Family First Credit Union

Temporary Policy for Loan Modifications, Disaster Relief, and Reporting during COVID-19 Pandemic

General Policy Statement

In response to the interagency guidance, published on April 3, 2020 and in response to the presidentially declared emergency on March 13, 2020, the Family First Credit Union will work with members affected by the COVID-19 to the best of its ability, including compliance with the provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

Since the Credit Union has also been impacted by the COVID-19, this policy also outlines relief from regulatory agencies on specific timing requirements, certain notice and information delivery to borrowers and accounting treatment for loans.

The Credit Union will also continue to comply with applicable, existing internal policies addressing these operational areas.

Guidelines

1. **Federally-Backed Mortgage Loans.** The Credit Union servicing federally-backed mortgage loans will comply with the following provisions under the CARES Act:

   A. Borrowers can request forbearance regardless of their delinquency status. If the borrower is not delinquent, the early intervention requirements do not apply. If the borrower is delinquent, the Credit Union will comply with the early intervention requirements outlined in the mortgage servicing rules, with certain concessions as outlined in this policy.

   B. Borrowers experiencing financial hardship directly or indirectly related to the COVID-19 emergency, may request a forbearance by submitting a request to the Credit Union and affirming their experience of hardship during the COVID-19 emergency. No other documentation is needed or can be obtained.

      i. For purposes of RESPA and the mortgage servicing rules, this is considered a "short-term repayment forbearance program," which allows the Credit Union to provide forbearances quickly under the rules without waiting for a complete loss mitigation application.

      ii. For purposes of the mortgage servicing rules, the above financial hardship request and affirmation from the borrower constitutes an "incomplete loss mitigation application" and the Credit Union must comply with applicable mortgage servicing rules.

C. The Credit Union must provide a forbearance that allows the borrowers to defer their mortgage payments for up to 180 days (and possibly longer).
D. The Credit Union must also provide forbearance for an additional 180 days if requested by the borrower.

2. **Mortgage Servicing Rules.** Small Servicers are EXEMPT. Credit Unions impacted by COVID-19 that are not considered a small servicer under the mortgage servicing rules are permitted to utilize flexibility with certain requirements under the rules.

   A. **Small Servicer**
      i. The Credit Union qualifies as a small servicer if:
         1. The Credit Union, together with any affiliates, services 5,000 or fewer mortgage loans, and the Credit Union (or an affiliate) is the creditor or assignee for all of them; or
         2. The Credit Union is a Housing Finance Agency.
      ii. If the Credit Union services any mortgage loan it (or an affiliate) did not originate or does not own, the Credit Union does not qualify as a small servicer, even if it services 5,000 or fewer loans overall.

   B. **Small servicers cannot:**
      i. Make the first notice or filing required to foreclose unless a borrower's mortgage loan obligation is more than 120 days delinquent, the foreclosure is based on a borrower's violation of a due-on-sale clause, or the servicer is joining the foreclosure action of a superior or subordinate lienholder;
      ii. Make the first notice of filing required to foreclose if a borrower is performing pursuant to the terms of a loss mitigation agreement; and
      iii. Move for foreclosure judgment or order of sale, or conduct a foreclosure sale if a borrower is performing pursuant to the terms of a loss mitigation agreement.

   C. **Payoff Statement**
      i. When the Credit Union receives a written request for a payoff statement from a consumer or person acting on behalf of the consumer, a statement must be sent within a reasonable amount of time, but in no case more than 7 business days.
         1. If the Credit Union cannot provide the notice within 7 business days, they must still work to provide notice within a reasonable time.

3. **Loan Modification Accounting**

A. The Credit Union may account for an eligible loan modification either under section 4013 of the CARES Act, *Temporary Relief from Troubled Debt Restructurings* (4013) or in accordance with Accounting Standards Codification (ASC) Subtopic 310-40. If a loan modification is not eligible under section 4013, or the Credit Union elects not to account for the loan modification under section 4013, the Credit Union should evaluate whether the modified loan is a Troubled Debt Restructuring (TDR).
B. For loans eligible under section 4013, a loan modification must be:
    i. Related to COVID-19;
    ii. Executed on a loan that was not more than 30 days past due as of December 31, 2019; and
    iii. Executed between March 1, 2020 and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) December 31, 2020 (applicable period).
C. Loans eligible under section 4013 are not required to apply ASC Subtopic 310-40 to the section 4013 loans for the term of the loan modification.
D. Credit Unions will not report section 4013 loans as TDRs in regulatory reports.
E. The Credit Union does not need to determine impairment associated with certain loan concessions that would have been required for TDRs (e.g., interest rate concessions, payment deferrals, or loan extensions).
F. For loans not eligible under section 4013, short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not considered TDRs under ASC Subtopic 310-40.
    i. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant.
    ii. Borrowers that are less than 30 days past due on their contractual payments at the time a modification program is implemented are considered "current."
G. For modification programs designed to provide temporary relief for current borrowers affected by COVID-19, the Credit Union may presume that borrowers that are current on payments are not experiencing financial difficulties at the time of the modification for purpose of determining TDR status and thus no further TDR analysis is required for loan modifications in the program if:
    i. The modification is in response to the National Emergency;
    ii. The borrower was current on payments at the time the modification program is implemented; and
    iii. The modification is short-term (e.g., six months).
    iv. Government-mandated modification or deferral programs related to COVID-19 would not be in the scope of ASC Subtopic 310-40, for example a state program that requires institutions to suspend

mortgage payments within that state for a specified period. Those programs, if implemented and applicable, will be analyzed by the Credit Union separately.

H. If the Credit Union agrees to a payment deferral due to COVID-19, this may result in no contractual payments being made, however these loans are not considered past due during the period of deferral and the Credit Union is not expected to designate these loans as past due because of the referral.
I. The Credit Union should refer to the applicable regulatory reporting requirements, as well as internal accounting policies, to determine if loans to stressed borrowers should be reported as nonaccrual assets in regulatory reports. However, for short-term arrangements (as outlined this policy), these loans generally should not be reported as nonaccrual. As more information becomes available indicating a specific loan will not be repaid, the Credit Union should refer to the charge-off guidance in the instructions for Consolidated Reports of Condition and Income.

4. Fair Credit Reporting Act

A. Credit Unions making payment accommodations to borrowers impacted by COVID-19 through multiple forms, such as payment flexibility (skip payments or deferrals) will not report those deferred payments as delinquent to credit reporting agencies.
B. Disputes are generally required to be investigated within 30 days of receipt of a consumer’s dispute. That time period may be extended to 45 days if additional information is provided that is relevant to an investigation. The Credit Union will make a good faith effort to comply with these timeframes. However, timeframes will not be enforced through the examination process and enforcement action will not be pursued if good faith efforts are being made to investigate disputes as quickly as possible, even if a dispute investigation takes longer than the statutory timeframe.

5. Disaster Relief Programs

Family First Credit Union offers the following solutions to help provide relief to members that have suffered a loss of household wages, unexpected expenses, and safety preparedness due to the Coronavirus COVID-19.

The Credit Union is relaxing the normal approval process for these programs to those members that are currently unemployed due to the pandemic.

a. **Disaster Relied Loan** – Members can borrow up to $1,500 for a maximum term of 18 months. The rate is 6.9% regardless of credit score. The first payment is due in 90 days. Approval is based on creditworthiness including credit history, debt ratio, length of employment, and more.

b. **Skip-A-Payment Assistance** – Members can apply to skip up to two consecutive payments on their consumer loans to help relieve paying bills during this difficult time. We will waive all skip payment fees associated with the Coronavirus COVID-19 crisis.

c. **Loan Modification** – If the "Disaster Relief Loan" or "Skip-A-Payment Assistance Program" does not help your current situation due to the Coronavirus COViD-19 crisis, management will consider a "Loan Modification" which may include payment deferrals or extensions of repayment terms. This will be on a case-by-case basis.