

Family First Credit Union

CULS LLC Policy

The Credit Union Loan Source (CULS) is a Georgia-based Credit Union Service Organization (CUSO) of Atlanta Postal CU, Delta Community CU, Georgia's Own CU, and the Georgia Credit Union Services Corporation. CULS will consolidate the origination, underwriting and servicing aspects of indirect lending. CULS will sell 99% participations to National Cooperative Bank (NCB), who will in turn sell vehicle loans back to the individual credit unions and other buyers, spreading the risk among the purchasing institutions.

Loans purchased from NCB and originated by CULS will adhere to the following guidelines:

1. The loan purchase amount for CULS is limited to fifteen percent (15%) of FFCU's net worth per month not to exceed an aggregate of one hundred percent (100%) of FFCU's net worth.
2. CULS will retain 1% of each pool of loans.
3. Due diligence for these pools of loans must be performed within 60 days after the purchase.

Automated Decisioning

CULS utilizes a loan origination system (LOS) for the underwriting and processing of their loan applications. The LOS utilizes hundreds of underwriting rules and criteria matrices that the application must pass through and satisfy as part of the automated loan decision process. The LOS, combined with the volume of rules available and the flexibility for CULS to change and apply new rules as trends in the risk profile or economic factors change gives CULS the ability to optimize automated decision tools while tracking and monitoring performance.

Examples of rule criteria used include (but are not limited to) LTV, PTI, DTI, credit score, collateral, time on job, down payment, and many other factors used to make an effective decision. Auto approvals do have a maximum LTV of 140%. FFCU has reviewed and deemed the automated decisioning tool to be acceptable. The validations are reviewed by the CULS Risk committee.

Manual Decisioning

Loans that do not meet the requirements for automated decisioning are referred to an analyst for a decision. Factors such as LTV, DTI, PTI, employment history, credit score, income, etc., are used by the analyst to make their loan decision. Analysts are subject to underwriting guidelines that FFCU has deemed acceptable.

Lending Area

Currently, the CULS lending area is in the following states: Alabama, Florida, Georgia, Illinois, North Carolina, Oklahoma, South Carolina, and Tennessee. Other areas may be added as deemed appropriate.

Acceptable Loan Types

CULS was created to consolidate the origination, underwriting and servicing aspects of indirect lending (New/Used Automobiles, Marine and Recreation Vehicles). Purchased pools will be comprised of approved collateral types.

Purchase Projections

Every 6 months the CFO will evaluate liquidity expectations. Based on estimated liquidity, the CFO will determine the estimated monthly purchase amount for the coming year. Those projections will be communicated to CULS Management for planning and budgetary purposes.

Audits

FFCU conducts a monthly post due diligence audit on a random selection of loans. Samples of loans in each of the following categories are audited periodically. All audit exceptions are documented and reported to CULS for an explanation.

1. Loans with credit scores 660 or less.
2. Loans greater than \$50,000 (if unable to obtain loans greater than \$50,000, a selection will be chosen greater than \$40,000)
3. Selection of loans is chosen at random.

From the sample of loans pulled for review each month FFCU will confirm that loans that are manual approvals have front-end LTV's of 140% or less. If any loan has a front-end LTV greater than 140% then FFCU staff will discuss the loan with CULS to determine why the loan was approved. FFCU will document all discussions and its internal review of the loan. If the number of loans that are an exception to this limit exceeds 5% of loans reviewed per month, and FFCU finds the reason for the approval to be less than desired, then FFCU will meet with the other owners and management of CULS to discuss correcting the problem.

Ongoing Monitoring

The ongoing monitoring of all CULS pools will be performed on a quarterly basis. The review should include at a minimum the following:

1. Past due history
2. Net charge-off history
3. Totality of the past due performance
4. Totality of the net charge-off history

This information will be compared to the Credit Union's past due and net-charge off history for similar types of loans to help identify emerging trends.

Loan Analytics

At least quarterly, management shall provide to the Credit Committee an evaluation of key performance metrics for CULS. The evaluation should include at a minimum the following:

1. Past due history
2. Loss history
3. Weighted average FICO for CULS
4. Weighted average term for CULS
5. Weighted average LTV for CULS

The Credit Committee will report a summary of their evaluation to the Board of Directors at least quarterly.