

# **Family First Credit Union**

## *Lending Policy*

### **Equal Credit Opportunity Act Policy**

#### **Purpose**

The Equal Credit Opportunity Act (ECOA) prohibits discrimination on the basis of certain factors in consumer and business credit transactions. As implemented by the Federal Reserve Board's Regulation B, ECOA prohibits discrimination against credit applicants or co-applicants on the basis of race, color, religion, national origin, sex, marital status, age, receipt of income from a public assistance program, or the good faith exercise of any right under the federal Consumer Credit Protection Act.

Regulation B imposes certain obligations to assist efforts to monitor compliance with ECOA and the regulation. Certain information relating to some of the prohibited bases for discrimination may be requested from residential real estate loan applicants for the purpose of monitoring credit practices related to discrimination in all phases of lending practices. It is the policy of Family First Credit Union to comply with the Equal Credit Opportunity Act and Regulation B.

#### **Policy Statement**

Family First Credit Union will not discourage applicants from applying for credit on the grounds of any prohibited basis. All applications will be considered on neutral credit factors such as ability to pay or credit history. Nor will it take into account any of the prohibited bases.

#### **Notification Requirements**

Family First Credit Union will notify the applicants of each loan decision reached by the credit union for any application that is received, and will strictly comply with the notification and Adverse Action Notices required by the Equal Credit Opportunity Act and Regulation B.

Under ECOA, Family First Credit Union must notify applicants of the decision that was reached on their loan application. The notification may be written or oral, but must be given within 30 days of the credit decision. With respect to applicants who are declined, within 30 days Family First Credit Union must provide an applicant with the reasons for the denial. All adverse action notices will be in writing containing the specific reasons the loan was denied. Within 10 days, Family First Credit Union will notify applicants of the requirements of a counteroffer or of information needed to complete an incomplete application..

## **Real Estate Appraisals**

In compliance with NCUA's Non-discrimination Regulation, Family First Credit Union will notify each applicant of his or her right to receive a copy of any appraisal used in connection with an applicant's real estate loan application. The appraisal will be available for a period of 25 months after the applicant has received a notice of action taken by the credit union on the real estate-related loan application.

## **Record Retention**

Family First Credit Union will maintain all documents used in the decision-making process for at least 25 months (12 months for business credit). This will follow the date the credit union notifies an applicant of the action taken on the request or of incompleteness. This will also follow the date the credit union receives an application for which it's not required to comply with Regulation B's notification requirements.

The record file will contain the following:

- The application and the information obtained for purposes of monitoring compliance with anti-discrimination statutes;
- Any written information used in evaluating the request;
- Other documentation used by the credit union to reach the decision
  - Credit reports
  - Verifications
  - Appraisals
- A copy of the notification provided to an applicant and a statement of specific reasons for any adverse action.

If Family First Credit Union receives letters alleging discrimination in its lending practices, these letters and the record of the responses and action taken will be kept for at least twenty-five months from the date the letter was received.

# **Family First Credit Union**

## *Lending Policy*

### **Fair Credit Reporting Act Policy**

#### **Purpose**

The Fair Credit Reporting Act (FCRA) regulates both the providers and users of consumer credit information and of consumer reporting agencies. This stated purpose of FCRA is to require accurate information when providing consumer credit reports.

#### **Policy Statements**

Family First Credit Union will have a “permissible purpose” before it can gain access to an individual’s credit report. These authorized purposes are outlined in FCRA and include:

- To respond to a court order or a subpoena issued by a federal grand jury;
- To respond to the written instructions of the member to whom the report relates;
- To provide information for an employee who will use it in connection with a credit transaction involving a member (for example, an extension of credit or the review or collection of an account);
- To assist with the underwriting of a member insurance policy;
- To determine a member’s eligibility for a license or other benefit granted by a governmental agency;
- To evaluate the credit or repayment risks of a member who is or will be an investor or servicer;
- To respond to a request by the head of a local or state child support enforcement agency, if related to the ability of the member to make child support payments or other support-related obligations;
- To assist an agency administering a state plan under the Social Security Act in setting an initial or modified child support award;
- Any other legitimate business need in connection with a business transaction initiated by a member, or to review an account to determine whether the member still meets the terms of the account.

Unauthorized use of member credit reports or the disclosure of a member’s financial information by an officer or employee of Family First Credit Union outside the scope of this policy may be grounds for disciplinary action, including termination.

It is the policy of Family First Credit Union to use member credit reports in connection with credit transaction involving members, for employment purposes, and for any other authorized purpose outlined in FCRA. Such inquiries into a member’s credit history will be used for legitimate business purposes only. In addition, the credit union will provide a notice of adverse action to members when the credit union denies services or takes

any action that is adverse to the member's interest based on information in a credit report.

Family First Credit Union may automatically report its members' payment records to a consumer reporting agency but will not respond to oral or written credit inquiries without the express permission of the member. All payment record submissions will be in full compliance with the requirements set forth in FCRA.

# **Family First Credit Union**

## *Lending Policy*

### **Truth-In-Lending Act Policy**

#### **Purpose**

The Truth-In-Lending Act (TILA) as implemented by Regulation Z requires Family First Credit Union to disclose to the consumer the credit terms of a transaction prior to consummation. The purpose of TILA is to promote the informed use of credit. TILA governs both open-end and closed-end credit transactions as well as advertising and record retention. The regulation also gives members the right to cancel certain credit transactions that involve a lien on a member's principal dwelling, regulates credit card practices, and provides a means for fair and timely resolution of credit billing disputes.

#### **Policy Statement**

Family First Credit Union will make all necessary disclosures clearly and conspicuously in writing at consummation or within the time frames set forth in Regulation Z.

- All loan interest rates will be disclosed as an annual percentage rate (APR).
- Loan documentation and disclosures will be provided prior to the consummation of the loan as required by Regulation Z.
- For non-purchase mortgage transactions, each borrower will be given the right to rescind the transaction prior to any disbursement of loan proceeds.

#### **Open-End Credit**

It is the policy of Family First Credit Union to comply with all open-end credit disclosure requirements applicable to the credit union's credit programs. The required Regulation Z disclosures will be made clearly and conspicuously in writing and in a form that the member may keep. Disclosures will reflect the terms of the legal obligation between the parties. If a subsequent event renders a previous disclosure inaccurate, Family First Credit Union will provide the new disclosures as required by Regulation Z.

TILA requires Family First Credit Union to make certain disclosures on loans subject to the Real Estate Settlement Procedures Act (RESPA) within three business days after their receipt of a written application. This early disclosure statement is partially based on the initial information provided by the member. A final disclosure statement is provided at the time of loan closing. The disclosure is required to be in a specific format and include the following information:

- Name and address of creditor
- Amount financed
- Itemization of amount financed (optional, if Good Faith Estimate is provided)
- Finance charge
- Annual percentage rate (APR)
- Variable rate information
- Payment schedule

- Total of payments
- Demand feature
- Total sales price
- Prepayment policy
- Late payment policy
- Security interest
- Insurance requirements
- Certain security interest charges
- Contract reference
- Assumption policy
- Required deposit information

Family First Credit Union will mail or otherwise deliver periodic statements for each billing cycle where the open-end loan has a debit or credit-balance of more than \$1.00, or on which a finance charge has been imposed.

### **Right of Rescission**

In Regulation Z, a provision specific to home mortgage loans is the right of rescission for non-purchase mortgage transactions. (A purchase money transaction is not subject to the right of rescission.) This provision requires Family First Credit Union to inform borrowers that a security interest will be taken in their home and that there is a risk of loss if the member defaults. Regulation Z requires lenders to wait three business days after the loan is consummated before the loan proceeds can be distributed to the borrower. In effect, this is a cooling-off period to allow a borrower to be certain that they wish to proceed with placing a lien or mortgage on their homestead. If a borrower elects to rescind the transaction within three days, Family First Credit Union will cancel the transaction and refund all fees the borrower paid relating to the loan, including fees paid to third parties.

In order to exercise the right to rescind, the member must perform the following:

- Notify Family First Credit Union via US mail, fax, or other means of communication.
- Notification must be received by midnight of the third business day following consummation of the transaction; delivery of the right to rescind notice; or delivery of all material disclosures, whichever occurs last.
- When more than one member in a transaction has the right to rescind, the exercise of the right by one member shall be effective for all consumers.

When a member rescinds a transaction:

- The security interest giving rise to the right of rescission becomes void and the member will no longer be liable for any amount, including any finance charge.
- Within 20 calendar days after receipt of a notice of rescission, the credit union is required to return any money or property that was given to anyone in connection with the transaction and must take any action necessary to reflect the termination of the security interest.
- If we, Family First Credit Union have delivered any money or property, the member may retain possession until the Family First Credit Union has complied with the above.

The member may modify or waive the right to rescind if the member determines that the extension of credit is needed to meet a bona fide personal financial emergency. To modify or waive the right the member must give Family First Credit Union a dated written statement that describes the emergency and specifically modifies or waives the right to rescind. Printed forms for this purpose are prohibited and the statement must bear the signature of all of the members entitled to rescind.

### **Advertising Disclosure Requirements**

Family First Credit Union advertisement will disclose the credit terms and rate in a certain manner.

- Our advertisement for credit will only state those terms that actually are or will be arranged or offered by the credit union.
- The rate of finance charge will be stated as an "annual percentage rate" (APR).
- If the annual percentage rate is subject to change after consummation, our advertisement will state that fact.
- Advertisement will not state any other rate, except that a simple annual rate or periodic rate that is applied to an unpaid balance may be stated in conjunction with, but not more conspicuously than, the annual percentage rate.

Additional disclosures will be provided for trigger terms. The following is a list of trigger terms requiring additional disclosures for open-end loans:

1. The finance charge (whether expressed as an APR or dollar amount)
2. Other charges that may be imposed as part of the plan (such as a participation fee).

Advertisements that include any of the above trigger terms will include the following disclosures:

- Any minimum, fixed, transaction, activity or similar charge that may be imposed.
- Any periodic rate that may be applied expressed as an annual percentage rate, if the plan provided for a variable rate, that fact must be disclosed.
- Any membership or participation fee that may be imposed.

**Record Retention**

Family First Credit Union will retain a copy of the Truth-In-Lending Act disclosures and records for a period of at least two years from the date on which the disclosures are required to be made or the action was taken.



# **Family First Credit Union**

## *Lending Policy*

### **Servicemember'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 servicemember solely because the servicemember exercised rights under the Act
- The credit union will reduce the interest rate on obligations of a servicemember, or of a servicemember jointly with the servicemember'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 servicemember's military orders
- The credit union will forgive interest in excess of 6%
- The credit union will reduce any periodic payment due by the servicemember by the amount of the interest forgiven
- Upon receipt of the written notice from the servicemember and a copy of the military orders, the credit union will apply the interest rate reduction retroactively to the date on which the servicemember 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 servicemember during the period of military service or within 9 months after without a court order
- The credit union will send HUD's Notice of Servicemember'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)]; or

- 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**

3604 Atlanta Avenue, Hapeville, GA 30354  
 TEL# (404) 768-4980 FAX# (404) 768-5496

**North Office**

1560 Holcomb Bridge Road, Roswell, GA 30076  
 TEL# (770) 667-8114 FAX# (770) 667-8329

**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.

<b>X</b>		<b>X</b>	
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 Servicemember'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:
  1. Require an EFT to repay the debt, unless otherwise prohibited by Regulation E;
  2. Require direct deposit of the covered borrower's salary as a condition of eligibility for credit, unless otherwise prohibited by law; or
  3. Take a security interest in the funds that are deposited after the extension of credit in an account established in connection with the transaction.
  4. Requiring that the covered borrower establish an allotment to repay the obligation.
  5. 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 Servicemember'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.



**Family First Credit Union**  
*Lending Policy*  
**Section 312 FACTA**  
**Credit Reporting Consumer Dispute Policy and Procedures**

**Introduction**

It is the policy of Family First Credit Union to comply with the Fair and Accurate Credit Transaction Act Section 312 which is intended to improve the accuracy and integrity of information provided to consumer reporting agencies by establishing procedures for furnishing data to Credit Reporting Agencies and procedures for investigating disputes received directly from the member.

**Furnishing Data to Credit Bureaus**

Family First Credit Union furnishes accurate data that does the following:

- Identifies the appropriate member
- Identifies the terms and liability of the account
- Identifies the performance of the member
- Validates the records we have on hand, and
- Is furnished in a format and manner that provides for the least opportunity for errors, and
- Includes the member's credit limit which is a stated requirement in the regulation

The standard data format is designed within Galaxy (Family First Credit Unions' data processing system). Galaxy uses the Metro 2 format to simplify reporting and increase the accuracy of data. Galaxy reports are available to research exceptions and errors in reporting.

**Record Retention**

Family First Credit Union will maintain accurate records for the following:

- Loan records will be maintained for 7 years past the close of the loan
- Collection data will be maintained for at least 7 years
- Disputes, responses and any other documentation that's relevant to the dispute will be maintained for 5 years

**Internal Controls, Audits, and Evaluations**

Member information will be randomly sampled for accuracy and integrity of data. Quarterly data audits will be performed by the Dispute Specialist to ensure accuracy and integrity.

All disputes received from members will be logged to identify patterns and potential system errors.

The Dispute Specialist will be responsible for making all necessary system repairs to insure accuracy and integrity of our reporting system. Family First Credit Union will conduct periodic evaluations of our own practices, investigations, corrections of information, data, etc.

### **Monitoring Service Providers**

Activities of Galaxy and Experian will be evaluated annually by management to validate the accuracy of information reported on members.

### **Training**

Staff involved with the activity of furnishing data to the credit bureaus and involved in the dispute process will be trained on the process of disputes. Training for updates and changes will be conducted as needed.

All staff will be trained on the basic process of requesting and responding to dispute requests.

### **Investigating Member Disputes**

The credit union **is required and will** conduct an investigation of a dispute received directly from the member if it relates to at least one of the following:

1. The member's liability for the account
2. The account terms
3. The member's performance on the account, or
4. Any other information contained in the consumer report

The credit union is **not required** to conduct an investigation of a dispute for the following:

1. The dispute is not related to liability for debt, terms of the debt, or consumer performance with the credit union as the furnisher
2. If the member does not dispute to our address listed on the consumer report or the address we have clearly and conspicuously identified as the proper place to file the dispute
3. If the credit union reasonably determines the dispute to be frivolous or irrelevant. Once the determination is made the credit union will respond within five days.
  - a. The request qualifies as frivolous or irrelevant if:
    - i. It's missing sufficient information to investigate the dispute
    - ii. It's substantially the same as a prior dispute submitted to you or through a credit bureau where you have already met the requirements of the act and responded appropriately
    - iii. The dispute is not related to any information submitted by you such as SSN, DOB, employment information, public records, information, etc.

iv. If the dispute comes directly from a credit repair organization

## Requirements of an Investigation

The credit union will adhere to the following rules when investigating a dispute:

1. We will conduct a reasonable investigation by reviewing all relevant information provided by the member against our system data
2. Report the outcome of the investigation to the member in writing within **30 days** once we receive a dispute or **5 days** if we find that the dispute is frivolous or irrelevant
3. We will promptly notify the consumer reporting agencies of the correction

## Processing Dispute Request

Upon receipt of a direct dispute, the credit union will conduct a reasonable investigation by reviewing all relevant information provided by the members such as:

1. Determination of the appropriate Credit Reporting Agency;
2. The exact trade-line with the dispute including the exact account number as shown on the credit report;
3. What is the exact dispute of the reported information?

Details of the dispute investigation will be recorded on the **Member Dispute Form**.

In general, the investigation will be completed within 30 days of receipt and the member will be notified of the results of the investigation. The Credit Reporting Agency will be notified immediately to update any inaccurate information.

To investigate a dispute, access the following:

- Review the account on Galaxy
- Pull the physical file

If the results of the investigation support the current trade-line report, notify the member of the results with the **Member Dispute Response Letter**. If the investigation validates the disputed claim, inform the member of the actions taken to correct any errors with the Response Letter.

Corrections, updates, and deletions will be made via **E-Oscar** with an AUD file.

**E-Oscar** web is the **Online Solution for Complete and Accurate Reporting**. It is a browser-based, Metro 2 compliant system that is secure, intelligent, and intuitive. The application is the automated system through which Data Furnishers may report the results of their reinvestigations regarding trade line (account) and identification disputes.

The Automated Universal Data (AUD) process is an automated process for handling out-of-cycle credit history update requests from Data Furnishers. A Data Furnisher may update a consumer's credit information with one or more Credit Report Agencies by submitting an Automated Universal Data record.

**In General**, to assure the credit union's compliance with Section 312 of FACTA, the Board will review the procedures for managing member dispute request annually. Management will conduct periodic evaluations of the credit union practices and amend the policy as needed. Training will be conducted by the Compliance officer as needed.

# **Family First Credit Union**

## *Lending Policy*

### **Consumer Lending Policy**

#### **Statement**

It is the policy of Family First Credit Union to comply with the letter and intent of all applicable laws, and all regulations promulgated there-under. This policy is specifically intended to include all facets of the granting of credit and making of loans, the handling and processing of credit applications, credit inquiries, information concerning interest rates, credit terms and costs, earnings and penalties on shares, and all other requirements of the Federal Consumer Credit Protection Act and associated regulations.

Loan policies will be reviewed and approved by the board as changes occur, however, the loan policies will have board review annually.

No member will be denied any service of this credit union due to discrimination because of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract), nor the fact that the applicant has, in good faith, exercised a right under the Consumer Credit Protection Act or similar state law.

No officer or staff member of Family First Credit Union will, in any manner, discourage a member from submitting an application for credit. This credit union will accept and consider an application from any member who wishes to submit a request for credit. Such request can be in writing, by phone, or online.

#### **Credit Union's Lending Authority**

The Board of Directors grants the president, chief financial officer, chief lending officer, branch managers and loan officers of Family First Credit Union authority to make and refuse loans in conformance with the credit union's overall lending policy. Such lending decisions must observe the credit limits and guidelines stated in the lending policy. The following employees have the authority to approve consumer loans with limits as follows:

CEO	\$150,000
CFO	\$ 75,000
CLO	\$100,000
Branch Manager	\$50,000
Loan Officer II	\$30,000
Loan Officer	\$5,000

The following employees have the authority to approve real estate loans with limits as follows:

CEO	\$350,000
CFO	\$100,000
CLO	\$250,000
Three members of the credit committee	\$500,000

The Board of Directors grants the president authority to designate certain staff members as loan officers. These loan officers are authorized to lend the maximum amounts listed in the loan policy detail based on length of employment, creditworthiness, loan application and credit report review.

Loan applications not approved will be sent a denial notice detailing the reason for denial. Loan applications not approved by the loan officers will be referred to the credit committee for review. Any loan application denied by staff and approved by the Credit Committee will be referred to the board for denial/approval. Loans to be reviewed by the credit committee must be received by Friday preceding the Monday meeting. Items making denials necessary would be past due accounts, prior collections, prior judgments, bankruptcies, excessive obligations, charge offs, length of employment, garnishments, late payment history, insufficient credit references, incomplete/incorrect application, excessive loan requests, or any combination thereof.

The Board of Directors will review individual loans at the specific request of the member and only after the credit committee has reviewed the loan application twice.

Member loans may carry credit life and/or credit disability insurance that is serviced through The Konkle Group. Premiums for this insurance are added monthly and may be added to the loan payment requested.

### **Manager and Loan Officer Guidelines**

The Board of Directors and Credit Committee have issued the following guidelines:

- Loan amount maximums will be reviewed periodically to ensure compliance with the Georgia Banking Law. Section 7-1-658
- The maximum amount of loans in relation to total deposits will be regulated through the objectives of Family First liquidity policy.
- The credit committee requires that for each approved loan, the granting loan officer must sign off that the loan was approved in Galaxy Loan Plus.
- The branch manager and loan officers will use the local credit bureau as one way to obtain written credit information on each member's loan application.

- The branch manager and loan officers will use the legal forms, notes, and security agreements specified by the credit committee.
- The branch manager and loan officers will follow the credit union's lending limits and loan guidelines as stated in the lending policy.
- All exceptions to the credit union's lending policy will be reviewed and approved in writing by the branch manager, chief lending officer, chief financial officer or president and such documentation will be a part of the loan files.

### **Credit Committee Responsibilities**

The Board of Directors has assigned the following responsibilities to the Credit Committee.

#### **The Credit Committee will:**

- Review policies, branch managers' and loan officers' credit limits, and lending rates and fees as needed from time to time.
- Recommend changes in policies, loan officers' credit limits, and lending rates/fees which shall then be approved at the next Board of Directors meeting and documented in the minutes of the meeting.
- Meet with any member at his/her request to discuss a loan approval/refusal by any loan officer.
- Report to the Board of Directors at each monthly board meeting any information deemed relevant to the efficient overall operations of the lending function.

### **Manager and Loan Officer Responsibilities**

The Board of Directors has set the following guidelines for the manager and loan officers. The manager or loan officers will be sure that:

- The member applying for a loan is of responsible character.
- All loans are made for a meaningful (provident and productive) purpose.
- The member has the ability to repay the loan within the terms of the note or line of credit being granted
- A new credit report is obtained on each member and/or cosigner for each loan request, unless one was obtained no more than 60 days prior to the date of the new loan request.



- A member's income is reasonably verified and documented with each loan application upon which the debt-to-income ratio will be criteria for the granting of credit.
- A debt-to-income ratio is calculated and documented on each loan application where the debt-to-income ratio will be criteria for the granting of credit. Included in this calculation is the member's new payment if the loan is granted. Fixed debt obligations means monthly payments of debts of six months duration. It should be remembered that life styles vary greatly among individuals. The guidelines should be viewed in light of the member's total debt servicing history evident in repayment records.
- The debt-to-income ratio for consumer loans does not exceed 55 percent of net income unless substantial evidence is documented on the application in favor of exceeding 55 percent of net income. If gross income is used, the ratio is 41 percent.
- No member is granted a loan if the credit union has suffered a loss.
- No member who has received a discharge in bankruptcy is granted a loan until that member has established a clean credit record. An example of "establishing a clean record" would be members who have reaffirmed with this credit union and repaid their obligation faithfully. Unsecured loans may be approved by the branch manager, chief lending officer, chief financial officer and president.
- Collateral is required as regulated by the directors, bylaws, and statutes that govern this aspect of a credit union service.
- If the Credit Union writes collateral protection insurance on a loan because a member has failed to provide proof of their insurance; the loan payments, at the credit unions option, may be increased to provide for amortization of the premium over the next 12 months. After the premium has been paid, the payment amount is adjusted back to the original amount. We may waive this requirement if the loan has been paid well; the balance is under \$2,500.00; or if the loan will pay out within one year.
- All collateral such as titles have a properly recorded lien in the credit union's name or, where the collateral is other than a titled motor vehicle, a properly recorded lien is filed with the registry of deeds.
- Funds will be disbursed in accordance with standard policies to protect the credit union's lien rights in the case of collateral loans.

- All loans granted by the credit union are subject to a late fee charge. If a monthly payment is 10 days delinquent a late fee of 5 percent of the monthly payment may be charged.
- The exchange of credit information among credit grantors is a normal trade practice. Credit information about members' accounts and loans shall normally be provided to the credit bureau and its affiliates. The provisions of the Fair Credit Reporting Act shall apply.
- Loans that are 100 percent share-secured as to the principal are exempt from debt-to-income ratio guidelines. Furthermore, such negative credit rating factors as collections, poor payment history, recent bankruptcy, civil judgments, or collections may be discounted. However, if Family First Credit Union has incurred a loss from a previous loan or type of deposit account, the loan may not be granted until the loss has been repaid. If there is evidence of previous fraud or if reasonable grounds exist to believe there is fraudulent intent, the loan is to be denied.
- Delinquent loans will be worked on a continual basis using the monthly delinquency report for reference. Loans reaching six months delinquent will be recommended for board approval to write-off unless payment has been received in the past two (2) months, in which case the loan will not be recommended for charge-off.
- Members on a ten (10) month salary schedule with three (3) years of continuous employment at loan origination will be allowed two summer payment skips per year.

- Auto loans granted under this section would be paid out as follows:

<b>Term of Loan</b>	<b>Payments</b>
24	20
36	30
48	40
60	50

- Any member having an open end loan, which becomes delinquent, will be removed from their open end status. Further credit will be granted only with the completion and approval of a new loan application.

### **Documentation Required**

As of April 1, 2004, Loan Plus is our automated loan program. All loans are closed end agreements including Unimproved Property, Fixed Rate Second Mortgage, First Mortgage, Business First Mortgage, and Business Second Mortgage.

**For all closed end loans, the following is required:**

- ✓ A Total Loan promissory note and an insurance disclosure form.
  - Both forms must be signed.
- ✓ A signed application.
- ✓ Completed preparation sheet for loan information
- ✓ Reasonable verification of employment.
- ✓ Each loan application will have a current credit report generated, except for Share Secured Loans and CD Secured Loans.

**Additional requirements for Auto / Motorcycle / Boat / Motor Home Loans:**

- ✓ If CL&D insurance – Insurance Disclosure
- ✓ If Gap insurance – Gap Disclosure
- ✓ If Extended warranty – Extended Warranty Disclosure
- ✓ Buyers Order
- ✓ Copy of valid Insurance Card
- ✓ Printed Value of Automobile
- ✓ If cosigner – Cosigner agreement form and notice to cosigner form
- ✓ Third Party Agreement form, if applicable

**Additional requirements for Computer Loans:**

- ✓ If CL&D insurance – Insurance Disclosure
- ✓ Purchase Order

**Additional requirements for Home Equity Loans and Fixed Rate Second Mortgage Loans:**

- ✓ Current property tax statement or independent appraisal by Family First Credit Union
- ✓ Copy of warranty deed
- ✓ Statement of 1<sup>st</sup> mortgage balance
- ✓ Proof of Insurance from insurance company
- ✓ Signed legal papers
- ✓ Flood Determination Act form
- ✓ Recorded Deed to Secure Debt
- ✓ Loan application, credit report, and prep sheet.

**After the loan is complete, a member service representative will verify loans are correct by checking the following:**

1. The MSR will complete a Loan Verification Checklist form, verify that the Total Loan promissory note information agrees with Galaxy Loan information on the system, and all items required for each loan type are present.

2. That payroll deduction on the system is set up according to the payment code on the loan document. Always delete any payroll deduction that is obsolete. Ensure loans are listed first before any other payroll deductions (savings, Christmas club savings, vacation club savings, etc.).
3. That insurance code is set correctly
  - Key in 2 (Share and loan inquiries)
  - Key in 18 plus loan #, Xmit four (4) times

All discrepancies should be given to the branch manager for correction.

### **Loan Types and Parameters**

Car loans for members with three years of service or less, if approved, should have a 20% down payment. Down payment will be calculated on purchase price and must be verified by Credit Union (no rebates, dealer discounts, etc.) Down payment can be adjusted based on length of employment, creditworthiness, loan application and credit report review.

Any car loan over \$50,000.00 will require a 20 percent down payment.

Car rates can be reduced by .5 percent by pledging \$2,000.00 in a member's share account.

A member cannot finance more than 110 percent of the retail value of a car.

A new car is considered "new" if the car is bought from a dealership and the car has not been titled. A used car is considered "used" if the car has been titled and there was a previous owner.

Loan types for cars will be broken down in four categories:

1. New
2. Used – 1 to 2 years old
3. Used – 3 to 7 years old
4. Used – 8 and older

If the president, chief financial officer, chief lending officer or branch manager approves rates or terms of a loan outside of loan policies, a premium may be added to the current rate.

The credit union offers Credit Life and Disability Insurance, Extended Protection (Warranty) Plans and Guaranteed Auto Protection (GAP) for car loans.

### Term on New Cars:

The Credit Union offers up to 110 percent financing. Terms are set up to 60 months and branch managers may approve terms up to 72 months.

### Term on Used Cars:

The Credit Union offers up to 110 percent financing. Terms are based on the age of the car as follows:

First Year Model	Maximum of 60 Months
Second Year Model	Maximum of 60 Months
Third and Fourth Year Model	Maximum of 48 Months and 42 Months respectively
Fifth and Sixth Year Model	Maximum of 36 Months and 30 Months respectively
Seventh Year Model	Maximum of 24 Months

### SIGNATURE LOANS

Signature Loans or Unsecured Loans - No consideration will be given on new unsecured personal loan applications submitted within 90 days of a previous application whether loan was granted or rejected. The president, chief financial officer, chief lending officer or branch manager may override the 90 day rule in emergency situations.

### Limits and Terms

1st year employees	May apply for up to \$1200 repaid in contract year.
2nd year employees	May apply for up to \$1500 for a max. of 24 months.
3rd year employees	May apply for up to \$2000 for a max. of 24 months.
4th - 7th year employees	May apply for up to \$3000 for a max. of 36 months.
8th - 10th year employees	May apply for up to \$4000 for a max. of 48 months.
11th - 14th year employees	May apply for up to \$4500 for a max. of 48 months.
15th - 19th year employees	May apply for up to \$5500 for a max. of 60 months.
Twenty and over yrs. Employees	May apply for up to \$7000 for a max. of 60 months.

### Loans Secured By Savings:

Members may borrow up to 90 % of their savings with the Credit Union for a maximum of 60 months at the following rates:

1- 24 months	2 % above high share rate
25 - 60 months	3 % above high share rate

### Loans Secured by CD:

Loans secured by CD's will have an interest rate of 2 % above the CD rate. Loan maturity is not to exceed the CD maturity. The maximum amount is 90 % of CD.

### Motor Homes:

Standard loan can be granted for 80 % of purchase price. Term will depend on age of vehicle. Down payment can be adjusted depending on creditworthiness and age of vehicle.

### Computers:

Members may apply for a loan to purchase a computer for a maximum of 36 months.

### Boat / Tractor / Motorcycle:

Standard loan can be granted for 80 % of purchase price. Term will depend on age of boat / tractor / motorcycle. Down payment can be adjusted depending on creditworthiness and age of vehicle.

## **Rates and Legal Lending Limits**

Interest rate changes will be recommended by the president and chief lending officer. All current interest rates are specified by loan type. All changes to the loan policy will require board approval and documented in the board meeting minutes.

The president, chief financial officer, chief lending officer and branch manager of the credit union have the authority, on a day to day basis, to match rates and terms on various loans if in his/her opinion the decision is prudent and beneficial to Family First Credit Union's loan portfolio. A loan exception log will be kept in each branch location by the branch manager for any exceptions to the lending policies and risk based lending policies.

All information listed on the loan application is normally taken at face value.

- Hire dates and salary information are reasonably verified.
- Debt ratios of over 55% can only be approved by the president, chief financial officer, chief lending officer and branch manager or be referred to the Credit Committee.

Each member is entitled to apply for one signature (unsecured) loan at a time. The number of secured loans will be determined by years of service, loan application, credit report, and debt ratio.

## **Delinquent Loans**

A loan is considered past due after seven (7) days from the due date of payment. A series of four notices are sent at seven day intervals starting with a "Friendly Reminder"

and ending with a "Final Notice". If there is no response to reminders, personalized letters are mailed and/or phone calls are made to the member.

After a loan becomes six (6) months delinquent, with no payment in the past two (2) months, the loan is recommended to the board for charge off. At this point, the loan is given to the Family First Credit Union attorney for legal action, unless an acceptable payment schedule can be approved by the president or his designee.

No credit will be extended to any person who has caused the Credit Union a loss unless it has been repaid. Losses include, but are not limited to, principle, interest, and fees (credit union assessed or attorney fees).

### **Account Management (Annual Review of Unsecured Line of Credit)**

Family First Credit Union no longer offers unsecured (signature) lines of credit loans. Currently, the credit union still has unsecured lines of credit loans on our books. The Credit Union will have risk management techniques that identify higher risk accounts and adverse changes in account risk profiles, in order to enable management to implement timely preventive action (i.e., freezing or reducing lines). The Credit Union will conduct annual credit reviews of members with an Unsecured Line of Credit loan to determine whether the line of credit should be continued, based on the borrower's current financial condition. Thresholds that could cause an action to freeze or reduce the line are:

- Low FICO or beacon score
- High debit ratio
- Late payment history
- Excessive unsecured debt
- Charge offs and collections

The Credit Union may also terminate a member's line of credit at any time due to loss of membership, default, breach of the open-ended loan agreement, or any reasonable cause.

# **Family First Credit Union**

## *Lending Policy*

### **Employee Loan Policy**

#### **Employee Loan Policy**

All Family First Credit Union employees and committee members are eligible to apply for all types of loans regardless of length of service. This also applies to their immediate family members who qualify for membership in the credit union as defined in the credit union bylaws.

All employee or committee member loan applications are to be processed only by the branch manager or chief lending officer. All such applications must be sent to the president for review and action.

All loans made to any director, committee member or employee will be made in accordance with all approved loan policies and rates of interest. Loan advances will be reviewed monthly by the Board of Directors.

Employees who resign or are terminated must continue to make payments on any loans with Family First Credit Union in accordance with the terms of their loan agreements. If the loans are being paid by payroll deduction, the former employee should contact the loan officer or branch manager to make other arrangements.

#### **Employee Loan Procedure**

Employees must turn in a completed loan application to the branch manager. The branch manager will initiate a credit report and preparation sheet. The branch manager will review the application with the president for approval or denial. If approved, the president completes an employee loan worksheet to be given to a loan processor or a branch manager for completion of loan. If denied, an adverse action form will be given to the employee. All credit information (credit report, application and loan preparation sheet) will remain in the employee's folder in the President's office. All employee folders are kept in a fire proof locked file cabinet to provide privacy and confidentiality. All information on an employee's loan application must be accurate. Any misleading or false statements by an employee will lead to disciplinary actions. Any employees attempting to view or access other employee information will face disciplinary action.



**Family First Credit Union**  
*Lending Policy*  
Employee Loan Worksheet

Name: \_\_\_\_\_

Member Number: \_\_\_\_\_

Loan Information:

Loan Amount: \_\_\_\_\_

Term: \_\_\_\_\_

Interest Rate: \_\_\_\_\_

First Payment: \_\_\_\_\_

Payment: \_\_\_\_\_

CL&D Insurance: \_\_\_\_\_

GAP Insurance: \_\_\_\_\_

Extended Warranty: \_\_\_\_\_

Comments:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Approval

Date

\_\_\_\_\_

\_\_\_\_\_

# **Family First Credit Union**

## *Lending Policy*

### **Loan Extension Policy**

#### **Purpose**

The purpose of this policy is to outline when and under what circumstances loan extensions can be offered to member/borrowers experiencing financial hardships.

#### **Policy Statement**

Family First Credit Union will not discourage borrowers from applying for a loan extension on the grounds of any prohibited basis.

#### **Qualifying Events and Approvals**

In general, we will consider the following as qualifying events for loan extensions:

- Illness, temporary unemployment or loss of income, and extraordinary expenses.

In response to these events, branch managers may consider and approve one-month extensions. The president may consider and approve two-month extensions, on a justifiable exception basis.

The chief lending officer, chief financial officer, president, or branch manager will approve extensions for all officials and employees.

#### **Monthly Payment Reductions**

In cases where a borrower's monthly income has been permanently reduced, we will consider reducing the borrower's monthly loan payment to an affordable amount. This reduced amount should not significantly add to the remaining repayment term of the loan.

#### **Demonstration of Payments and Payment of Interest**

We will not require that the member make a loan payment prior to being granted an extension, based on their inability to make the scheduled payment they are seeking the extension for. We will not require that the member pay accrued interest prior to being granted an extension.

#### **Number of Extension Per Year/Per Term of Loan**

In general, we will consider no more than two extensions per year.

# **Family First Credit Union**

## *Lending Policy*

### **Platinum Visa Credit Card Policy**

Family First Credit Union is offering a Platinum Visa Credit Card to the membership base. This program is sponsored by Card Services for Credit Unions (CSCU) and is processed through Fidelity National Information Services (FIS). A credit protection program named "Chargegard" will be offered by Fidelity National Information Services (FIS). FIS will generate a letter to inform the member when there is a late fee.

**The remittance address:**

P.O. Box 31279 Tampa, FL 33631-3279

**For written inquiries:**

P.O. Box 30495 Tampa, FL 33630-3495

**Customer Service:** 1-800-299-9842

**Disputes:** 1-800-215-6280 ext. 73945

**Lost/Stolen:** 1-800-808-7230

**Assistance with Online Account:** 1-866-604-0380

Principle member and family members as joint applicants may apply. All Platinum Visa credit card applications will be considered. The Visa Credit Card Program will be offered with an interest rate ranging from 8.9% to 17.9%.

A Family First Credit Union "Platinum Visa Credit Card" is superior to credit cards being offered by other financial institutions. Simply put, we offer low rates and low fees. There are no hidden expenses or tricks to entice the member to move balances. Family First Credit Union will not charge an annual fee and offer easy repayment terms. There are no penalty rates. The rate is fixed. The minimum monthly payment is 3% of the outstanding card balance or \$10.00, whichever is greater.

#### **Equal Opportunity Lender**

The Board of Directors, Management and staff of Family First Credit Union are committed to both the letter and the spirit of the Equal Credit Opportunity Act. The Act prohibits discrimination against an applicant based on the applicant's age, race, sex, nationality of origin, marital status, or religion. Family First Credit Union is committed to ensuring all employees base lending decisions strictly on the creditworthiness of the individual applicant.

#### **Rewards**

Family First Credit Union Platinum Visa Credit Card has a feature called "ScoreCard Rewards". You earn points for purchases using your credit card. These points may be redeemed for valuable merchandise and travel awards. Members will earn one point for

every dollar spent on purchases. There are no points earned for Balance Transfers or Cash Advances. In addition, points will be deducted when returns are made on the card. The points earned are done through our processor, FIS. We do not manage the points or the redemptions at the credit union. (Exception: We could have a promotion whereby we offered bonus points. In that case, we would add those points at the credit union.) Members can redeem their points at [www.scorecardrewards.com](http://www.scorecardrewards.com). When an account is closed, the points are lost. Members must redeem their points before closing an account. Points can be transferred from one card to another if someone wants to close an existing account and open a new one. You may also transfer from one spouse to another if they want to combine points. Only Loan Officers of the credit union will have access to the scorecard point program. They will make the point transfers when necessary.

### **Balance Transfers**

When you open a Family First Credit Union Visa Platinum Credit Card account, the member can transfer balances from higher rate cards with no transfer fee. To transfer balances, the member will simply complete a balance transfer form. Transferred balances cannot exceed the cardholder credit limit. Transferring the entire balance does not automatically close an account. It will be the cardholder's responsibility to close the account.

### **Security**

FIS utilizes a sophisticated 24/7 card fraud monitoring service called **Real Time Falcon** which helps prevent fraudulent attacks against the member's credit card. When fraud is suspected, cardholders are contacted to determine whether or not the activity is valid. **Real Time Falcon** will block transactions at the point of purchase that are potential high-risk transactions, reducing the impact to the customer preventing the monetary loss associated with fraudulent transactions. With the ability to validate the declined transaction with the cardholder on the phone; customer service and fraud operations is equipped to immediately allow the cardholder to continue spending.

To protect our members, we receive prompt notification from our credit card provider of credit cards that may have been "compromised," whereby private information may have been obtained by non-authorized parties, so that we may block and reissue these cards. The potential "high-risk" and "suspicious" transactions are blocked so that the merchants will be declined from our members' cards.

Our members are also secured by "**Verified by Visa**", an online secure shopping system. Members can register for "Verified by Visa" at [verifiedbyvisa.com](http://verifiedbyvisa.com) or the first time purchase with a "Verified by Visa" merchant. This will protect the members when shopping online with a "Verified by Visa" merchant.

## **EZCard Info**

Cardholders can access their account information anytime online at [www.mycardstatement.com](http://www.mycardstatement.com). Members will log on and set up their account with a secured password. They can also make payments to their account at this website.

## **Rates and Credit Limits**

The interest rates and credit limits set for the credit card include are based on the member's beacon score, credit worthiness, debt/income ratio and the percentage of unsecured debt to annual income. These are considerations for approval or denial. If an applicant has been with their current employer less than three years, the maximum credit limit allowed is \$3,000. Branch Managers have the authority to change the credit limit based on credit worthiness and approve a maximum \$1,000 credit limit for members in good standing that otherwise do not qualify based on their debt to income ratio. Interest rates and credit limits will be reviewed at least annually.

## **Shared Secured Visa Credit Card**

Family First Credit Union will offer a share secured credit card for members who do not qualify for an unsecured credit card. The credit limit will be secured by funds on deposit with Family First Credit Union. The credit limit will be set @ 90% of the securing deposit.

Holds for the secured deposit will be placed as a Miscellaneous Hold. Comments must be written in on the Warning/Comment section of the account. Verbiage listed below should be documented on the account in Galaxy.

**\$\$\$ held for Secured Credit Card # \_ \_ \_ \_ \_**

The comments should be removed if the following occurs:

- Credit Union closes the account
- Member qualifies and accepts unsecured credit card offer
- Member closes the account
- Member pays off secured credit card and closes credit card

## **Account Management**

The Credit Union will have risk management techniques that identify higher risk accounts and adverse changes in account risk profiles, in order to enable management to implement timely preventive action (i.e., freezing or reducing lines). The Credit Union will utilize "Account Review" offered by FIS to perform a full portfolio review which is a periodic review of the entire card portfolio. This review occurs upon request and should be updated at least annually. The review process evaluates each cardholder's financial history (bankruptcy, late payments, outstanding debt, etc.) and assigns an alpha grade and numeric risk score that enhances decision making information. The risk score is a unique, risk assessment tool that uses credit reporting

data for evaluating and predicting future credit performance. These scores are placed automatically on the cardholder master file. Below are the benefits:

- Evaluate future risk via the Risk Score and scrutinize certain accounts more closely.
- Reduce charge-off losses due to the identification of problem accounts before losses occur.
- Save time currently spent manually reviewing accounts.
- Maximize the ability to respond quickly to patterns and trends (both positive and negative) within our card portfolio based on current and historical behavior.

Family First Credit Union will employ a combination of a judgmental (subjective) decision process and a scoring system (objective) for direction.

A Credit line review will be required if a Visa cardholder charges in excess of his credit limit, becomes delinquent, has a change in employment status, or defaults on another loan with Family First Credit Union.

In the event of review, one of the following courses of action will be taken:

- No action;
- Revoke the credit card and send an Adverse Action notice; or
- Request an updated application and re-evaluate the credit limit.

### **Credit Review**

Unsecured signature loan limitations will not apply to the Platinum Visa Credit Card Program. Visa credit line requests will be evaluated separately with regard to other unsecured and secured lending limitations.

For multiple borrowers and multiple credit reports, the board of directors has directed that Beacon scores are to be used in the following manner:

- When determining the interest rate for a credit card, if two or more scores are offered, the credit union will observe the following criteria:
  - If the credit card will have joint signers, the Beacon score (A, B, C, D, E) will be based on the primary wage earner.
  - If the credit card will have a maker and co-maker (guarantor), the Beacon (A, B, C, D, E) will be based on the maker's score only.
- If no credit report or score is available, the credit union will assign a score of C.

If two credit bureaus report two different scores, the credit union will use the score from the more detailed credit report which best indicates how the member pays.

Platinum Visa Credit Limits:	Maximum	\$15,000
	Minimum	\$ 300

### **Finance Charge Calculation (as disclosed to member)**

The finance charges for a billing cycle are computed by applying the monthly periodic rate to the average daily balance of purchases and cash advances, which is determined by dividing the sum of the daily balances during the billing cycle by the number of days in the cycle. (Balance transfers are always considered as cash advances). Each daily balance is determined by adding to the previous balance of purchases and cash advances any new purchases or cash advances posted to your account and subtracting any payments as received and credits as posted to your account, but excluding any unpaid finance charges. To avoid incurring an additional finance charge on the balance of purchases reflected on your monthly statement, and on any new purchases appearing on your next monthly statement, you must pay the new balance shown on or before the payment due date. The grace period for the new balance of purchases extends to the payment due date. The finance charge on cash advances begins to accrue on the date you obtain the cash advance or the first day of the billing cycle in which it is posted to your account, whichever is later. There is no grace period on cash advances.

### **Interest Rate and Credit Limit Guide**

Family First Credit Union offers credit cards in a tiered rate environment, based on credit scores obtained from Experian. Using the member's credit score, Family First Credit Union approves credit card accounts based on the creditworthiness of each member.

There are 5 credit categories that a credit score may fall within (A, B, C, D, or E). Below is a list of each group credit category and applicable fees, rates, and information that applies.

- **A Grade Paper**
  - Beacon Score of 740 or higher
  - Rates range from 8.9% - 10.90% Fixed Interest Rate
  - Credit Limit range from \$6,000 – \$15,000
  - Credit card application will be denied if total unsecured debt exceeds 30 percent of salary, including the new FFCU credit card.
- **B Grade Paper**
  - Beacon Score of 680 – 739
  - Rates range from 11.90% - 13.90% Fixed Interest Rate
  - Credit Limit range from \$3,000 – \$8,000
  - Credit card application will be denied if total unsecured debt exceeds 25 percent of salary, including the new FFCU credit card.
- **C Grade Paper**
  - Beacon Score of 640 – 679
  - Beacon Score of 0 or NO Score
  - Rates range from 14.90% - 16.90% Fixed Interest Rate
  - Credit Limit range from \$2,000 – \$4,000

- Credit card application will be denied if total unsecured debt exceeds 20 percent of salary, including the new FFCU credit card.
- **D Grade Paper**
  - Beacon Score of 600 – 639
  - Rate is 17.90% Fixed Interest Rate
  - Credit Limit range from \$1,000 – \$2,000
  - Credit card application will be denied if total unsecured debt exceeds 20 percent of salary, including the new FFCU credit card.
- **E Grade Paper**
  - Beacon Score of 559 or lower
  - Rate is 17.90% Fixed Interest Rate
  - Credit Limit is \$300 – \$1,000
  - Credit card application will be denied if total unsecured debt exceeds 20 percent of salary, including the new FFCU credit card.
- Previous bankruptcies are considered D grade if within the last 6 years. If over 6 years ago, use the current beacon score.
- The Branch Manager can adjust credit limits based on disposable income and debt ratio for higher income members (\$75,000 + annually) with A, B, and C grade paper.
- If balance transfers apply, the new FFCU credit card monthly payment would replace the existing credit card monthly payment(s) for purposes of calculating a debt/income ratio.

#### **Other Credit Card Fees and Features**

- No Annual Fee
- Late Fee: \$25.00
- Returned Check Fee: \$27.00
- Pay by Phone Fee: \$5.00
- No Cash Advance Fee
- No Cash Advance Fee on Foreign transactions
- No Balance Transfer Fee
- PIN (Personal Identification Number) are system generated and mailed to the cardholder.
- Credit Cards will be mailed directly to the cardholder from FIS
- ATM Limits: \$510.00 per transaction, \$510.00 per day
- Cards have a two year expiration
- Accounts will be reported to Experian



# **Family First Credit Union**

## *Lending Policy*

### **Corporate Credit Card Policy**

#### **Policy Statement**

It shall be the policy of Family First Credit Union to provide corporate credit cards to board members, certain members of the management team and other employees at the discretion of the president of the credit union for the purpose of providing payment for business related expenses in the discharge of their official duties.

#### **Approval and Issuance**

The president shall approve the issuance of any such credit card and the limit associated with the credit card account. The limits established shall be commensurate with the approval authority of the employee for expenses outlined in the purchasing policy unless otherwise approved. The card shall be issued in the name of Family First Credit Union and shall have the name of the employee or board member also embossed unless otherwise directed. All corporate credit card account statements shall be addressed to the main office of Family First Credit Union.

#### **Use of Credit Card Accounts**

All corporate credit cards shall only be used for credit union business consistent with the purchasing policy and the travel and conference expense policy. Any deviation from these policies shall be approved in advance by the chief financial officer or the president. Each holder of a corporate credit card shall obtain a receipt or other verification of the item at the time a transaction is performed or as soon as possible thereafter for reconciliation. Unauthorized or impermissible charges will be reimbursed in full immediately by the cardholder.

#### **Reconciliation and Payment**

At the end of any billing cycle, an original receipt of each transaction appearing on the credit card statement shall be attached to the statement along with an explanation of the nature and purpose of the transaction within a reasonable time on an approved reconciliation form. All credit card statements and applicable reconciliations shall be submitted to the chief financial officer for review where applicable and then to the president for approval for payment unless otherwise delegated. Once approved, the statement shall be submitted to the accounts payable department for payment in full on or before the due date.

#### **Revocation and Suspension**

Corporate credit cards remain the property of the credit union and may be revoked or cancelled at any time for good cause by the president or chief financial officer. Any abuse of a corporate credit card may result in the suspension of credit card privileges and/or further disciplinary action at the discretion of the president. Upon the

resignation or termination of employment of a corporate cardholder the limit shall be revoked and the card shall be recovered immediately.

**Family First Credit Union**  
*Lending Policy*  
**Indirect Lending Policy**

Family First Credit Union does not participate in or offer indirect lending which is a point-of-sale financing program.

# Family First Credit Union

## *Lending Policy*

### Loan Incentive Policy

#### **Purpose**

Family First Credit Union has an incentive program for employees in connection with loans made by the credit union. The credit union offers incentives to build loan volume and to reward employees.

#### **Incentives**

- Guaranteed Auto Protection: Incentives are earned by selling Guaranteed Auto Protection Insurance for automobiles, motorcycles and boats. The sale of the product earns an employee \$15.00. All loan officers and branch managers are eligible to receive incentives. There is no limit to the number of products that can be sold.
- Extended Warranty: Incentives are earned by selling Guaranteed Auto Protection Insurance for automobiles, motorcycles and boats. The sale of the product earns an employee \$15.00. All loan officers and branch managers are eligible to receive incentives. There is no limit to the number of products that can be sold.
- Needs Analysis: The purpose of the Needs Analysis is to obtain permission to pull a credit report so that we can offer our products and services to our new members in an attempt to save the member money on their current financial obligations. Our products and services are to provide added value to our members' lives. For each successful loan, the Loan Officer or Branch Manager will be paid the following incentives:

New Checking Account	\$15.00
Auto Refinance	\$25.00
Boat or RV	\$25.00
New Credit Card	\$15.00
Unsecured Loan over \$2,000.00	\$15.00

The Member Service Representative will earn \$5.00 for each Needs Analysis that they obtain from a new member.

- Lending Referral Program: The purpose is to offer products and services to our potential members through referrals given by satisfied members of our credit union. The referrals will drive loan growth while adding value to our members' lives. For each successful referral, the Loan Officer or Branch Manager will be paid the following incentives:

New Account	\$10.00
New Checking Account	\$15.00

The Branch Manager will track the new accounts based on the "Share the Value of Membership" forms that have been turned in. The forms have to be turned in

before contacting the potential members. The referral incentives are for only the new members where you initiated the new relationship by a referral from a current member.

**Policy Statements**

The loan incentive policy will be reviewed annually by the board of directors for compliance, internal controls and effectiveness. The branch manager or a designee will balance the general ledger at months' end and submit the report to the chief financial officer for approval. The incentive will be added to the payroll for the upcoming pay period. Senior management is ineligible to receive incentives. Senior management would include the president, chief financial officer and chief lending officer.

# Family First Credit Union

## *Lending Policy*

### Loan Participation Policy

#### **Loan Participations**

Family First Credit Union may enter into a loan participation in accordance with regulatory requirements. Prior to the purchase or sale of a participation interest, Family First Credit Union will enter into a written master participation agreement, which has been approved by the president, chief financial officer and chief lending officer and executed by one of these corporate officers. The master agreement will be properly executed, retained in the credit union's office, and include provisions for identifying the participation loan(s) prior to their sale, either directly or by incorporation by reference. Legal opinions will be obtained on loan participation agreements.

#### **GENERAL CONSIDERATIONS**

- **Membership.** Family First Credit Union may participate in loans with members of any eligible organization including credit unions, credit union organizations, or financial organizations.
- **Yield.** Loan participations will not normally be considered unless the transaction will increase the asset yield available to the Credit Union.
- **Member Service.** Revenue neutral participations may be considered when the result of the transaction will sustain or improve member service.
- **Risk.** The risk assumed by the Credit Union through loan participation should be comparable to the risk it assumes through its normal business practices. Care should be taken to ensure that underwriting procedures, agreements, and future oversight practices of participation partners are handled with the same consideration as other Credit Union business activities.
- **Record Keeping and Documentation.** The Credit Union will ensure that adequate systems are in place to account for the loan participation transaction before an agreement is executed. The Credit Union will retain all loan participation records and documents in accordance with applicable record retention requirements for loan records.

**Concentration Limits.** The Credit Union has set the following concentration limits:

**Collateral Types:** All considered

**Geographic Location (per location):** USA

Management will monitor and adjust to changing market conditions on an ongoing basis before expanding a trade area.

**Loan participations purchased by one originating lender:** Will not exceed the greater of \$5,000,000 or 100% of the Credit Union's net worth.

**Aggregate Loan Participations Purchased:** Will not exceed the maximum guidelines established by the Concentrations Risk Policy included in the ALM Policy.

**Loan participations purchased with respect to a single borrower:** Will not exceed 15% of the Credit Union's net worth.

**RISK ASSESSMENT AND STRATEGIC PLANNING – CREDIT UNION AS PARTICIPANT/PURCHASER.** Prior to entering into a loan participation agreement with a third party, the Family First Credit Union will evaluate whether the program is compatible with the board's risk tolerance, depth of staff experience and expertise, loan policies and overall strategic plan.

**Risk Assessment.** The Credit Union's initial risk assessment will address the following issues:

- **Credit Risk.** When evaluating acceptable credit risk as a participant, the Credit Union will consider a broad range of issues, including the following:
  - A. Credit scores;
  - B. Loan-to-value limits;
  - C. Cash flow analysis;
  - D. Concentrations in volatile or unstable markets;
  - E. Concentrations in geographical locations;
  - F. Concentrations in certain types of investment properties;
  - G. Feasibility of speculative development projects;
  - H. Use of borrower information provided by brokers; and
  - I. Full analysis of appraisal assumptions and final valuations.

### **Interest Rate Risk**

Interest rate risk increases as the term of the loan extends. On an ongoing basis, the Credit Union will thoroughly evaluate the potential impact of extended maturities on the fair value of the Credit Union's balance sheet.

### **Reducing Rates and Terms**

A deterioration in a borrower's financial condition may prompt the consideration of a rate reduction. When this occurs, the Credit Union will re-evaluate its asset liability management (ALM) strategies.

### **Liquidity Risk**

The Credit Union will ensure that it has sufficient liquidity before participating in loans. Before participating, the Credit Union will evaluate the adequacy of the following:

- Liquidity to meet the members' future loan demand before purchasing loan participations;
- Management reporting systems to measure and monitor cash flows including disbursements and scheduled payments; and
- Funding sources to meet all potential calls to fund loan disbursements.

### **Transaction Risk**

The Credit Union will ensure that it has sufficient bond coverage for the new products and services. The Credit Union will also ensure that it adequately audits its loan participations and effectively implements its contingency and business recovery plans. Lastly, the Credit Union will properly account for and control cash flow streams between itself and its sellers.

### **Compliance Risk**

The Credit Union will follow and monitor all of the regulations associated with loan participations, including the following:

1. NCUA regulations applicable to loan participations;
2. NCUA and CFPB regulations governing appraisals;
3. State laws (where applicable);
4. Bank Secrecy Act (related to mortgage fraud); and
5. Consumer protection laws and their associated regulations, such as Truth in Lending (Regulation Z), Equal Credit Opportunity Act (Regulation B), and the Real Estate Settlement Procedures Act (RESPA).

### **Strategic Risk**

The Credit Union will assess whether its proposed relationships complement the Credit Union's overall mission and philosophy. The Credit Union will document how the relationship relates to its strategic plan, considering long-term goals, objectives and resource allocation requirements.

### **Reputation Risk**

The Credit Union will mitigate potential loss by ensuring it has and employs adequate resources to meet the contractual commitments to sellers (i.e., business recovery plans, adequate staffing and internal controls). The Credit Union will also perform adequate due diligence on all sellers with whom the Credit Union participates.

## **DUE DILIGENCE**

The Credit Union will perform ongoing due diligence of its sellers as follows:

- **Business Model.** When evaluating a seller's loan participation program, the Credit Union will be aware of recent or pending changes in the regulatory,



technological and/or economic environments. The following factors will be considered:

- **The Possibility of Conflicting Interests.** The Credit Union will ensure the product being purchased is within its established risk tolerance thresholds, including adherence to established underwriting standards.
- **Financial Condition.** The Credit Union will obtain a demonstrated ability to repurchase a participation based on a review on Call Reports, Financial Performance Reports (FPRs) or other financial information.
- **Time-Tested Products.** It is preferable to purchase participation when the seller's loan portfolio has been through several economic cycles. As such, the Credit Union will strongly consider the additional risk taken when the seller is inexperienced in the product and/or the product has not weathered a full economic and interest rate cycle.
- **Significant Staffing Changes.** The Credit Union will determine whether the seller has maintained sufficient experience in all types of loans being underwritten and serviced.
- **Trade Area.** The Credit Union will ensure there is diversification in the trade area, underwriters are knowledgeable of market condition throughout the trade area, and the servicer has the ability to handle servicing effectively, especially in the case of default.
- **Possibility of Loss of Control.** The Credit Union will ensure it has the mechanisms in place to maintain proper oversight over the party servicing loan participations.

### **Contract Issues and Legal Review**

The Credit Union will obtain legal advice regarding the loan participation contract to ensure its legal and business interests are appropriately protected. Among other concerns that may arise, the contracts should address the following issues:

- Representation and warranties that set out the promises on which the parties contract;
- Specific remedies for breach (including the requirement of the seller to buy back loans with missing documents, loans made outside of policy, or those otherwise not in conformance with representations and warranties);
- How risk will be shared among the participants, including whether the transaction qualifies, per Accounting Standards Codification (ASC) 860, *Transfers and Servicing*, for true sale accounting or is a secured borrowing; and
- How and when information will be shared and what actions require the mutual approval of both parties. Specifically, the contract should address the following:
  - A. Credit documents and information that the seller is required to share with the Credit Union;
  - B. Status reports on payments and interest accrual;
  - C. Exit strategies;

- D. Procedures for modifying loan terms;
- E. Standard loan covenants, including limiting the borrower's future loans, notification of adverse loan events, collection procedures, turnover in key staff, and other provisions necessary to effectively manage credit risk.
- F. Type and percentage of the interest being sold;
- G. Evidence of the sale;
- H. Timing of the transaction closing;
- I. Method and timing of funding;
- J. Originating lender's liability;
- K. Originating lender's servicing obligations;
- L. Originating lender's breach or default;
- M. Control of changes to the original loan terms; and
- N. Borrower's default.

### **Loan Underwriting**

The Credit Union will underwrite loans to its own standards, and will identify all risks that could materially influence the Credit Union's decision to participate. Instances where the credit union has limited experience in the type of loan purchased, approved vendors may be used to solidify underwriting. Any exceptions to the Credit Union's policies will be reported to the board by management. Unless it is described in the seller's loan presentation or supported by loan documentation, the Credit Union will request the following information from the seller for member business loans (MBLs) and/or construction and development loans:

- Cash flow analysis, particularly for businesses and self-employed individuals;
- Documentation of all responsible parties and guarantors to the agreement (as many borrowers form a separate limited liability company for each investment property);
- Full disclosure of all associated borrowing relationships in order to meet regulatory requirements for loans to one borrower and to limit concentration risk;
- Verification that all conditions of approval have been satisfied before the loan was funded (which protects the enforceability of a take-out commitment for long-term financing);
- Appraisal reviews that evidence appraisal assumptions were valid and relevant to the collateral property;
- Identification of borrower's equity sources for construction and development loans; and
- Verification of progress inspections, as required by NCUA Part 723.3(c). The Credit Union will obtain copies of written inspection reports from sellers when construction draws are requested.

## **RISK MEASUREMENT, MONITORING AND CONTROL – CREDIT UNION AS PARTICIPANT/PURCHASER..**

- **Post-Closing Review.** The Credit Union will complete a post-closing review of all loan documents to determine that all terms and conditions are in accordance with the original terms presented. The seller will be notified of the Credit Union's findings and the corrective action desired whenever terms have changed.
- **Understanding Terms of Agreements and Transactions.** Management will fully understand the terms of all loan participation agreements and underlying loan transactions, and will be able to explain them to all interested parties, including regulators.
- **Monitoring MBLs.** The Credit Union will monitor its MBLs for annual financial statement review.
- **Audits.** Where practicable, the Credit Union will obtain a third party audit or review of a seller's loan participation program. The Credit Union will obtain the regularly updated audits from the seller, along with the seller's written response to findings and recommendations for corrective action.
- **Liquidity Monitoring.** The Credit Union will regularly monitor the liquidity and financial health of originating organizations. The Credit Union will also monitor how CUSOs are structured and funded, along with the financial stability of the CUSO owners.

## **RISKS AND ISSUES – CREDIT UNION AS SELLER**

### **Risk Assessment and Strategic Planning**

The Credit Union will employ the same due diligence as when it is the purchaser. The Credit Union will document its risk assessment and due diligence.

- The Credit Union will ensure that management understands the terms of the loan participation agreement and underlying loan transactions, and will be able to explain them to all interested parties, including regulators.
- The Credit Union will monitor potential liability from maturing balloon extensions or rollovers, particularly with multiple participants on large member business loans. As participants are not legally bound to continue funding extensions or rollovers, the Credit Union will ensure that it has sufficient liquidity in the event the participants decline to renew their involvement.

### **CUSOs**

The Credit Union may choose to use CUSOs or other approved firms to underwrite, document and service loans. The Credit Union will notify all participants when a loan is sourced through a loan broker and the borrower was not an existing member, in order to put participants on notice that information about the borrower may not be based on the Credit Union's direct knowledge. In these cases, the Credit Union will verify that all

third-party reports, such as appraisals and environmental studies, were obtained in an arm's length, independent transaction, in full compliance with regulatory guidance.

### **Regulatory Compliance**

In the event that a loan would exceed regulatory limits (i.e., NCUA Part 723), the Credit Union will make the loan approval conditioned on obtaining firm loan participation agreements from buying credit unions, or apply for a waiver before the participation is made. As recourse sales (if treated as secured borrowings) count toward regulatory limits, the Credit Union will distinguish between non-recourse and recourse transactions.

### **Full Disclosure**

The Credit Union will fully disclose all available historical information about the borrower to potential buyers, including information about the collateral and any potential conflicts of interest. For ongoing participation relationships, the Credit Union will advise buying credit unions when underwriting standards have been modified.

### **Credit Administration**

The Credit Union will take the following actions when borrowers fail to comply with loan agreement covenants:

- Timely notify the borrower, in writing, regarding events of technical default;
- Provide buying credit unions with the financial information required by the loan agreement; and
- Report the results of loan monitoring to buying credit unions.

### **AS ORIGINATOR/SELLER**

When the Credit Union acts as the originating lender in the loan participation, the following guidelines apply:

#### **Minimum Loan Ownership**

The Credit Union will retain a minimum of 10% ownership interest in any loan for the life of the loan.

#### **Documentation**

The original loan documents will be retained in the member's loan file. Copies of the original loan documents will be provided to participating institutions.

#### **Servicing**

The Credit Union will normally seek to retain the servicing of the loans, both to retain the service relationship with the member and to provide a source of revenue.

**Repurchase Rights**

Loans will normally be sold "without recourse".

**AS PARTICIPANT/PURCHASER****Purchase Eligibility**

The Credit Union may purchase a participation in a loan only from the participant with which the borrower initially or originally contracts for a loan.

**Participating Interests**

The Credit Union cannot participate its interest in a loan because it is not the originating lender.

**Eligible Loans**

The Credit Union will only purchase a participation in loans that are approved under the current loan policy.

**Compatibility**

The Credit Union will seek loan participants with compatible needs and business interests. Other Credit Unions will be given first consideration, but any financial institution allowed by law may become a loan participant provided they meet the provisions of this policy and Federal regulations.

**Adherence with Policy**

Regardless of how loan servicing and collection responsibilities are assigned in the loan participation agreement, the Credit Union will ensure that the loan is underwritten, processed and collected in accordance with the current loan policy.

**Documentation**

The Credit Union will retain the original, or a copy, of the written participation agreement and a schedule of the loans covered by the agreement.

- The loan participation agreement must:
  - A. Be properly executed;
  - B. Be properly authorized by the federally insured credit union's board of directors or, if the board has delegated in its policy, a designated committee or senior management official;
  - C. Be retained in the federally insured credit union's office (original or copies); and
  - D. Include the following additional provisions:

- Prior to purchase, the identification of the specific loan participation(s) being purchased, either directly in the agreement or through a document which is incorporated by reference into the agreement;
- The interest that the originating lender will retain in the loan to be participated. As we discussed earlier if the originating lender is a federal credit union, the retained interest must be at least 10 percent of the outstanding balance of the loan through the life of the loan. If the originating lender is any other type of eligible organization, the retained interest must be at least 5 percent of the outstanding balance of the loan through the life of the loan, unless a higher percentage is required under state law;
- The location and custodian for original loan documents;
- An explanation of the conditions for financial and other performance information about a loan so the loan can be monitored;
- An explanation of the duties and responsibilities of the originating lender, servicer, and participants with respect to all aspects of the participation, including servicing, default, foreclosure, collection, and ongoing administration of the loan; and
- Circumstances and conditions under which participants may replace the servicer.

# **Family First Credit Union**

## *Lending Policy*

### **Risk-Based Pricing Lending Policy**

#### **Statement**

The purpose of offering risk-based pricing is to help as many members as possible obtain loans at reasonable rates. We recognize that certain, less credit worthy members represent more risk than others. We also believe we have members who are being charged excessively high rates by other lenders, and that we could help these members through a managed risk-based pricing lending program. In doing so, we could save these members substantial money while helping them rebuild their credit. The credit union will not grant loans where the probability of repayment is questionable or doubtful.

As a result, Family First Credit Union has adopted a risk-based pricing lending program in order to become the lender of choice for all members by offering the best possible rate based on each member's individual credit score from a major credit bureau reflecting their overall credit history. Less credit worthy members benefit by qualifying for a loan with our credit union instead of being forced to resort to higher-cost alternatives such as finance companies. Members with a good credit history can qualify for a loan at a competitive rate so they do not finance elsewhere.

#### **Loan Types**

Loans qualifying for risk-based pricing include all consumer loans except share-secured loans, certificate of deposit-secured loans and home equity lines of credit.

#### **Scoring**

Scoring models will establish what rate to charge if the loan is approved. It is the policy and practice of Family First Credit Union not to discriminate on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract), receipt of public assistance income, or the exercise in good faith of any right under the Consumer Credit Protection Act. Therefore, we will use credit scores from a major credit bureau to determine pricing.

The following table shows the score range and corresponding credit grade:

**Grade Rating by Credit Bureau Credit Score**

<b>Score</b>	<b>Grade</b>
750+	A
700-749	B
650-699	C
600-649	D
599 or Lower	E
**0 or No Score	C

## **Rate Matching**

Credit union management has the authority, on a day to day basis, to match rates and terms on various loans if in his/her opinion the decision is prudent and beneficial to Family First Credit Union's loan portfolio.

## **Multiple Borrowers and Multiple Reports**

The board of directors has directed that credit scores are to be used in the following manner:

- When determining the interest rate for a loan, if two or more scores are offered, the credit union will observe the following criteria:
  - If the loan will have joint signers, the credit score (A, B, C, D, E) will be based on the primary wage earner.
  - If the loan will have a maker and co-maker (guarantor), the credit score (A, B, C, D, E) will be based on the maker's score only.
- If no credit report or score is available, the credit union will assign a score of C.
- If two credit bureaus report two different scores, the credit union will use the score from the more detailed credit report which best indicates how the member pays.

## **Pricing and Monitoring**

Management will set and adjust the rate structure according to risk as represented by credit scores and corresponding credit grades. Losses according to score and grade will be tracked to help determine pricing. Rates will be reviewed quarterly for each score and credit grade category and in no case will the rate exceed the maximum allowable interest rate.

## **Rate Sheet Addendum**

A rate sheet addendum (sample attached) will be distributed to all lending personnel that will show our current rates with the date of approval and signature from the president or chief lending officer.

## **Distribution of Loans**

Using guidance from NCUA and the Georgia Credit Union League, industry best-practices from CUNA and other reliable sources and based on our own historical charge-off data, management will create and maintain guidelines as to the acceptable amount of risk by type and grade of loans offered by:

- Dollar amount,
- As a percentage of our loan portfolio, and
- As a percentage of our net worth

In doing so, using quarterly reports from our data processing system, we will compare actual dollar amounts and percentages to our guidelines using our "Acceptable Amount of Risk Report by Type and Grade" and will take corrective action in cases of



unfavorable variances.

**Refinancing**

The credit union will refinance a member's loan at a more favorable rate provided the member can correct discrepancies in the credit report which improves the overall credit score.

# **Family First Credit Union**

## *Lending Policy*

### **Member Business Loans**

#### **General**

Family First Credit Union believes that a sound business lending program represents a safe means of employing funds available for investment and a productive way to serve our membership. Authorized credit union personnel are expected to develop loan and deposit relationships with businesses within this credit union's field of membership, while adhering to prudent practices.

The policies on member business lending will be reviewed annually, and changes will be recommended to the board as needed.

The policies and practices of this credit union are intended to comply fully with all state and federal laws and regulations governing business lending and anti-discrimination practices.

#### **Definitions**

**Member business loan** (MBL) is defined by regulation as being a loan, line of credit, or letter of credit where the borrower uses the proceeds for commercial, corporate, agricultural, business investment property, or venture purposes. Section 723.1 of NCUA's regulations indicates the exceptions to loans that would otherwise fall under this definition and defines "net member business loan."

**Net Worth** of the credit union is retained earnings as defined under Generally Accepted Accounting Principles, which includes undivided earnings, regular reserves, and any other appropriations designated by management.

**Associated member** means any member with a share ownership, investment, or other pecuniary interest in a business or commercial endeavor with the borrower/member.

#### **Trade Area to Be Served**

Family First Credit Union will make business loans to businesses that are members of this credit union and that are headquartered in this state. Real property used to secure member business loans must be located in this state.

#### **Insider Policy**

Any member business loan to a director or employee of Family First Credit Union and their related companies must be made at the prevailing term and rate at the time the loan is made. The board must approve any MBL to a compensated director, who must recuse himself/herself from any consideration of that loan.

Family First Credit Union will not make a member business loan to the president, chief financial officer, chief lending officer, branch manager, any member of the ALM committee, any corporate officer, the internal auditor, or any of their family members.

### **Portfolio Size and Categories**

Family First Credit Union will maintain a total member business loan portfolio of no more than 5% of total outstanding loans, including MBL participation loans. Additionally, aggregate MBL limit will not exceed lesser of 1.75 times the credit union's net worth or 12.25% of the credit union's total assets. In making business loans, management will act in a manner consistent with the credit unions' overall asset/liability goals and objectives.

Family First Credit Union will make unsecured, in accordance with NCUA's regulations section 723.7, as well as secured, business loans. The maximum amount by each category of business loan, as a percentage of net worth, is as follows:

<b>Types of loan</b>	<b>Maximum permissible</b>
Unsecured	2%
Secured by real estate	15%
Collateral pledged on funds on deposit	1%
Secured by title vehicles	2%

### **Loans to One Borrower**

The aggregate amount of net member business loan balances to any one member or group of associated members must not exceed the greater of: (a) 15% of the credit union's net worth; or (b) \$100,000.

### **Construction and Development Loans**

In addition to other requirements, the aggregate of all construction and development loans made by Family First Credit Union cannot exceed 15% of net worth, and the borrower must have a minimum of 25% equity interest in the project being financed.

### **Loan Approval**

Family First Credit Union will utilize the services of individuals with two years direct experience in the type of lending that this credit union engages in. If this experience requirement cannot be met using current staff, management will ensure that expertise is available by using the services of a credit union service organization (CUSO), an employee of another credit union, an independent contractor, or some other third party. Any third party used by Family First Credit Union must be independent from the transaction and is prohibited from having a participation in the loan or an interest in the collateral securing the loan that the third party is responsible for reviewing, unless permitted by regulation.

Even if third parties assist Family First Credit Union in assessing whether the loan should be granted, the actual decision to grant a loan will reside with the credit union.

Family First Credit Union will maintain a business loan committee, which will consist of the president, chief financial officer, chief lending officer and branch manager. The development, interpretation and enforcement of the credit union's MBL program policies and procedures will be the responsibility of this committee. Within these policies, the committee will specify what types of business loans are generally considered undesirable for Family First Credit Union to make. The business loan committee can delegate the approval of certain types and/or sizes of loans to business loan officers.

### **Documentation**

Family First Credit Union requires that the business loan committee or who it delegates, analyze and document the ability of the borrower to repay the loan consistent with appropriate underwriting and due diligence standards.

Title evidence will be obtained on loans secured by real estate to verify a good and marketable title. Insurance coverage will be verified and monitored on real estate secured loans and other types of collateral requiring insurance coverage. Where there is security other than real estate, the loan file will contain documentation showing that a security interest has been created and perfected. Collateral value and marketability will be verified periodically as determined by the business loan committee, with frequency based on loan maturity, collateral type, and overall degree of risk to the credit union.

Business loan files will include some or all of the following documents, as deemed appropriate by the business loan committee:

- Copies of financial statements, including periodic updates;
- Copies of tax returns;
- Spreadsheet analysis;
- Trend and structure analysis;
- Ratio analyses of cash flow income and expense;
- Comparison with industry averages;
- Dun & Bradstreet reports;
- Direct credit checks;
- Print-outs showing current and prior experience with Family First Credit Union;
- Correspondence with the member/borrower and memos to the file;
- Insurance documents;
- Notes, security agreements, loan agreements, and other legal documents;
- Corporate documents, such as corporate resolutions, attorney's opinions, etc.;
- Other appropriate documents, such as environmental impact assessments;

### **Record Keeping and Accounting**

All business loans will be accounted for under Generally Accepted Accounting Principles (GAAP). A rating system will be used to determine proper allocations to the allowance for loan losses. Family First Credit Union will separately identify member business loans in its records and its financial reports, as required by regulation.

### **Loan-To-Value Requirements**

The business loan committee will determine when it is appropriate to require the personal liability and guarantee of one or more principals of a business borrower.

The business loan committee can authorize an unsecured loan up to \$100,000, in accordance with NCUA's regulations section 723.7, and can determine if it will permit unsecured business credit card programs.

Member business loans secured by automobiles, vans, pick-up trucks, and sport utility vehicles that are not part of a fleet of vehicles are treated as consumer loans for purposes of collateral requirements.

All other business loans are subject to the collateral requirement in NCUA's regulation Section 723.7. The maximum loan-to-value ratio for all liens must not exceed 80% unless the value in excess of 80% is covered through private mortgage insurance or the equivalent, or is insured or guaranteed by a federal or state agency. In no case may the ratio exceed 95%.

Collateral requirements within this statutory requirement are to be established by the business loan committee. The committee is to establish in writing the maximum loan-to-value ratios by category of MBLs offered by the credit union, the method(s) that will be used to determine the value of the collateral, the procedures that will be used to confirm ownership of the collateral, the steps the credit union will take to secure the various types of collateral, and how often the credit union will re-evaluate the value and marketability of the various collateral used to secured MBLs.

### **Loan Maturities**

Amortization and maturities of business loans will vary depending on loan structure, collateral, purpose, and financial strength of the borrower, and will be set by the business loan committee. The maturity of a business loan secured by real estate cannot exceed 30 years. All other loans will be subject to a maximum maturity of five years.

### **Interest Rate**

Interest rates charged to borrowers will be determined by the business loan committee based on Family First Credit Union's cost of funds, the competitive environment, the degree of risk involved, the account relationship with the borrower, and the yield requirements of participating investors. The signature of one member of the business

loan committee will be sufficient authorization for setting the pricing of the business loan, as long as the pricing falls within written guidelines agreed to by the committee.

### **Loan Monitoring, Servicing, and Collection**

MBLs will be monitored to ensure they remain in current payment status. MBLs will be reviewed annually, preferably in the fourth quarter, in an effort to validate the integrity of the MBL portfolio. The annual review may include, but not limited to, any or all of the following:

- Insurance policy listing FFCU as loss payee
- Payment history
- Property taxes paid
- Site inspections
- Borrower interview (including updated Cash Flow Analysis and Statement of Net Worth)
- Covenant compliance review
- Tax return review
- Rent roll review

The annual review will be conducted by the chief lending officer and supporting documents will be placed in the member's file when completed. A letter will be sent to each member with a MBL. This letter will request tax returns, statement of net worth, and cash flow statement. This letter will be sent in September of each year and will be reviewed upon receipt. Two subsequent letters will be sent (October and November) for those who do not respond, reminding them of our request. If we are unsuccessful in obtaining the requested documents, we will perform due diligence including any or all of the following:

- AVM
- Tax records
- Account review
- Creditworthiness

These factors may be used in lieu of the net worth and cash flow statements in determining the integrity of the MBL.

Past due accounts will be promptly contacted and arrangements made to bring the account up to date. Unless otherwise indicated, normal collection practices will be followed throughout the duration of the loan.

All contacts with the account will be documented in the loan file. A report of all past due business loans will be compiled monthly and provided to the business loan committee. Appropriate charge-off procedures will be followed, but collection efforts will continue.

# **Family First Credit Union**

## *Lending Policy*

### **Fair Housing Act Policy**

#### **Purpose**

The Fair Housing Act prohibits discrimination in the sale, rental, brokering, financing, or appraising of housing used primarily for personal residences. The Act prohibits discrimination in the financing of such dwellings on the basis of race, color, religion, sex, national origin, handicap, or family status of any applicant or other individual associated with the applicant or the property.

#### **Policy Statement**

It is the policy of Family First Credit Union that no applicant shall be refused the opportunity for or be discouraged from applying for a loan based on any of the prohibited bases. Additionally, these bases shall have no bearing on determining amounts, interest rates, terms, conditions, fees, extensions, collections, or other decisions with respect to granting or servicing a loan or the purchase of a loan. All credit-related decisions will be based on neutral credit factors such as the applicant's income, credit history, length and stability of employment, ratio of income to current and proposed financial obligations, and ratio of the proposed principal balance of the loan to the value of the proposed property security. Credit union employees will not use the services of an appraiser who is known to improperly consider any of the prohibited bases.

Unless a valid and well-documented exception exists, Family First Credit Union will not consider any of the following factors in connection with a real estate-related loan:

- The age or location of the dwelling;
- The age or location of dwellings in the neighborhood of the dwelling;
- The income level of residents in the neighborhood of the dwelling;
- ZIP code of the applicant's current residence;
- Previous home ownership.

#### **Availability of Underwriting Standards**

Family First Credit Union shall inform every member inquiring about a loan of the member's right to file a written loan application and to receive a copy of the credit union's loan underwriting standards and application procedures for all types of credit offered. The credit union's underwriting standards shall be clearly written and available at each of Family First Credit Union's offices. The loan underwriting standards and related business practices will be reviewed annually.

**Availability of Real Estate Appraisals**

Family First Credit Union will notify each applicant of his or her right to receive a copy of any appraisal used in connection with an applicant's real estate loan application. The appraisal will be available for a period of 25 months after the applicant has received a notice of action taken by the credit union on the real estate-related loan application.

**Advertising Policy Statement**

When advertising real estate loans, the credit union shall clearly and conspicuously state that all real estate loans are granted without regard to the prohibited bases as defined in the regulation. All written advertisements will include a facsimile of the prescribed equal housing logo. All other types of advertisements, including oral advertisements, will include the phrase "An Equal Housing Lender" and the requirements found in NCUA *Rules and Regulations*.



# **Family First Credit Union**

## *Lending Policy*

### Home Mortgage Disclosure Act Policy

#### **Purpose**

The Home Mortgage Disclosure Act (HMDA), implemented by Regulation C, became effective in 1975. This regulation requires disclosure of information that the credit union is otherwise prohibited from collecting, in order to verify that the credit union is meeting the lending needs of all members who are seeking residential mortgage-related credit.

#### **Information Collected and Reported**

Family First Credit Union requires that certain information will be noted on the Home Mortgage Disclosure Act loan application register (LAR) for loans originated or purchased by the credit union. Loans for unimproved land, construction or bridge loans used for interim financing in constructing a dwelling, or purchases of an interest in a pool of loans are excluded from this requirement.

The required information to be collected is:

- An identifying application or loan number and the date the application was received;
- The loan type, property type, and purpose of the loan;
- Whether the property is owner occupied;
- The loan amount;
- Whether the loan was a pre-approval and the action taken on the pre-approval;
- The location of the property by metropolitan statistical area (MSA), state, county, and census tract;
- Applicant information such as ethnicity, race, sex, and gross annual income;
- The type of entity that purchased the loan (if the credit union sold it within the calendar year);
- The reason the loan application was denied, if applicable;
- The rate spread (if the difference between the APR on the loan and yield on Treasury security with comparable maturity exceeds a certain threshold);
- HOEPA status (if applicable);
- Whether the loan is secured by a first lien, subordinate lien, or not secured by a lien.

#### **Disclosure Requirements**

By March 1<sup>st</sup> of each year, Family First Credit Union's complete loan application register for the preceding calendar year will be submitted to NCUA, along with the required transmittal documentation in an automated machine-readable format.

Within three business days after receipt of the mortgage loan disclosure statement from the FFIEC, prepared on the basis of the credit union's register pages, Family First Credit Union will make the disclosure statement available to the public at each branch office.

Family First Credit Union will make modified HMDA-LARs for the previous year available to the public by March 31 of each year and will provide the previous year's modified LARs within 30 days of receipt of a request received after March 1.

The credit union will display in the lobby of each branch location a notice stating that the credit union's HMDA data is available for inspection and copying.

### **Record Retention Requirements**

Family First Credit Union will retain a copy of the HMDA-LAR pages submitted to the federal regulators for compilation for at least three years. The credit union will retain copies of the disclosure statement and make them available for a period of no less than five years.

# **Family First Credit Union**

## *Lending Policy*

### **S.A.F.E. Act Policy and Procedures**

#### **Introduction**

It is the policy of Family First Credit Union to comply with the requirements of the Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act) and the statute's implementing regulations. The S.A.F.E. Act requires any credit union employee who acts as a residential "mortgage loan originator" (as defined in this policy) to register with the Nationwide Mortgage Licensing System and Registry, to use the Registry's unique identifier as required, and maintain this registration. Family First Credit Union requires all mortgage loan originators to follow its written policies and procedures to ensure compliance with these requirements.

Family First Credit Union's Chief Financial Officer will be designated as "Account Administrator" – the individual who will have full access to credit union and employee data. The Account Administrator will coordinate with appropriate staff to ensure the credit union establishes and maintains procedures to:

- Register the credit union, keep registration information updated, and renew the information on an annual basis.
- Identify new and existing employees who meet the definition of "mortgage loan originator" and ensure they are registered before performing any mortgage loan originator duties.
- Train new mortgage lending department staff on S.A.F.E. Act requirements prior to registration, and review requirements with existing staff prior to renewal.
- Confirm the adequacy of employee registrations, including updates and renewals, by comparisons with the credit union's own records.
- Develop systems for monitoring compliance with employees' registration and renewal requirements and procedures.
- Review employee criminal history background reports received through the Registry and maintain records of these reports and any actions taken with respect to applicable employees.

- Ensure that any third parties involved in mortgage loan origination have policies and procedures to comply with the S.A.F.E. Act, including appropriate licensing and/or registration of individuals acting as mortgage loan originators.
- Conduct an independent audit for compliance with the S.A.F.E. Act's requirements at least annually by credit union personnel outside of the mortgage department or by an outside party.

### **Mortgage Loan Originator**

A mortgage loan originator is an employee who takes a residential mortgage loan application; and offers or negotiates the terms of a residential mortgage loan for compensation or gain. This definition does not include employees who perform purely administrative or clerical tasks in behalf of a mortgage loan originator.

Employees in the following positions are required to be registered mortgage loan originators on the national Registry:

- Mortgage loan managers/supervisors
- Mortgage loan officers
- One designated credit committee member
- Any other employee who acts as a mortgage loan originator for more than 5 residential mortgage loans in the preceding 12-month period.

Any mortgage loan originator who fails to comply with the credit union's S.A.F.E. Act policies and procedures will be prohibited from originating residential mortgage loans, may be transferred to another department, or face disciplinary action (up to and including termination).

### **Registration**

Any employee who has been identified as a mortgage loan originator must register on the Nationwide Mortgage Licensing System and Registry, maintain and renew that registration and obtain a unique identifier (the number used by the Registry to identify the mortgage loan originator, track mortgage loan origination, and provide public access to the employment history and any disciplinary or enforcement actions against the mortgage loan originator). Following the initial registration, the mortgage loan originator must renew his/her registration annually between November 1<sup>st</sup> and December 31<sup>st</sup> of each year.

A mortgage loan originator must provide the following information to the Registry as well as any additional information required by the Registry:

- Identifying information, including: name and any other names used; home address and contact information; principal business location address and business contact information; Social Security number; gender; and date and place of birth.
- Financial services-related employment history for the 10 years prior to the date of registration or renewal, including the date the mortgage loan originator became an employee of the credit union.
- Any criminal convictions involving dishonesty, breach of trust, or money laundering; civil judicial actions in connection with financial services-related activities; or disciplinary actions or orders by a state or federal regulatory agency.
- Any suspension or revocation of an individual's professional license (e.g., attorney, accountant, state or federal contractor).
- Fingerprints in digital form (if practicable) for submission to the Federal Bureau of Investigation. Fingerprints provided to the Registry that are less than 3 years old may be used to satisfy this requirement.

### **Authorization and Attestation**

Any employee registering, renewing or updating registration as a mortgage loan originator must authorize the Registry to obtain information related to any administrative, civil, or criminal actions; attest to the correctness of the information whether submitted by the employee or by the credit union on the employee's behalf; and authorize the Registry to make available to the public information regarding employment history and any disciplinary or enforcement acts that have been initiated against the mortgage loan originator.

### **Unique Identifier**

The mortgage loan originator must provide the unique identifier to a member upon request, before acting as a mortgage loan originator, and through the mortgage loan originator's initial written (or electronic) communication with a member.

### **Record Retention**

Authorization form and other data, including background record, submitted to the Registry will be maintained in employee's personnel file. Authorization form and background information may be reviewed by the independent auditor. Personnel file is maintained for 3 years after date of termination.

**Vendor Due Diligence**

Procedures designed to ensure that a third party with which it has arrangements related to mortgage loan originations also has policies and procedures to comply with the S.A.F.E. Act. Family First Credit Union will verify third party policy and procedures under S.A.F.E. Act.

The Chief Financial Officer will request a copy of the third party's policies and procedures pertaining to compliance with the S.A.F.E. Act annually between November 1<sup>st</sup> and December 31<sup>st</sup>.

**In General**, to assure the credit union's compliance with the S.A.F.E Act policy, the Board will review the procedures annually. All registered employees will be given a copy of this policy and asked to sign to acknowledge receipt and understanding of this policy annually prior to updating and reviewing Registry data. A copy of the signed document will be held in the employee personnel file.

I have read and understand my responsibility to comply with the S.A.F.E. Act policy and procedures.

# **Family First Credit Union**

## *Lending / Collection Policies*

### **Collection Policy**

#### **Summary**

Family First Credit Union requires all members to repay their obligations according to the rates, terms, and conditions agreed to at the time the loan agreement is executed. The credit union will demonstrate concern for members who are behind in payment and will seek to assist members in meeting their obligations for timely loan payments. We realize, however, there are times when modifications to existing loans are warranted to assist members in financial crisis and to improve the ability to collect. Our philosophy is:

- No unreasonable demands will be made of our members.
- It is preferable to have an earning asset versus a non-earning asset.
- Losses should be recognized as soon as they can be identified and quantified. Gains should not be recognized until collected.

The credit union will initiate vigorous collection action when members indicate no intent of fulfilling their contractual obligations on outstanding loan accounts. In the collection of past due debt, the collection department will use several methods including correspondence, telephone, and transfer of funds. These procedures are used for the collection of all types of loans issued by the credit union.

The member solutions department will be responsible for ensuring that the member complies with all insurance requirements of the loan agreements. The member solutions staff will take proper action to ensure protection of the collateral.

Family First Credit Union will comply with the provisions and spirit of the Consumer Credit Protection Act, the Consumer Fair Debt Collection Practices Act, the Fair Credit Reporting Act, the Uniform Commercial Code, the Federal Bankruptcy Act, the Federal Privacy Act, and any other applicable state and federal laws in regard to collection activity.

All real estate loans will be closely monitored. Factors such as the value of the home, the amount of the first trust or mortgage, the ability to quickly sell the property, and a review of the member's financial status will be considered before foreclosure. Authority to proceed with a foreclosure will be under the president.

If conventional collection methods are not successful and if the member has a verifiable asset to pursue, the account may be referred to the collection attorney.

Charged-off accounts are considered due in full. All recoveries are credited at 100% of the payment made by the charged-off debtor. All fees and percentages charged by the outside agents may be included in the amount owed and are subject to collection. The

credit union waives no rights to collect a debt due to placing an account in a charge-off status.

## **Goal**

It is the goal of Family First Credit Union, in general, and the collection activity in particular, to protect the assets of the credit union and to maximize the return thereon. We will work with our cooperative members in their effort to regain their "member-in-good-standing" status so they may use all of the services offered by Family First Credit Union.

All practices and procedures will be structured to adhere to all applicable laws, rules, and regulations.

Procedures will be in place and updated as necessary. Policy will be reviewed annually by the board of directors.

## **Authority**

Authority is expressly given to the president, chief financial officer and chief lending officer to make settlements and/or adjustments as to terms, interest, principal, and fees as long as the member exhibits intent and capacity to repay the outstanding debt. They are further authorized to appoint qualified member solutions department staff to act on their behalf.

Settlements regarding principal will be in the form of charged-off loans or reductions in the value of the credit union-owned assets and will be reported to the board of directors on a monthly basis for ratification.

Settlements that affect only terms, interest, or fees will be reported only in those cases where the losses can be projected to be \$10,000 or more over the life of the settlement.

## **Collection Procedures**

### **Delinquent Loans**

A loan is considered past due after one (1) day from the due date of payment. Generated delinquent notices are sent to members at seven day intervals. In addition, the following procedures will be performed:

- 1 – 30 days                      Calls to the member begins in a friendly manner
- 31 – 60 days                    Calls to the member continue, still in a friendly manner
- 61 – 90 days                    Calls take on a stronger tone, every effort is taken to preserve the member/credit union relationship
- 90 and above                   Letters and calls are used to make contact and to avoid stronger collection measures



If there is no response to reminders or phone calls, certified personalized letters are mailed and/or phone calls are continued to be made to the member.

After a loan becomes three (3) months delinquent, with no payment in the past three (3) months, the loan may be recommended to the board for charge off. At this point, the loan is given to the Family First Credit Union attorney for legal action, unless an acceptable payment schedule can be approved by the president or his designee.

## **Procedure for Collection Attorney**

- After charge off, the Member Solutions Manager will determine if charge-off will be sent to a collection attorney. In some cases, a charge off will not be sent to a collection attorney. (Ex. small balance of \$1,000.00, if a member is deceased, chapter 7 bankruptcy, chapter 13 bankruptcy)
- Manager will instruct member solutions specialists to send the charge off to the selected collection attorney with the following information:
  - Worksheet providing collection attorney, member name, member number, loan number, social security number, address, date of charge off, principal amount of charge off, interest amount, total amount and comments.
  - Copies of loan agreement, loan application and any additional information in folder pertinent to assisting in the collection process.
  - Member solutions specialists will place a notice from the collection attorney that they received the collection request and are proceeding with the collection process.
  - Member solutions specialists will file the folder in the charge off file cabinet.

# **Family First Credit Union**

## *Lending / Collection Policy*

### **Repossession Policy and Procedures**

In the event of a borrower's default in the repayment of a loan secured by collateral, it is the responsibility and the right of Family First Credit Union management to repossess and liquidate the collateral. Family First Credit Union will comply with state statutes concerning repossession of collateral.

Repossessing collateral should be considered a last resort to protect the credit union. It should happen only when the collector has exhausted all avenues of normal collection, the collateral is in jeopardy, or the loan is not amortizing for an extended period. If a loan is collateralized, repossession should take place prior to charge-off, unless the collateral cannot be found, a skip cannot be filed or the cost of repossession exceeds the value of the collateral.

Outstanding factors influencing a decision to repossess are:

- loan balance;
- status of other loans;
- value and condition of the collateral;
- The member's particular circumstances.

After liquidation of repossessed collateral, members will be given a chance to pay off any deficiency balance prior to charge-off and expulsion, with the exception of non-reaffirmed loans named in bankruptcy.

Repossessed collateral cannot be sold to members of the board of directors, committee members, or Family First Credit Union employees. This includes members of their immediate families living within their households.

### **Repossession Guidelines**

A member solutions representative will, normally, start repossession only if: the loan is 90 or more days delinquent without satisfactory payment arrangements, all normal collection techniques have been exhausted, the collateral is in jeopardy, or the loan is no longer amortizing.

A collector has exhausted all avenues of collection only after:

- speaking with the member via telephone, if possible
- mailing letters including a final demand
- asking the member to come to the credit union to speak face to face
- the member repeatedly breaks promises

The collateral is considered in jeopardy if:

- no insurance is in place
- the collateral has been or will be taken out of state without credit union permission
- the collateral has been impounded
- the collateral has been seized by law enforcement
- the collateral value has been significantly reduced
- insurance claims have been paid but not applied to the collateral

The loan is no longer amortizing (performing) if:

- the due date is 3 months or more delinquent and there are no arrangements
- insurance is being added and the loan balance is not decreasing
- the value of the collateral is decreasing faster than the loan balance

### **Repossession Procedures**

After exhausting all means of collection, a repossession order may be placed. We will send the following notices:

- Final demand letter – We will mail a letter to the delinquent member stating that he/she has ten (10) days to bring the loan current or face a repossession.
- After repossession – We will mail a letter notifying the member that he/she has ten (10) days to bring the loan current plus pay all repossession costs or the property will be sold.
- After sales of property – We will mail a letter notifying the member of the remaining balance on their loan after the sale of the repossessed vehicle.
- Repossession release form – We will notify the repossession company of when to release the vehicle with the repossession release form.

If a repossessed vehicle needs repairs, Family First Credit Union will send the repossession to a mechanic or body shop. All vehicles will be inspected and sold in a safe condition. All expenses associated with the repair of the vehicle will be added to the balance of the delinquent loan unless the vehicle has already been reclassified. Then, it would be charged as an expense.

# **Family First Credit Union**

## *Lending / Collection Policy*

### *Foreclosure Policy*

#### **Statement**

Foreclosure is the process by which Family First Credit Union terminates a member's right to possession of mortgaged real property due to default; obtaining legal and physical possession of the property so that it can be sold to satisfy the debt.

The board of directors has set out the following foreclosure process:

1. Generally, all real estate loans are recommended for foreclosure at month-end after the loan is three payments past due.
2. The process will be initiated at the recommendation of the member solutions representative working on the account.
3. The recommendation and file will be forwarded to the member solutions department manager for review.
4. The review will verify that:
  - Collection efforts were adequate and were documented accurately.
  - All efforts to successfully resolve the default failed.
  - The member has not filed for bankruptcy.
  - There are no legal restrictions to prevent foreclosure (for example, Soldiers' and Sailors' Civil Relief Act).
  - The accounting for payments by the member is accurate and has no unresolved disputes.
  - A drive-by appraisal of the property by an approved appraiser has been requested.
5. The member solutions department manager, finding the foreclosure recommendation warrants, will present the case to the president.
6. The president will review the recommendation and approve the commencement of foreclosure or refer the file back to the member solutions department manager for additional work.
7. If foreclosure is approved, the president will take over the file and begin the foreclosure process. The president will work closely with the member solutions department manager during the process in the event an acceptable remedy to foreclosure is found before the sale of the property. While the president will handle most foreclosures, in the event an outside attorney is retained, file documentation will be delivered to that attorney.

8. The attorney will handle the legal process in the county in which the property is located. The attorney will:
  - Notify the member that the foreclosure process has begun.
  - Review the title to the property and notify subsequent lienholders of the impending sale.
  - Select the date and time of the sale.
  - Advertise the property for sale in the local newspaper for three to four consecutive weeks.
  - Represent the credit union at the sale proceedings.
  - Complete the necessary paperwork to give clear title to the credit union.
9. At the foreclosure sale, the foreclosing attorney will place the first bid on the property. That bid will include the:
  - principal balance of the loan;
  - interest and late charges due to date of sale;
  - expense for maintenance, insurance, taxes, and other costs incurred in preserving the property value;
  - expenses of the foreclosure sale;
  - Unpaid escrow items;
  - The president can determine a lower bid on the property than the principal balance if it is in the best interest of the credit union.
10. The sale will be held in accordance with state law. The lender often submits the only bid at a foreclosure sale and the property becomes real estate owned by the lender. If there is a higher bidder, the credit union must receive proceeds from the bidder within twenty-four hours. If not received within this time, the credit union will record the foreclosure deed for the amount of its bid.
11. The member solutions department manager will set up an account with the accounting department to record costs associated with the foreclosed property. If the credit union is the successful bidder, the member's loan account will be credited for the amount of the principal balance and the general ledger other real estate owned account will be debited with a corresponding entry.
12. The member solutions department manager will oversee maintenance of the property and make every effort to sell it for a fair, equitable price that will result in no loss to the credit union.

### **Post-foreclosure Process**

Once the attorney has recorded the foreclosure deed, a notice to vacate the property must be sent to the mortgagors. If the mortgagors do not vacate the

premises within the ten-day period, the account will be referred back to the attorney to initiate an eviction action.

Once the property has been vacated, the member solutions department manager should physically inspect the property for an initial assessment. As soon as possible, a locksmith should be hired to change the locks and take other appropriate action to secure the premises. If furniture or other personal belongings of the former mortgagors remains on the premises, the member solutions department manager should take steps to have the items removed. If necessary, arrangements should be made for the upkeep of the lawn as well as the interior. Repairs needed to bring the property into a sellable condition must be approved by the president. The member solutions department manager should have a post-foreclosure appraisal performed by a licensed appraiser to determine the value of the property. Once the appraisal has been received, the account should be reviewed to determine if a write-down is necessary as detailed by NCUA accounting guidelines. The carrying value of the property should not exceed the appraisal value less estimated commission fees.

### **Alternative to Foreclosure**

In some cases, Family First Credit Union may choose to accept a deed from the member instead of foreclosing. The most important aspect of accepting a deed in lieu of foreclosure is that it has to be a voluntary conveyance. Credit union staff should never propose this solution to the member. Every case should be judged individually, and a title attorney should be consulted for help with the evaluation. Any offer to accept a deed in lieu of foreclosure must be approved by the president. The basic process is:

1. Perform a physical inspection of the property and record obvious deficiencies. A "full" appraisal may also be required.
2. Order an updated title search in order to find possible superior, secondary, and tax liens. Determine the position of the credit union's lien.
3. Perform a financial analysis of total costs required to obtain clear title, and probable losses or gains.
4. If analysis of the case indicates a deed in lieu of foreclosure is an acceptable remedy, the credit union's attorney will prepare the necessary documents for the member to sign over the property.
5. Complete the foreclosure maintenance checklist.

### **Disposal of Foreclosed Properties**

Disposals of foreclosed properties financed by Family First Credit Union are processed much the same as its regular properties with the exception of a survey and termite bond. These items may be waived at management

discretion. The accounting and disposition of these properties follow the guidelines set forth in NCUA *Manual for Federal Credit Unions* Rule 5110.

All foreclosed property should be placed for sale at the earliest possible opportunity. Family First Credit Union will attempt to market the property without the assistance of a real estate agent where possible. The member solutions department will use appropriate means to advertise the property to the membership and the general public. If the property cannot be sold within a reasonable time, a knowledgeable real estate agent should be engaged to market the property. Sale of all foreclosed property must be approved by the president.

Potential purchasers should submit a bid in writing on a standard real estate sales contract. The bid should include the purchase price and any conditions requested by the purchaser. The bid should be accompanied by earnest money in an amount that equals \$1,000 per \$100,000 sales price. Once a bid is accepted, a written sales contract must be executed by the buyer and signed by the president. The sales contract will contain the sale price, the conditions and contingencies of the sale, a tentative closing date, and an agreement on allocation of closing costs.

# **Family First Credit Union**

## *Lending / Collection Policy*

### **Charge-Off and Bankruptcy Policy**

#### **Purpose**

The charge off policy has three main purposes:

- To insure the timely recognition of losses and adjustment for nonperforming assets;
- To provide full and fair disclosure of statutory reserves on the financial statement;
- To provide guidance for staff preparation of recommendations to the board of directors for charge-off action.

This policy is intended to cover the charge-off of loans (including credit card) and deposit losses.

#### **Process**

Every month, Family First Credit Union staff will prepare for the board of directors a written report of loans and deposit items recommended for charge off. Prior to submission to the board, each account will be reviewed by management. This report will be presented to the board as part of the regular monthly board package. Action by the board will be recorded in the board meeting minutes and charged-off loans and deposit items will become a permanent attachment to the minutes.

#### **Requirements**

A loan or deposit item that reaches any status listed here should be referred to the board of directors and recommended for charge-off:

- The member/borrower(s), including co maker(s) or cosigner(s), has filed for Chapter 7 bankruptcy on an unsecured debt, and there is no indication the debt will be reaffirmed at or before the First Meeting of Creditors hearing. For those secured debts where collateral is surrendered or repossessed in Chapter 7 bankruptcy, any deficiency balance shall be submitted for charge-off in the next month after the collateral has been disposed of in a commercially reasonable manner. Unsecured debts having co makers or guarantors who did not file for bankruptcy shall not be submitted for charge-off unless and until the debt is later determined to be uncollectible.
- The member/borrower(s), including co maker(s) or guarantor(s), has filed for Chapter 13 or Chapter 11 bankruptcy and the debt is unsecured or under secured. If under secured, as determined by the bankruptcy court, the remaining unsecured portion of the debt will be charged-off after confirmation of the



debtor's plan. Both unsecured and under secured debts shall be submitted for charge-off after receipt of the petition and after a claim has been filed with the appropriate court. Secured debts that are included in a Chapter 13 or Chapter 11 Plan shall not be charged-off unless the collateral is surrendered or the court reduces the value of the secured claim. Unsecured debts included in a composition case that has a co maker or guarantor who did not file jointly with the debtor shall be submitted to the legal department or outside attorney to pursue the joint obligor.

- The borrower(s) is deceased and there is little or no likelihood of recovery from the estate or it has been determined that no estate will be opened. In the event an estate is opened, the member solutions staff will ensure that the estate has been properly and appropriately notified of the existence of the obligation and will file a claim with the appropriate probate court.
- The loan is a deficiency balance from the sale of collateral and the borrower(s) has indicated an unwillingness to make further payments.
- The loan has been assigned to a collection agency or outside attorney.
- The loan is 90 days or more delinquent, unless one or more of the following conditions exist:
  - The borrower is making monthly payments of at least 66 percent of the contractual payment, but cannot qualify for refinancing or re-aging by the credit union.
  - The credit union or the member is waiting for settlement of a documented insurance/bond claim.
  - The borrower is deceased and the credit union has substantial reason to expect settlement from the estate, co makers, guarantors, or relatives.
  - The credit union is waiting for the proceeds from the sale of repossessed collateral.
- The loan has been determined to be uncollectible by the member solutions manager regardless of the number of months delinquent.
- The borrower(s) is determined to be a "skip" and the credit union has been unable to establish any contact with the borrower(s) for ninety days.
- All collection attempts on returned checks have failed.
- All collection attempts on an overdrawn account have failed.
- Fraud has been committed, and there is no realistic chance of recovery.

Should any recommended charge-off not be approved by the board, the action and reason(s) will be noted in the meeting minutes.

## **Post Charge-off Activity**

Charging-off a loan or deposit balance does not mean that the account should be forgotten. The debt is still an asset of the credit union; although, because of its doubtful value, it is not so reflected on the books. Charged-off debts (except bankruptcies) should be assigned to a collection agency, a collection attorney, or the credit union staff attorney.

Charged-off debts should be reviewed from time to time (including those debts assigned to a collection agency or outside attorney) to determine whether any changes in the circumstances of the borrower or other party responsible for payment may make recovery possible.

## **Other Procedures**

If a member has caused a loss to the credit union, services to that member will be discontinued.

Staff will maintain records of delinquent and charged-off loans as directed, including (but not limited to) bankruptcy loss totals required by NCUA. Management will review other account relationships that a delinquent or charged-off borrower may have with the credit union.

A listing of all charged-off loans will be reviewed annually by our board approved external auditor.

## **Exceptions to the Charge Off Policy**

The "Charge Off Exceptions Report" will be submitted to the credit committee on a quarterly basis by the Member Solutions Manager. The Charge off exceptions report will include all accounts that are 90 days delinquent or more and not charged off. The report will give the member's name, the type of loan, (vehicle, unsecured, mortgage, credit card), the amount, the reason for the delinquency, (loss of job, reduced wages or hours, illness and disability) and the action which is our plan to save the loan from a loss and restore the member to a good standing within the credit union. The credit committee will approve the report and present it to the board to be recorded in the minutes each quarter.

## **Settling a Charged-Off Account**

When attempting to collect on a charged-off account, a member solutions representative strives to collect the principal and accumulated interest.

When a member approaches a member solutions representative to settle a charge-off, the proposal should be communicated to the president. At that time, it will be decided if the amount offered by the member is acceptable as payment in full.

If the settlement leaves an outstanding balance of \$600 or greater, a form 1099C will be completed and reported to the Internal Revenue Service, as required.

A member who has repaid in full the loss incurred by the credit union on an account may be eligible to reopen a share account and regain full membership status. In such a case, credit bureaus are informed to reflect the payment in full of the charged-off account.

If the amount of the settlement is not acceptable, the member solutions representative will communicate with the member in an attempt to obtain a just and full repayment of both the principal and interest.

## **Review**

Management will review this policy annually and make any recommendations for revision to the board at the time of review.

## **Denial of Services Policy**

It is the policy of Family First Credit Union to deny credit and other financial services to those members who have caused the credit union to incur a loss of any sort, and who have not voluntarily repaid the loss or are not in the process of voluntarily repaying the loss. This policy applies to all losses, whether the loss was by bankruptcy or otherwise.