
- Grain including but not limited to growing crops, harvested grain storage, feed for livestock.
- Stocks/Bonds
- Standard transportation converted for special business purpose use
- Equipment used to produce/move goods in manufacturing/distribution
- Fixtures typically used in retail/wholesale business (i.e. furniture, business supplies, etc.)
- Construction loans
- Business start-up loans
- Collateral deemed unacceptable by the credit committee
- Individually owned – over the road vehicles

10. **Method(s) to Secure Collateral**

Loans secured by real estate shall be secured by the filing of mortgage in the amount of the loan. The filing of mortgages shall follow the procedures and requirements for the state in which the credit union resides.

Loans secured by non-real estate shall be secured by the filing of UCC documents according to the procedures and requirements for the state in which the credit union resides.

Loans secured by collateral with titles shall be secured by the filing of proper documentation with the Motor Vehicle Department for the state in which the credit union resides.

11. Loan Terms

Member Business Loans shall be granted for periods consistent with the purpose, security, and creditworthiness of the borrower and sound and prudent lending policies, and in compliance with the NCUA Rules and Regulations. (NCUA) Terms will be negotiated with the member borrower and set by Credit Committee or the Board of Directors. Balloon financing shall be required for non-real property loans 60 months in length. Balloon financing or fix term (not to exceed 12 years) will be available on real estate property loans.

12. Loan Rates

Refer to established rate sheets

13. Approval Authority

Loans less than \$50,000 may be approved by those employees authorized by the credit union. The Senior Management Team will act upon loan requests above \$50,001.

14. Required Documentation

Loans of less than \$50,000 in the aggregate to any one member or associated member or immediate family member:

Self employed borrowers where income from the business is required to qualify for the loan.

- Current **financial statement** disclosing the business' financial condition. Said financial state shall list only the business assets/liabilities.
- Current financial statement disclosing borrower's personal financial condition. Said financial statement shall list only personal liabilities. Net total value of the business shall be listed on the financial statement.
- Copies of the prior two years business and personal tax returns for all borrowers/guarantors.
- Copies of Articles of Incorporation and/or Limited Liability Company, By Laws, Partnership Agreements, or S Corporation Agreements as applicable. Also copies of the minutes of meetings (Board of Directors/Members) authorizing officials to obligate the organization.
- Standard current personal credit reports on all borrowers/guarantors.
- Standard commercial loan documents will be used. **Consumer loan documents will not be used.**
- The personal guarantees of all officers and principals and owners obligating the business shall be required. Said individuals shall be jointly and severely liable for the full payment of the loan(s).

Loans greater than \$50,000 to any one member, associated member or immediate family member.

- **Current financial statement disclosing the business' financial conditions.** Said financial statement shall list only the business assets/liabilities.
- **Current financial statement disclosing borrower's personal financial condition.** Said financial statement shall list only personal assets/liabilities. Net total value of the business shall be listed on the financial statement.
- **Copies of the business's prior two years tax returns** and the personal tax returns for all borrowers/guarantors.
- **The business's cash flow will be analyzed** so as to determine whether said cash flow will be adequate to repay the loan(s).
- **Financial statement and tax returns shall be analyzed** so as to determine the ability to repay the loan(s) from earnings of the business under the terms being considered.
- **Copies of articles of incorporation** and/or limited liability company, by-laws, partnership agreements, or S corporation agreements as applicable. Also copies of the minutes of meetings (Board of Directors/members) authorizing officials to obligate the organization.
- **Standard current personal credit reports** on all borrowers/guarantors.
- **Standard commercial loan documents** will be used. Consumer loan documents will not be used.
- **The personal guarantees of all officers and principals** and owners obligating the business shall be required. Said individuals shall be jointly and severely liable for the full payment of the loans(s). (NCUA)
- **Ownership of the collateral being offered shall be determined** and confirmed. (NCUA)
- **Evidence of adequate collateral shall consist of an independent appraisal** completed by a qualified appraiser other than the seller of the property.
- **A site visit to the real property collateral shall be conducted** on an annual basis by a qualified individual. (Either a credit union employee or outside party.) The purpose of the visit is to confirm that the property exists, the property has been maintained and that no conditions exist with the property or its surroundings that would adversely affect its marketability or value. Each visit shall be documented and noted in the MBL file. (NCUA)
- **Visual inspection of the collateral** (other than real property) shall be performed annually by a qualified individual, (either a credit union employee or outside party.) The purpose of the visit is to confirm that the property exists and is in working order. Each visit shall be documented and noted in the MBL file. (NCUA)
- **Annually the borrower shall furnish to the credit union one or more of the following: Current financial statement, balance sheet, and the prior year income tax return.** This information shall be reviewed to ensure the financial soundness and monitoring of the business relationship. (NCUA) Annual current financial statements of the individual principals may also be required.

- Evidence of adequate hazard insurance on the property/collateral. Life insurance and/or disability insurance on those officers/principals that are important to the success of the business may be required.

15. **Qualified Personnel Involved in Business Lending: (NCUA)**

Loans of less than \$50,000 to any one individual or in the aggregate

These loans are limited in collateral scope and have conservative loan-to-values. The credit union's personnel authorized to approve these loans include:

- Lending Manager
- CEO
- Loan Committee
- Credit Committee

Loans greater than \$50,000 to any one individual or in the aggregate

These loans represent a greater exposure to the credit union and require individuals granting to have two years experience in that specific type of lending. This means full time experience, not doing one or two loans a year. If the experience is not available, the credit union may contract with an outside party to review the loan and make recommendations to the credit union.