

Family First Credit Union

Lending Policy

Service Member's Civil Relief Act Policy/Military Lending Act

Purpose

The Soldiers' and Sailors' Civil Relief Act (SSCRA) of 1940 was enacted to further the interests of the national defense by temporarily limiting financial obligations of individuals whose ability to repay had been lessened as a result of going on active duty. In December of 2003, the service-members Civil Relief Act (SCRA) became law, clarifying the language of the SSCRA and incorporated the many years of judicial interpretation of the 1940 statute.

The SCRA protects individuals who are on full-time duty in the active military service of the United States who have been "materially affected" or disadvantaged as a result of going on active duty. Enlisted reservists may receive protection as soon as they receive orders to report for duty. Active duty personnel include individuals appointed, enlisted or inducted into the regular branches of the U.S. military service, i.e., Army, Air Force, Navy, Marines, and Coast Guard, as well as personnel mobilized in National Guard and Reserve Units, and commissioned officers of the Public Health Service or the National Oceanic and Atmospheric Administration. "Active duty" also includes full-time training (e.g., boot camp, advanced training, etc.) for active military service at a school designated by law or by the Secretary of the military department concerned as a military service school.

Requirements

Family First Credit Union will adhere to the following requirements as mandated by SCRA:

- The Credit Union will refrain from taking adverse action against a service member solely because the service member exercised rights under the Act
- The Credit Union will reduce the interest rate on obligations of a service member, or of a service member jointly with the service member's spouse, incurred prior to military service, to no more than 6% during the period of military service, upon receipt of written notice and a copy of the service member's military orders
- The Credit Union will forgive interest in excess of 6%
- The Credit Union will reduce any periodic payment due by the service member by the amount of the interest forgiven
- Upon receipt of the written notice from the service member and a copy of the military orders, the Credit Union will apply the interest rate reduction retroactively to the date on which the service member was called to military service

- The Credit Union will obtain a court order before selling, foreclosing or seizing real or personal property due to a breach of an obligation by a service member during the period of military service or within 9 months after without a court order
- The Credit Union will send HUD's Notice of Service member's Rights to all members who are in default on their mortgage loans within 45 days of the missed payment.

MILITARY LENDING ACT Loans Covered

Family First Credit Union will follow the Military Lending Act when granting "consumer credit" to service members and their dependents. "Consumer credit" means credit offered or extended to a covered borrower primarily for personal, family, or household purposes and that is (1) subject to a finance charge; or (2) payable by a written agreement in more than four installments.

Exceptions

"Consumer credit" does not mean:

- A residential mortgage, which includes any credit transaction secured by an interest in a dwelling, including a transaction to finance the purchase or initial construction of the dwelling, any refinance transactions, home equity line of credit, or reverse mortgage;
- Any credit transaction that is intended to finance the purchase of personal property when the credit is secured by the property being purchased;
- Any credit transaction that is considered "exempt" under Regulation Z (other than a transaction exempt under 1026.29) or otherwise is not subject to disclosure requirements under Regulation Z; and
- Any credit transaction or account for credit which the Credit Union determines that a consumer is not a covered borrower by using a method and complies with the recordkeeping requirements.

Covered Borrowers

A "Covered Borrower" is defined as a person with the following status at the time he/she becomes obligated on a consumer credit transaction:

- Covered Member - A member of the armed forces who is serving on active duty pursuant to title 10, title 14, or title 32 of the United States Code under a call or order that does not specify a period of 30 days or less, or such a member serving on Active Guard and Reserve duty [as defined in 10 U.S.C. 101(d)(6)];
- A "dependent" with respect to the covered member as described in subparagraph (A), (D), (E), or (I) of 10 U.S.C. 1072(2).
- A Covered Borrower does not mean a consumer who (though they were a covered borrower at the time they became obligated on a consumer credit transaction or established an account for consumer credit) is no longer a covered member or dependent of a covered member.

Family First Credit Union may apply their own method to assess whether a consumer is a covered borrower. The Credit Union is provided a safe harbor and may conclusively determine whether credit is offered or extended to a covered borrower, by assessing the status using the following methods:

The Credit Union may verify the status of a consumer by using information related to that consumer in a database maintained by the Department of Defense. The Credit Union will need the consumer's last name, date of birth and social security number to perform the search. Historical lookbacks in this database by the Credit Union to ascertain whether the consumer was a covered borrower after a contract has been established is prohibited.

The Credit Union may also verify the status of a consumer by using a statement, code, or similar indicator describing the status (if any) contained in a consumer report obtained from the consumer reporting agency.

Recordkeeping

The Credit Union making a determination regarding the status of a consumer by using one of the methods described above must timely create and maintain a record of the information obtained. The Credit Union may make the determination of covered status solely at the time consumer initiates the transaction or applies to establish the account or 30 days prior to that time, or at the time the Credit Union develops or processes a firm offer of credit that includes the status of the consumer as a covered borrower, so long as the consumer responds to that offer not later than 60 days after the time that the Credit Union had provided that offer to the consumer. If the consumer responds to the Credit Union's offer 60 days after the time the Credit Union provided it to the consumer, the Credit Union may act as though the consumer is initiating a new transaction.

Military Annual Percentage Rate (MAPR) Limitation

The MAPR, defined as "the cost of consumer credit transactions expressed as an annual rate," and includes the following:

- Finance charges (as defined in Regulation Z) associated with the consumer credit;
- Any application fee charged to a covered borrower who applies for consumer credit, other than an application fee charged by the Credit Union when making a short-term, small amount loan, provided that the application fee is charged not more than once in any rolling 12 month period;
- Participation fees for a plan or arrangement for consumer credit;
- Credit insurance premiums or fees, including charges for single premium credit insurance;
- Fees for debt cancellation or debt suspension agreements; and
- Fees for credit-related ancillary products sold in connection with the

- credit transaction for closed-end credit or an account for open-end credit.
- Even if the abovementioned charges would be excluded from the finance charge calculation under Regulation Z, they shall still be included in the MAPR calculation.
- The MAPR may not exceed 36%.

Mandatory Disclosures

Family First Credit Union must provide covered borrowers with a clear and conspicuous written disclosure in a form the member can keep.

- The disclosures (except for the Regulation Z disclosures) must be provided verbally before or at the time of consummation of the loan. For mail or internet transactions, the Credit Union complies with this requirement by providing a toll-free telephone number on or with the written disclosures that consumers may use to obtain the verbal disclosures, and the Credit Union provides the verbal disclosures to the covered borrowers upon request.
- The required disclosures must be kept separate from the Regulation Z disclosures.
- The written disclosures must be provided before consummation of the transaction. Disclosure of the MAPR in advertisements is not required.
- The refinancing or renewal of a covered loan requires new disclosures only when the transaction would be considered a new transaction that requires Regulation Z disclosures.

The disclosures must include the following information:

- A statement of the MAPR applicable to the extension of consumer credit, which can be satisfied with the following model language: "Federal law provides important protections to members of the armed forces and their dependents relating to extension of consumer credit. In general, the cost of consumer credit to a member of the Armed Forces and his or her dependent may not exceed an annual percentage rate of 36 percent. This rate must include, as applicable to the credit transaction or account: The costs associated with credit insurance premiums; fees for ancillary products sold in connection with the credit transaction; any application fee charged (other than certain application fees for specified credit transactions or accounts); and any participation fee charged (other than certain participation fees for a credit card account).";
- Any disclosures required by Regulation Z (which shall be provided in accordance with the requirements of Regulation Z that apply to that disclosure); and;
- A clear description of the payment obligation of the covered borrower, as applicable (i.e., payment statement or account-opening disclosure pursuant to Regulation Z).

FAMILY FIRST CREDIT UNION**South Office**

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North Office

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MILITARY LENDING ACT ADDENDUM

For members of the Armed Forces on active duty,
active Guard or active Reserve duty, or "covered"
dependents of such active-duty service members.

Covered Borrower(s) Name and Address		Date of Addendum
Loan Account Number	Date of Loan Agreement	

Definitions. In this Military Lending Act Addendum ("Addendum"), the words "you" and "your" refer to the "Covered Borrower(s)" identified above. "Credit Union" means the Credit Union identified above. "Loan Agreement" means the written agreement between you and the Credit Union for your loan, executed on the Date of Loan Agreement and identified by the Loan Account Number shown above.

MANDATORY LOAN DISCLOSURES

Truth-in-Lending Disclosures. In connection with your Loan Agreement, the Credit Union must provide you with Truth-in-Lending disclosures required by the Consumer Financial Protection Bureau's Regulation Z. These disclosures are contained in or provided together with your Loan Agreement, and must include a clear description of your payment schedule (in the case of closed-end credit) or your payment obligations (in the case of open-end credit), and any fees or charges that may be imposed in connection with your loan.

Military Lending Act Disclosure. Pursuant to the Military Lending Act (10 U.S.C.A. § 987) and Department of Defense regulations (32 C.F.R. § 232.1 et seq.), the following disclosure must be provided to you both orally and in writing in connection with your loan.

You may call toll-free 800-211-9064 to receive oral disclosures.

STATEMENT REGARDING THE MILITARY ANNUAL PERCENTAGE RATE (MAPR)

Federal law provides protections to members of the Armed Forces and their dependents relating to extensions of consumer credit. In general, the cost of consumer credit to a member of the Armed Forces and his or her dependent may not exceed an annual percentage rate of 36 percent. This rate must include, as applicable to the credit transaction or account: The costs associated with credit insurance premiums; fees for ancillary products sold in connection with the credit transaction; any application fee charged (other than certain application fees for specified credit transactions or accounts); and any participation fee charged (other than certain participation fees for a credit card account).

AMENDMENT(S) TO LOAN TERMS

This Military Lending Act Addendum is executed on the Date of Addendum shown above, and hereby amends and supplements the Loan Agreement between you and the Credit Union executed on the Date of Loan Agreement shown above. The terms and conditions of your Loan Agreement are hereby amended and modified as follows:

Mandatory Arbitration. If your Loan Agreement contains a provision that requires you to submit to arbitration in the event there is a dispute between you and the Credit Union in connection with your loan, the Credit Union hereby expressly disclaims and waives any such mandatory arbitration provision.

Except as expressly modified herein, the terms and conditions of your Loan Agreement, including the Credit Union's remedies upon default, remain unchanged and in full force and effect.

SIGNATURE(S). By signing below, you acknowledge that you have read this Addendum to Loan Agreement, that you understand it, and that you have received a completely filled-in copy of it.			
X		X	
Signature (covered borrower)	Date	Signature (covered borrower)	Date

Preemption

This regulation would preempt any inconsistent State or Federal law, rule or regulation, including any State usury law, unless such a law, rule or regulation provides additional protection to covered borrowers. States may not charge MAPRs that are higher than the limit for residents of the State, or permit the violation or waiver of any State consumer lending protection that is for the benefit of the residents of that State, solely on the basis of the borrower's non-resident or military status.

Limitations

The rule prohibits Family First Credit Union and its assignees from the following activities:

- Extending consumer credit to a covered borrower in order to roll over, renew, repay, consolidate or refinance consumer credit that was previously extended by the same creditor to the same covered borrower. This limitation would **not** apply to work out loans or other refinancing that benefits the borrower.
- Requiring covered borrowers to waive their legal recourse under any applicable State or Federal law, including any provision of the Service Member's Civil Relief Act.
- Requiring covered borrowers to submit to arbitration or imposing other onerous legal notice provisions if the event of a dispute.
- Demanding unreasonable legal notice as a condition for legal action.
- Using a check or other method of access to a deposit, savings, or other financial account maintained by the member. However, creditors may do the following:
 - Require an EFT to repay the debt, unless otherwise prohibited by Regulation E;
 - Require direct deposit of the covered borrower's salary as a condition of eligibility for credit, unless otherwise prohibited by law; or
 - Take a security interest in the funds that are deposited after the extension of credit in an account established in connection with the transaction.
 - Requiring that the covered borrower establish an allotment to repay the obligation.
 - Prohibiting the borrower from prepaying the debt, or charging a fee for prepaying all or part of the debt.

MORTGAGE SERVICING PRACTICES FOR MILITARY MEMBERS WITH PERMANENT CHANGE OF STATION ORDERS

Persons Protected - Primary Coverage

The NCUA Letter to Credit Unions 12-CU-07 applies to military service members who have received mortgage services from the Credit Union and have received Permanent Change of Station orders from the military.

- Mortgage services include managing a member's loan account and collecting and crediting monthly payments.
- Permanent Change of Station (PCS) orders require service members to move to a new duty station, are non-negotiable, and operate under short, strict timelines.

Loans Covered

Family First Credit Union will follow the guidance of NCUA Letter to Credit Unions 12- CU-07 for all mortgage loans and mortgage services provided to military service members.

Servicing Assistance

The Credit Union will protect military homeowners with PCS orders by:

- Providing homeowners with accurate, clear, and readily understandable information about available assistance options they may qualify for, based on information known to the Credit Union.
- Provide a reasonable means for members to obtain information on the status for their request for assistance.
- Communicating the Credit Unions decisions on requesting assistance in a timely manner.
- The Credit Union will **NOT** ask a service member to waive their rights under the Service Member's Civil Relief Act as a prerequisite to providing information about available assistance options or eligibility for assistance.
- The Credit Union will **NOT** advise service members who are current on their loans and able to make monthly payments to skip payments creating the appearance of financial distress in order to qualify for assistance.

Training

Family First Credit Union will provide training to employees in the capacity to assist service members with mortgage servicing issues covering assistance programs and options available to military service members.