Family First Credit Union
Lending Policy
Real Estate Lending Policy

General Policy Statement
The Credit Union will originate residential first and second mortgage loans and HELOC real estate loans in compliance with all applicable federal and state laws and regulations. Mortgage loans that will be held in portfolio will be reviewed annually**.** Quality Control will randomly review 10% of the portfolio loans granted annually.

General Guidelines
First and second HELOC mortgages may be granted to members of Family First Credit Union (FFCU)following the processes stated in the Credit Union's lending policy. Members may apply for these types of mortgage loans, if the membership requirements are met.

Real estate loans may be granted when funds are available but may not exceed 35 percent of the Credit Union's total assets.

Scope
This policy will apply to all in-house residential mortgage loan applications received, granted, or rejected by Family First Credit Union. Investor/Secondary Market Agency loan applications will be processed and underwritten to comply with the Investor's or Secondary Market Guidelines. Any policy, written or verbal, in effect prior to the adoption of this pol icy is superseded. This policy will be reviewed annually by the Board of Directors (Board) to determine if changes are needed due to changes in Family First Credit Union's operating environment, in the objectives or business practices or in the needs of the membership.

Trade Area
The trade area for residential mortgage loans securing a primary dwelling shall include Georgia and the surrounding states. (Alabama, Florida, Tennessee, South Carolina, and North Carolina).

Employee, Family Members, Committee Members and or Board of Director Loans
Residential mortgage loans to employees, and their immediate family members (spouse, parents, and children) must be submitted to the VP of Real Estate, Chief Lending Officer, or the President/CEO for loan approval or denial. Loans to the Board of Directors, President/CEO and their immediate family members (spouse, parents, and children), will be approved or denied by the Credit Committee. The Borrower takes no part in the consideration of his/her loan request.

Loans made each month to employees and Directors will be reported by the President/CEO to the Board at the next monthly meeting of the Board.

Credit Committee and Lending Underwriters' Responsibilities
The Credit Committee has the responsibility of reviewing a sample of loans approved quarterly by the Loan Underwriters, for soundness, and documentary completeness. The Credit Committee may appoint the responsibility to the VP of Compliance to pull a 10% random selection of loans for each quarter and give them to the Credit Committee to review. The results of these reviews will be documented in the Credit Committee's report to the Board on a quarterly basis.

Loan Authority
The Credit Committee has the overall responsibility for the granting of loans and supervision of loans to members. The Credit Committee may appoint one or more loan Underwriters and delegate to them the authority to approve loans under the guidelines set for the Loan Underwriters in this policy. In addition, the Credit Committee has the authority to empower certain Internal Underwriters to act as a Loan Committee with designated loan authority to approve or decline loans. The following Loan Underwriters have been appointed by the Credit Committee to serve on the Loan Committee.

- President/CEO – Stephen Smith
- Chief Financial Officer – Jim Helms
- Chief Lending Officer – Michael Borman
- VP of Real Estate – Linda Hopkins

Loan Committee Designated Loan Authority
There must be minimum of three Loan Committee Members to act on an approved or denied loans. Any loan granted as an exception to the policy defined herein must have supporting documentation in the files. Minutes must be recorded and reported to the Credit Committee on a monthly basis. As a Loan Committee of three, the maximum loan amount the Loan Committee can approve together is **$500,000.00**. Any loan amount **$500,001.00** and higher must be submitted to the Credit Committee for approval or denial.

Individual Designated Loan Authority
The following positions have the authority to approve real estate loans and limits as follows:

President/CEO	$500,000
Chief Lending Officer	$300,000
Vice President of Real Estate	$300,000
Chief Financial Officer	$100,000
Branch Manager	$75,000
Three members of the Loan Committee	$500,000
Three members of the Credit Committee	$750,000

Loan Types, Terms and Limits

First, second, and HELOC real estate mortgage loans may be granted up to the maximum mortgage limit set by the state's Department of Banking & Finance, NCUA, Secondary Market, or by the Credit Union's Credit Committee with approval of the Board of Directors. Maximum limit per member for all loans secured by real estate is $750,000.00 excluding loans sold on the secondary market.

Loan Types	Duration	Terms
First Mortgage (Single Family 1-4 Units)	30 years	30 yr. fixed rate with principal & interest
Condominium	30 years	30 yr. fixed rate with principal & interest
Townhome	30 years	30 yr. fixed rate with principal & interest
Manufactured Home	15 years	15 yr. fixed rate with principal & interest
HELOC (Open-End LOC) Principal & Int.	6 years	6 yr. ARM payment, adjust every 6 months
HELOC (Open-End LOC) Interest Only	10 years	10 yr. ARM payment, adjust every 6 months
Second Mortgage	15 years	15 yr. fixed rate with principal & interest
Unimproved Loan	15 years	Fixed rate and payment

The Credit Union will consider in-house residential mortgage loans on the following types of properties:

- Single family residence (1-4 Units). The Borrowers must occupy one unit.
- Condominium.
- Townhouse.
- Land for personal use.
- Home Equity (principal and interest payment or interest only payments).
- Manufactured Home (The home must be permanently affixed to a foundation, wheels, axels, and hitch must be removed. Purchase of land and unit represent a single real estate transaction, evidence/proof of a mortgage deed of trust in the land records; combination of real estate mortgage and chattel or title registered with the Secretary of the State is not acceptable).
- Planned Unit Development (PUD).
- Federal, State, and local Housing Authorities (HUD Homes).

Pricing of Fees and Interest Rates

Real estate loan pricing methods will be consistent with current market conditions and with the Credit Union's ability to offer competitive products. The Credit Union will determine the interest rates, fees, and pricing after considering the following factors:

- Rates of competing lenders in the Credit Union's market area.
- Rate pricing and fees with our current investors which the Credit Union has entered into an agreement to originate or sell mortgages.
- The long-term anticipated cost of funds.
- The Credit Union’s strategy for growth or shrinkage of the mortgage loan portfolio.
- For portfolio first mortgage loans, the Vice President of Real Estate and/or the Chief Lending Officer will complete the net pricing rate form that calculates the net pricing rate the Credit Union will receive on the loan. This will include, loan

level adjustments, and other fees incurred for processing, underwriting, loan fulfillment, closing and shipping. All mortgage loans except (HELOC's) will be sent to one of our third-party companies to handle the processing, underwriting, fulfillment, closing and shipping. (Portfolio loans will be underwritten internally by designated underwriters)

Items listed below may be included in the loan level adjustments but not limited to all fees listed:

- AUS findings.
- Current market rates.
- Adjustment for adding the loan to our portfolio.
- Credit Score.
- Debt to income ratio.
- Loan to value (LTV).
- Owner or non-owner occupied.
- Other items as needed or require.

The Vice President of Real Estate, Chief Lending Officer, and the President /CEO will consider all criteria outlined in the credit underwriting standards. They will focus on:

- Income stability.
- Monthly housing expense ratio and debt levels.
- Asset/net worth ratio.
- Purpose of the loan.
- The amount requested.
- A listing of each Borrower's assets and liabilities.
- A statement of each Borrower's income.
- A specific identification of the property.
- Marketable Collateral.

Mortgage interest rates are to be recommended by the Credit Union's President/CEO, Chief Lending Officer and VP of Real Estate. This enables the Credit Union to respond to the volatility of the marketplace. The President/CEO can make exceptions if it is in the best interest of the Credit Union.

Credit Analysis

The Credit Union will review all mortgage loan applications submitted by members, and does not discriminate against any credit applicant based on sex, marital status, age, race, color religion, national origin, receipt of income from public assistance programs, or the exercise of rights under the Consumer Credit Protection Act. The prime consideration in the evaluation of all residential mortgage loan requests will be the credit experience of the applicant and his/her capacity to repay, as reflected in the application and credit report.

The Credit Union may choose to hold various loans-in-house; however, the Credit Union must not exceed the maximum percentage of 35% set by the Board of Directors. All mortgage loans will be submitted through the Automated Underwriting System (AUS) with

Freddie Mac or Fannie Mae for credit evaluation, processing, loan documentation and standard underwriting. This keeps consistency in processing, loan documentation, and standard underwriting requirements. If a loan is approved through the AUS system, the rate will be at our established market rate plus any loan level adjustments passed on to the Credit Union through our Investors.

In the event a loan does not meet secondary market guideline, the Credit Union may choose to underwrite the loan file and process the loans as a non-conforming loan. The non-conforming loans will receive a higher rate based on our non-conforming risk-based calculation. The loan must be coded as non-conforming in the loan servicing system. Loans that are non-conforming must be documented with compensating factors why the loan was approved. Loans that are underwritten to secondary market guidelines must be coded as salable loans.

Credit Report and AUS Findings
The Loan Underwriter, Loan Committee, or Credit Committee shall review the creditworthiness of each applicant for a new mortgage loan. The factors that will alter the determination of whether the applicant is granted the loan will include but not limited to:

- A Tri-Merge Credit Report (except HELOC Loans) must be obtained on all first and second mortgage loans. The credit report is good for 120 days from the date of application. A soft pull credit report must be obtained within 3 days prior to closing date to ensure no other debts have been incurred or the credit has not declined since the original pull date.
- All first and second mortgages loans must be run through the automated underwriting system (AUS), Freddie Mac or Fannie Mae. The Mortgage Loan Officer and Underwriter must comply with the AUS findings.
- Some Credit Union products may not be eligible through the AUS, however, the AUS findings will state the product is not eligible for sale. The loan still needs to be run through the AUS for credit decisioning, loan documentation, and underwriting requirements.

Creditworthiness Standards
The loan characteristics of Credit Reputation, Capacity and Collateral will help determine creditworthiness of a Borrower. The characteristics below increase risk factors in a mortgage and must be considered when a loan is reviewed by the Loan Underwriter, Loan Committee, or Credit Committee.

- Adverse or derogatory credit information.
- High balances-to-limits.
- High overall utilization of revolving credit.
- Several inquiries.
- A housing payment-to-income ratio more than guidelines.
- A debt payment-to income ratio more than guidelines.
- Cash-out refinance.
- No cash reserves.
- Adjustable Rate Mortgage.

- Low equity/down payment.
- Maximum financing.
- Investment Property.
- Manufactured Home.
- Condominium Unit.

Request for Credit with Co-Borrowers
An immediate family member (spouse, parent, child, or sibling) who is joint on the primary share of the primary Borrower is eligible to be a Co-Borrower without obtaining their own primary membership. The loan must be funded under the primary membership account for which the request is being made.

Prospective Co-Borrowers shall be reviewed for creditworthiness as defined in the creditworthiness section.

Directors, and Employees of Family First Credit Union may be Co-Borrowers with family members. Exceptions to this must be approved by President/CEO or Chief Lending Officer.

Conforming Loans: Family First Credit Union will offer various types of mortgage loans to our members, provided they are salable, and meet the secondary market guidelines. This includes Conventional mortgage loans. FHA, and USDA are sold to HUD and VA loans are sold to the Veterans Administration.

Non-Conforming Loans: Family First Credit Union will offer Non-Conforming loans that do not necessarily meet the standard underwriting guidelines of the secondary market. These loans will be portfolio loans and serviced by one of our third-party companies.

Home Equity Loans: Family First Credit Union offers two types of Home Equity Loans Lines of Credit. They are both open ended Home Equity Lines of Credit with an adjustable rate, tied to the Prime Rate. One is an interest only loan, and the other one has a required principal and interest payment.

This type of loan is secured by a mortgage on the member's primary or secondary residence. The maximum loan to value for HELOCs will be 90% on a primary residence and 80% on a secondary residence.

For each HELOC product, the plan is a variable rate feature, the annual percentage rate (corresponding to the periodic rate), and the minimum payment can change as a result. The rate is based on "Prime Rate" (index) published in the Wall Street Journal plus a margin. If the index becomes unavailable, FFCU will choose another index with similar interest rate.

The annual percentage rate can change twice yearly on the first day of December and June. The maximum that can apply during the plan is 11.50% or the maximum rate allowed by law, whichever is less. The minimum Annual Percentage Rate that can apply to this plan is 5.00%. Except for the 11.50% (or the maximum rate allowed by law, whichever is less) "cap" and the 5.00% floor, there is no limit on the amount by which the rate can change during anyone-year period.

Second Mortgage Loans: Family First Credit Union offers fixed rate second mortgage loans. This type of loan is secured by a mortgage on the member's primary or secondary residence/investment property. The maximum loan to value for HELOCs will be 90% on a primary residence and 80% on a secondary residence/investment Property.

Jumbo Mortgage Loans: Family First Credit Union offers fixed rate jumbo first mortgage loans. These are loans that exceed the maximum loan size eligible for purchase by secondary market. **($510,400.)** Jumbo loans will be subject to an interest rate-pricing premium. The maximum loan to value will normally be 80%. Higher loan to value ratios will require private mortgage insurance (PMI) or President/CEO, CLO or Credit Committee approval.

Land Loans: Family First Credit Union offers loans on land. These loans are not sold on the secondary market. The maximum loan to value will be 90%. The maximum term for a land loan is 15 years. Higher loan to value ratios (exceeding 80% LTV) will be based on good credit worthiness and may require a larger down payment by the President/CEO or CLO.

Qualified Mortgages: Family First Credit Union may offer Qualified Mortgages. To meet the standards of a Qualified Mortgage the Credit Union will use the following factors:

- Mortgage has regular periodic payments.
- Loan term does not exceed 30 years.
- Points and fees do not exceed limits.
- Meets the ability to repay guidelines; and
- The debt to income ratio does not exceed 43% on Ability to Repay loans (ATR) with adequate mitigating factors.

Non-Qualified Mortgages: If the mortgage does not meet the standards that the Credit Union has in place for a Qualified Mortgage, the Credit Union will consider that mortgage a Non-Qualified Mortgage. If a Non-Qualified mortgage is granted to the borrower, the Credit Union will document the compensating factors used in making the approval decision. The VP of Real Estate will review the loan and determine if the loan has good compensating factors. If there are enough compensating factors then, he/she may approve the Non-Qualified Mortgage loan within their lending limits. Family First Credit Union will track Non-Qualified mortgages to ensure the Credit Union does not exceed their Non-Qualified mortgage concentration limit.

Second Home Loans: Family First Credit Union may offer second homes to their borrowers/members. These homes will meet the definition of a second home, per the IRS definition (used for personal purposes more than the greater of: 14 days or 10% of the total days it is rented to others at a fair rental price). If the loan is being sold to an investor then, the loan must meet the secondary guidelines and/or investors requirements which may vary from the IRS definition.

First Mortgages: Family First Credit Union will make two classes of first mortgage loans. The first class will be Conforming Mortgage Loans, which will comply with the secondary market guidelines and will be available for sale to the secondary mortgage market. This first classification will also include loans underwritten to the standards of the Department of Veterans Affairs (VA Loans), as well as the Federal Housing Authority (FHA Loans). VA and FHA loans are insured or guaranteed by these government entities, however, they are not sold on the secondary mortgage market. The second class will be Non-Conforming Mortgage Loans, which cannot be sold to the secondary market.

The maximum loan maturity Family First Credit Union will offer is 30 years. First mortgage loans over $500,000 will require Board approval and must be reported to the Board at the next regularly scheduled Board meeting.

HELOCs and Second Mortgages:

Family First Credit Union offers two Plan Options:
Option I
Borrowers/Member(s) that choose Option I can obtain credit advances for six (6) years from the date the account is opened. This is called the Draw period. The Credit Union has the option, to extend or renew the Draw period. Any renewal or extension term(s) will be solely at FFCU's discretion. If the minimum monthly payment does not repay the principal and interest by the expiration date of the Draw period, a balloon payment will be due. FFCU is under no obligation to refinance the balloon payment. However, if the Credit Union does, the Borrower/Member may have to pay certain closing costs to FFCU for the type of refinancing obtained from the Credit Union at that time.

Minimum Monthly Payment:
The minimum monthly payment will be the greater of $10.00 or 1.50% of the outstanding principal balance at the end of each billing cycle, which will include any amount past due plus any amounts greater than the credit limit, and all other charges. The Borrower/Member agrees to pay the minimum amount due on or before the due date. Minimum Monthly Payment example:

If the Borrower/Member only makes the minimum payment and took no other credit advances, it would take 7 years to pay off a credit advance of $10,000 at an **ANNUAL PERCENTAGE RATE** of 5.50%. The Borrower/Member would make 72 monthly payments varying between $150.00 and $71.32 during the Draw period. At the end of the Draw period the Borrower/Member would make a single balloon payment of $4,948.65 plus accrued interest.

Option II
The Borrower/Member can obtain credit advances for ten (10) years from the Draw period. Any renewal or the Credit Union will solely determine the extension term(s). During the Draw period the minimum payment will be the accrued finance charges as of the last day of the billing cycle plus any other charges. Making only the minimum payment during the Draw period will not reduce the principal balance. After the Draw period ends the Borrower/Member will no longer be able to obtain advances and the repayment period will begin. The minimum monthly payment during the repayment period will be based on a payoff period of 180 monthly payments. Remember, the payoff period will always be the shorter of the payoff period for the outstanding balance or the time remaining to the final payment date. There is a possibility the payment may increase if the annual percentage rate increases. It is important that the Borrower/Member make monthly payments during both the Draw and Repayment periods.

Minimum Payment Example:
If Borrower/Member made only the minimum payments and took no other credit advances, it would take 25 years to pay off a credit advance of $10,000 at an **ANNUAL PERCENTAGE RATE** of 5.500%. It would take 120 monthly payments of $45.83 during the Draw period. The Borrower/Member must make 180 monthly payments of $81.71 during the repayment period.

Fees and Charges: To open and maintain a line of credit, the Borrower/Member must pay the following fees:
The Credit Union pays all normal closing costs. There could be extra costs, the Borrower/Member is responsible for fees such as clearing liens, and out of State closings etc...

The repayment period for a HELOC will begin once the draw period has ended, or Family First Credit Union has notified the Borrower/Member that the Line of Credit has been terminated due to collateral valuation or ability to repay concerns. The maximum Repayment period on a HELOC will never exceed 10 years. Minimum monthly payments will be required during both the Draw and Repayment periods.

The maximum loan amount for a HELOC is $200,000. Exceptions can be made by the President/CEO or CLO. The minimum loan amount for second mortgages and HELOCS is $10,000.

Minimum Standards for Loan Documentation
At a minimum Family First Credit Union requires for the following documentation to be included in the residential mortgage loan file:

- Completed 1003 application.

- Required Disclosures – State, Federal, and CFPB.
- Credit Bureau Report.
- Soft Credit Pull 3 days prior to closing.
- AUS Findings (FHLMC) or (FNMA).
- Mortgage Statement(s) on all properties owned.
- Paystubs on all Borrowers covering 30-day period, or other income verification (VOE).
- Self Employed Tax Returns most recent two years (all pages including the business returns and signed by Borrowers).
- 4506-T verification of tax transcripts.
- Most recent asset statements for items listed on the application (all pages).
- Current homeowner's insurance policy (declaration page) and or flood insurance policy if in a flood zone.
- Appraisal/Valuation (most recent tax assessment).
- Title Report.
- Flood Certification.
- Title Insurance.
- Survey Waiver.
- Termite Waiver.
- Well Waiver.
- Warranty Deed/Security Deed.
- Other items as needed.

Collateral and Security Requirements
An attorney/title company representing Family First Credit Union will close all loans secured by a first or second mortgage on real property. The following will be obtained as needed:

A title examination and tax search of the property to determine that the property is or will be vesting the Borrower on the date of the closing and to confirm that there are no encumbrances effecting the title that are unacceptable to Family First Credit Union;

- A title insurance policy in the amount of the loan issued by a title insurance company approved by Family First Credit Union and its counsel and containing such endorsements that Family First Credit Union and its counsel may require. Family First Credit Union's insured interest may not be subject to or subordinate to any prior liens, encumbrances, restrictions, and exceptions, other than those approved by Family First Credit Union.
- For loan amounts of $50,000 or less a limited title search will be performed, and no title insurance will be required.
- Survey of the property, if required for title insurance.
- Hazard insurance equal to the loan balance or full replacement value, whichever is less and shall contain no deductible more than $1,500 for all perils and containing a standard mortgage loss payee endorsement naming Family First Credit Union as mortgagor. VP of Real Estate, Chief Lending Officer, or the Chief Executive Officer may approve a higher deductible based on an evaluation of the individual member's

ability to absorb a larger expense in the event of an insurance claim being filed.
- Flood insurance if the property is located within a flood hazard area under the National Flood Insurance Act containing no deductible more than $1,000 listing Family First Credit Union as mortgagor.
- A priority Deed to Secure Debt, Mortgage or Deed of Trust (as applicable to the jurisdiction) and Security Agreement of the fee simple interest of the Borrower in the property; and
- Properly executed Note, Deed to Secure Debt, Mortgage or Deed of Trust (as applicable to the jurisdiction), and Loan Agreement. The Note, Deed to Secure Debt, Mortgage or Deed of Trust is to be recorded by the closing attorney.

Appraisals

Appraisers will use the Uniform Standards of Professional Appraisal Practice in determining market value and shall document the results of the appraisal on the FNMA/FHLMC Uniform Residential Appraisal Report. The appraiser shall be state-certified or licensed and have no interest in the subject property. The Credit Union will follow the requirements of NCUA Part 722 (Appraisals), pursuant to title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), as well as Regulation Z appraisal requirements. All employees will follow the official appraisal policy.

A valuation will be performed on all mortgage loans unless the member is requested to increase his/her HELOC and an appraisal was performed in the last 6-12 months. The type of valuation will be determined by the guidelines set forth in the mortgage procedures. Acceptable typed of valuations are:
- Appraisal Form 70 or form 1004.
- Drive by.
- Automated Valuation Method (AVM).
- Tax Assessment.

Appropriate procedures will be followed throughout the entire appraisal process to allow for an unbiased market valuation as outlined in the Interagency Appraisal and Evaluation Guidelines. A copy of the valuation or appraisal will be given to the member at least 3 business days prior to consummation of the transaction.

Disclosures

Family First Credit Union will provide all loan applicants with all state and federal disclosures that are necessary for the loan transaction within the time restraints to which the applicable forms must be sent.

First Mortgage Loan General Policy

First Mortgage Loans are offered by the Credit Union through Investors. The application package is listed on Family First Credit Union’s website with an on- line landing page to apply through our Investors listed on the web site. Our Investors are responsible for the underwriting and closure of loan. The processing will be completed through a third-party service approved by Family First Credit Union. All real estate loans closed with our Investors will follow all applicable federal and state laws and regulations.

The Credit Union will review and keep on file our Investor's policies, maintenance policies, selling policies, contract obligations, license number and any other policies pertinent to Family First Credit Union.

If our Investor(s) cannot provide an approval to a loan request or otherwise meet the member's needs, the Credit Union will review the application to determine whether FFCU can hold the loan on our portfolio.

Closing Costs
The closing costs on all first and second mortgages (excluding HELOC) loans processed through one of our third-party companies will be paid for by the member.

First Mortgage Loan Portfolio Requirements and Documentation

1. Completed application along with the following preparation documents:
2. Provide the required disclosures to the Borrower within the timeframe prescribed by RESPA and federal regulatory agencies.
3. Obtain a current standard mortgage credit report on all parties applying for a loan.
4. Our Investors will require the following documentation:
    - Copy of Driver's License.
    - Most recent pay stubs showing year-to date earnings (at least 30 days).
    - W-2's for previous two years.
    - All pages of most recent Asset Statements covering two full months.
    - All pages of complete signed and dated Federal tax returns, including all schedules (past 2 years).
    - All pages of most recent 401K/ retirement statement.
    - Most recent mortgage statement(s) (on all financed real estate property).
    - Purchase Agreement signed by all parties (for purchase transactions).
    - Social Security Card if available.

    If Applicable:
    - Social Security income award letter.
    - Most recent pension/retirement monthly statement.
    - Disability income award letter.
    - Completed gift letter signed and dated by gift source and all Borrowers.
    - Divorce Decree (all pages).
    - If self-employed or commissioned, most current year-to- date Profit and Loss statement.
    - Proof of child support.
    - Bankruptcy papers (all pages).
5. Follow the Credit Union's loan policy guidelines to determine if the member(s) is creditworthy and can repay. Calculate the current debt ratio before and after the loan. Calculations are based on gross income and are to follow standard underwriting guidelines.

6. Obtain a current written appraisal from an outside qualified, independent appraiser. All employees will follow the official appraisal policy.
7. Determine whether the subject property is located or will be in a special flood hazard area (SFHA) and follow flood determination procedures. Arrange for flood insurance if necessary.
8. The President, Chief Lending Officer, Vice President of Real Estate, or Credit Committee must document an approved loan.
9. Once the loan is properly approved, the Investor/Third Party Company will prepare the closing package and follow all state and federal rules and regulations.
10. After completing the closing of the loan, ensure the prompt recording of the mortgage, releases of paid-off loans, and other appropriate documents in the proper county book of records.
11. Complete HELOC mortgage file, including a copy of the:
    - Loan preparation documents.
    - Loan closing documents from attorney.
    - Appraisal and appraisal audit.
    - Signed Flood determination form.
    - Final title declaration.
    - Receipt of the recorded mortgage deed.

Use of Third-Party Brokers and Correspondents

Before entering a relationship with a Third-Party Broker or Correspondent, the Credit Union will adhere to its Vendor Due Diligence and Oversight policy.

1. **Due Diligence** - Specifically, regarding Mortgage Brokers and Correspondents, the Credit Union will perform the following due diligence:
    a. **Background Check -** The Credit Union will perform a background check on the business and the key individuals involved in the transactions. This check will include complaints filed against those parties, licensure status (where applicable), and past and current lawsuits. The Credit Union will obtain this information from the Better Business Bureau, the Federal Trade Commission, state agencies, credit reporting agencies, and current and past clients.
    b. **Business Practices and Operations/Potential Conflicts of Interest -** The Credit Union will determine whether the third party has a sound business model for long-term operations. The Credit Union will also determine who has a controlling interest over companies providing related services to the Broker and/or Correspondent (i.e., appraisers, title companies, insurance companies, etc.).
    c. **Financial Standing -** The Credit Union will investigate the third party's financial condition; will determine whether its cash flow is adequate; and will obtain independently audited financial statements.
    d. **Accounting Considerations**. The Credit Union will understand the sources of the third party's cash, as well as how cash flows through the third party's operation and between all the parties involved.

e. **Internal Controls** - The Credit Union will ensure that each third party has sound internal controls to help prevent fraud and abuse, as well as to ensure compliance with consumer laws and regulations.
f. **Contracts and Legal Review** - The Credit Union may obtain a legal review of its contracts with Brokers and Correspondents, and will ensure that the following issues will be addressed:
    - Adequate default, termination, and escape clauses.
    - An agreement that the third party will comply with all applicable laws.
    - A stipulation that the third party will use its best efforts to ensure loans offered to Borrowers are consistent with each Borrower's needs, objectives, and financial situation.
    - The Credit Union's right to not purchase, or to put back on the Broker or Originator, any loans that fail to comply with the above standards.
    - The Credit Union's contract or other agreement for credit transactions secured by a dwelling (including a Home Equity Line of Credit) will not include terms that require arbitration or any other non-judicial procedure to resolve any controversy or settle claims arising out of the transaction.

2. **Monitoring** - The Credit Union will monitor the relationship to ensure that the fees paid to third parties are legitimate; that mortgage applications are complete and do not contain fraud; that referral or unearned income of fees are legal and not contrary to RESPA prohibitions; and will review the quality of each loan by origination source in an effort to uncover incomplete packages and early payment defaults.

3. **Controls** - The Credit Union will ensure that adequate controls are in place to ensure:
    a. Adherence to Board established lending policies and risk parameters. A sample of loans underwritten by brokers or correspondents will be reviewed for compliance with Board policies, applicable regulations, and written agreements to determine whether ongoing loan quality is maintained. Additional targeted loan reviews will be performed based on any performance concerns of a third party, such as increasing default rates, foreclosure rates, complaints, and/or higher than average fees charged to Borrowers.
    b. For portfolio loans, the loan approval authority is not delegated to the broker, and the Credit Union approves all loan underwriting criteria and subsequent modifications.
    c. Broker and Correspondent reports are accurate, timely, and contain enough detail to monitor activity.
    d. Loan fees, terms and practices are not predatory.
    e. The Credit Union is obtaining appraisals directly, or the quality of completed appraisals is adequate.

Home Equity Line of Credit Loan General Policy
Home equity loans allow qualifying Borrowers to obtain credit based on the equity in their home. The Credit Union offers open-end home equity loans. Open-end credit allows qualifying Borrowers to draw against a pre-authorized line of credit.

HELOC Guidelines
Members who have at least three years of service with their employer may apply for up to 90% of the appraised value of their primary residence or 80% of the appraised value of their non-owner-occupied property less the amount owed on a first mortgage. Minimum amount is $10,000.00. The annual percentage rate is the current WSJ Prime rate and is subject to change each June and December as the WSJ Prime rate changes. The annual percentage rate floor is currently 5.00% percent and the ceiling are currently 11.50%.

HELOC Property Requirements and Documentation
1. Completed HELOC application along with the following preparation documents:
    - Copy of warranty deed.
    - Proof of homeowner’s insurance with proper limits to cover property.
    - The most recent tax assessment value or most recent appraisal.
    - The most recent statement from the Borrower’s/Member’s current mortgage company.
    - Notice of right to copy of appraisal with waiver.
    - Proof of income.
2. Provide the required disclosures to the Borrower within the timeframe prescribed by RESPA and federal regulatory agencies.
3. Obtain a current standard mortgage credit report on all parties applying for a loan.
4. Obtain current documentation for each party’s employment income.
5. If needed, obtain a current person’s financial statement.
6. Follow the Credit Union's loan policy guidelines to determine if the member(s) is creditworthy and can repay. Calculate the current debt ratio before and after the loan. Calculations are based on gross income and are to follow standard underwriting guidelines.
7. Obtain a current written appraisal from an outside qualified, independent appraiser. All employees will follow the official appraisal policy.
8. After obtaining the appraisal and determining market value, observe the following loan limits:
    - First & Second Mortgage Primary Residence - 90 percent.
    - First & Second Mortgage Non-Owner Occupied- 80 percent.
9. Determine whether the subject property is located or will be in a special flood hazard area (SFHA) and follow flood determination procedures. Arrange for flood insurance if necessary.
10. An approved loan must be documented by two signatures from either the President, Chief Lending Officer, Vice President of Real Estate, or Credit Committee.
11. Once the loan is properly approved, refer the loan to our closing attorney to obtain a title search and to prepare the closing documents.

12. After completing the closing of the loan, ensure the prompt recording of the mortgage, releases of paid-off loans, and other appropriate documents in the proper county book of records.
13. Complete mortgage file, including a copy of the:
    - Loan preparation documents.
    - Loan closing documents from attorney.
    - Signed Flood determination form.
    - Final title declaration.
    - Receipt of the recorded mortgage deed.

Closing Costs

1. The Credit Union will agree to pay all of the normal closing costs associated with the making of the Home Equity Line of Credit, provided that the Borrower takes one or more advances against the Line of Credit totaling at least $10,000 during the first six (6) months from the date hereof, and further provided that the Borrower maintains an outstanding principal balance on the line of credit of at least $10,000 for a period of at least ninety (90) days from the date the principal balance on the line of credit reaches a $10,000 principal balance.
2. Normal closing costs associated with our Home Equity Line of Credit will include only standard costs including attorney's standard fee, title search and cost related to above. Any nonstandard conditions requiring additional cost will be paid by the member.

Home Equity Loan Account Management

The Credit Union will have risk management techniques that identify higher risk accounts and adverse changes in account risk profiles, to enable management to implement timely preventive action (i.e., freezing or reducing lines). Account management practices will be appropriate for the size of the portfolio and the risks associated with the types of home equity lending. Annually, the Credit Union will complete the "Home Equity Line of Credit Review" for all members that have a HELOC. The effective account management practices for all risk portfolios include the following:

1. Periodically refreshing credit risk scores on all members.
2. Periodically assessing utilization rates.
3. Periodically assessing payment patterns, including Borrowers who make only minimum payments over a period, or those who rely on the line to keep payments current.
4. Monitoring home values by geographic area.
5. Obtaining updated information on the collateral's value when significant market factors indicate a potential decline in home values, or when the Borrower's payment performance deteriorates, and greater reliance is placed on the collateral.
6. The Credit Union will conduct annual credit reviews of HELOC accounts to determine whether the line of credit should be continued, based on the Borrower's current financial condition.
7. Authorizations of over-limit HELOCs will be restricted.

Unimproved Property Loan General Policy
Members may apply through Family First Credit Union for an unimproved property loan to purchase or refinance an existing unimproved property located in Georgia for a maximum of 180 months. Family First Credit Union does portfolio unimproved property loans. Normal down payment is 20 percent. Down payment can be adjusted based on creditworthiness.

1. **Credit Evaluation -** Before making or recommending an unimproved real property loan, Family First Credit Union will analyze and document the ability of the Borrower to repay the loan. The Credit Union President/CEO and/or the Vice President of Real Estate will be responsible for obtaining sound valuations and approvals of collateral accepted as security for an unimproved real property loan.
2. **Collateral Requirements -** All unimproved real property loan requests will contain an analysis of the Credit Union's collateral position. This will include, but is not limited to, the following specifics:
    - **Valuation -** How the Credit Union determined the value of the collateral.
    - **Appraisal -** Each loan application for raw land will require the standard land appraisal.
    - **Control -** How the Credit Union can exercise control over the collateral.
    - **Examination -** On a periodic basis, the Credit Union will perform an examination of the value of the collateral. The Credit Union will examine the unimproved real property loans to determine that they are adequately collateralized based upon their current value and the outstanding loan balance.

Unimproved Property Loan Portfolio Requirements and Documentation

1. Completed application along with the following preparation documents:
2. Provide the required disclosures to the Borrower within the timeframe prescribed by RESPA and federal regulatory agencies.
3. Obtain a current standard mortgage credit report on all parties applying for a loan.
4. Family First Credit Union will obtain the following:
    - Copy of Driver's License.
    - Most recent pay stubs showing year-to date earnings (at least 30 days).
    - W-2's for previous two years.
    - All pages of most recent Asset Statements covering two full months.
    - All pages of complete signed and dated Federal tax returns, including all schedules (past 2 years).
    - All pages of most recent 401K/ retirement statement.
    - Copy of mortgage statement (for refinance transactions).
    - Purchase Agreement signed by all parties (for purchase transactions).

If Applicable:

- Social Security income award letter.
- Most recent pension/retirement monthly statement.
- Disability income award letter.

- Completed gift letter signed and dated by gift source and all Borrowers.
- Divorce Decree (all pages).
- If self-employed or commissioned, most current year-to-date Profit and Loss statement.
- Proof of child support.
- Bankruptcy papers (all pages).

5. Follow the Credit Union's loan policy guidelines to determine if the member(s) is creditworthy and can repay. Calculate the current debt ratio before and after the loan. Calculations are based on gross income and are to follow standard underwriting guidelines.
6. Obtain a current written appraisal from an outside qualified, independent appraiser. All employees will follow the official appraisal policy.
7. Determine whether the subject property is located or will be in a special flood hazard area (SFHA) and follow flood determination procedures. Arrange for flood insurance if necessary.
8. The President, Chief Lending Officer, Vice President of Real Estate, or Credit Committee must document an approved loan.
9. Once the loan is properly approved, Family First Credit Union will complete the closing and follow all State and Federal rules and regulations.
10. After completing the closing of the loan, ensure the prompt recording of the mortgage, releases of paid-off-loans, and other appropriate documents in the proper county book of records.
11. Complete mortgage file, including a copy of the:
    - Loan preparation documents. (See Minimum Loan Documentation Section)
    - Loan closing documents from attorney.
    - Appraisal and appraisal audit.
    - Signed Flood determination form.
    - Final title declaration.
    - Receipt of the recorded mortgage deed.

Flood Insurance
The Credit Union will not make a loan secured by a building, or mobile home on a permanent foundation, that is in a special flood hazard area for which flood insurance is available, unless the building is covered by flood insurance for the term of the loan. This applies to all originations, extensions, refinances, and renewals of loans over $5,000 or with a repayment term greater than a year.

1. **Term -** The Borrower must maintain flood insurance for the term of the loan, unless flood map revisions determine that the underlying collateral is no longer in a designated flood hazard area.
2. **Coverage -** The policy amount must cover the loan amount or the maximum amount available under the National Flood Insurance Program, whichever is less.
3. **Escrow -** If the Credit Union escrows taxes and insurance, then it must also escrow the flood insurance premiums. The escrow account will be subject to the escrow requirements of the Real Estate Settlement Procedures Act (RESPA).

Following receipt of notice from the Director of FEMA or another provider of flood insurance that premiums are due, the Credit Union will ensure that payment is made to the insurance provider from the escrow account on the date when such premiums are due.

4. **Notification; Forced Placement -** The Credit Union will determine whether flood insurance is required and promptly notify prospective Borrowers of the need to acquire flood insurance within 45 days, at the Borrower's expense. If the Borrower fails to provide evidence of flood insurance within 45 days of notification, the Credit Union will purchase flood insurance for Borrower at Borrower's expense.
5. **Records -** The Credit Union will maintain records documenting the method used to determine the need for flood insurance and notices sent to Borrowers.

Determination and Notice of Flood Hazards

The Credit Union will comply with NCUA Part 760 regarding the determination of loans in areas having special flood hazards.

1. **Determination -** For all loans made, increased, extended or renewed that are secured by a building or mobile home located or to be in or not in a special flood hazard area, the Credit Union will complete the standard flood hazard determination form developed by the Director of the Federal Emergency Management Agency (FEMA). This applies to loan originations, extensions, refinances, and renewals. The Credit Union will retain a copy of the completed form for as long as the Credit Union owns the loan.
2. **Fee -** The Credit Union may charge a reasonable fee for determining whether the building securing the loan or mobile home is, or will be located, in a special flood hazard area. The portion of the cost for the life-of-loan monitoring will be disclosed as a finance charge pursuant to Regulation Z.
3. **Notice -** If the building securing the loan or mobile home is in a special flood hazard area, the Credit Union must:
   - Notify the Borrower and the loan servicer of the special flood hazard within a reasonable time which is at least ten (10) days before completion of the transaction, the requirement for the purchase of flood insurance, whether flood insurance coverage is available from the National Flood Insurance Program, and whether federal disaster relief assistance may be available in the event of flooding. The Credit Union will retain a written receipt by the Borrower and the loan servicer of this notice for as long as the Credit Union owns the loan. Notice may be provided to the servicer electronically.
   - Notify the Director of FEMA, or the Director's designee, of the loan servicer. To ensure that the insurance policy is maintained in full force, the Credit Union will send this notice to the insurance carrier that issued the insurance policy so that the mortgagee endorsement can be updated. The Credit Union will notify the Director of FEMA of any change in the servicer of a loan within sixty (60) days after the effective date of the change.

Mortgage Servicing

1. **Crediting Payments** - The Credit Union will credit all mortgage loan payments as of the date of receipt, except when a delay would not result in any charge to the member or in the reporting of negative information to a consumer reporting agency.
    - **Non-Conforming Payments** - In the event the Credit Union specifies, in writing, reasonable requirements for making payments, and a member makes a non-conforming payment, the Credit Union will credit the account within 5 days of receipt.
2. **Providing Loan Payoff Statements** - The Credit Union will provide a loan payoff statement within five (5) days of a member's written or oral request. Prior to delivering this statement, the Credit Union will take reasonable measures to verify the identity of those purporting to act on behalf of a member and will obtain the member's authorization to release information to any such persons before the five (5) day's timeframe begins to run. The payoff statement may be sent electronically, by fax, or physical delivery.
3. **Successor in Interest -** In accordance with the 2016 Mortgage Servicing Rule Changes to Regulation X, Family First Credit Union will handle Successor in Interest requests pertaining to mortgage loans accordingly. A successor in interest is a person to whom an ownership interest in a property securing a mortgage loan is transferred, provided transfer is covered by the rule (death, family transfer, divorce, inter vivo trust). When approached with a request to become a successor in interest, Family First Credit Union is required to provide the person with information pertaining to the documentation requirements for the successor in interest to prove that they are in fact, the successor in interest. The following is a list of acceptable documentation:
    - Death Certificate of Borrower.
    - Probate Will.
    - Letters of Testamentary issued to Executor of Estate (when there is a will that has not been probated) and/or Letters of Administration (when there is no probated will but there is an Administration of decedent's Estate)'
    - Executor's Deed to Assent.
    - Divorce decree, legal separation agreement, court order.

    However, Family First Credit Union will provide the successor in interest to assume the mortgage loan. Family First Credit Union is permitted to and will make it a practice to ask the person if they "intend to assume the mortgage". The person would need to meet Family First Credit Union underwriting requirements to assume the mortgage loan.

Loan Watch

Since residential real estate loans constitute large balances and long maturities, they shall be monitored regularly so that the amount of obligation and potential percentage of portfolio is understood. Board reports closely monitor past dues and collection efforts.

Property Taxes Paid from Mortgage Escrow Accounts

If the Credit Union services mortgage loans, it will follow HUD's suggestions regarding annual versus installment disbursements for paying property taxes.

1. For each such loan, the Credit Union will total all payments associated with paying property taxes annually (if permitted) and all payments associated with paying in installments (if permitted).
2. If the total associated with annual payments is less, the Credit Union will pay the property taxes annually. If the total associated with paying in installments is less, the Credit Union will pay installments. If funds in the escrow account are insufficient to make a property tax payment, the Credit Union will advance funds to make the payment unless the Borrower is more than 30 days past due.

Subordination

Typically, subordination arises when there are two existing mortgages, a first mortgage and a second mortgage, and the mortgagor intends to refinance the first mortgage. If the holder of the second mortgage does not subordinate the lien of its mortgage to the new mortgage, the new lender will not refinance the first mortgage. However, the second mortgage holder does not want to release its mortgage and re-file, due to additional costs and priority problems, so it will subordinate its lien to the lien of the replacement mortgage. The Vice President of Real Estate will complete a Subordination Agreement Review Worksheet to analyze the request. After a complete review, the Credit Union can agree to subordinate its lien position if it is in the Credit Union's best interest. Usually, the subordination is only allowed when a member is refinancing his or her first mortgage.

Other Guidelines

1. All mortgage loans will follow current guidelines regarding the Dodd-Frank Act, any additional guidelines implemented by the Consumer Finance Protection Bureau, and guidelines set in Real Estate Settlement Procedures Act. It is understood that all other conditions regarding real estate loans as prescribed in the bylaws and the state Department of Banking & Finance shall govern such granting.
2. Family First Credit Union will not encourage default on an existing loan or other debt pending closing a home loan that refinances the existing loan or debt.
3. Family First Credit Union will not charge a fee for early payoff or prepayment of a loan. Also, there will be no fee for quoting a payoff or faxing a payoff to another creditor. All requests must be answered within five (5) business days.

Consumer Complaints

If a complaint does arise involving any of the loan types, the following policies and procedures will be administered:

1. The Vice President of Real Estate and Branch Manager will review the complaint with the President/CEO. Then, if needed, FFCU will present the complaint to our

attorneys.

2. After full review from our attorneys, we will decide the best course of action to protect the Credit Union's best interests.
3. After full review, if Family First Credit Union is in violation of any regulations, we can cure the situation if mistakes are made under the law in good faith:
    - Within 90 days of closing, and prior to receiving notice from the Borrower of the compliance failure, for any AFLA violation.
    - Within 90 days of discovery, and prior to receiving any notice of the compliance failure, if the compliance failure was (1) not intentional, (2) resulted from a bona fide error, (3) notwithstanding the maintenance of procedures reasonably adopted to avoid such errors.