

# **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 Area**

The Credit Union will loan to members as designated in the Credit Union approved member base. The Consumer Loan trade area will encompass the entire United States and Real Estate Loan trade area will be the state of Georgia and the following bordering states:

- Tennessee
- South Carolina
- Alabama
- Florida

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

The Board of Directors grants the President, Chief Financial Officer, Vice President of Lending, 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
Vice President of Lending	\$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
Vice President of Lending	\$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 made with a policy exception must be approved by an employee other than the Loan Officer handling the loan closing process.

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 Tuesday meeting. Items making denials necessary would be past due accounts, prior collections, prior judgements, 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 and calculated quarterly 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 CUnify.
- 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, Vice President of Lending, 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 Branch Manager and Loan Officers. The Branch 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 a most recent paystub, bank statement or financial statement (within 30 days) with each loan application upon which the debt-to-income ratio will be part of the

overall 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 part of the 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.
- 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, Vice President of Lending, 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 Union's 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 three months delinquent with no payment will be recommended for Board approval to write-off. If loan payments have been received but reach three months delinquent, management will analyze each individual case and make a decision for recommendation for Board approval to write-off based on the individual's situation and probability of payment.
- 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:

Term of Loan	Payments
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**

CUnify loan platform is our automated loan program. All loans are closed end agreements and will have proper documentation stored within CUnify such as loan application, credit reports, approval notes, verification of income, debt ratio, and other supporting documents.

### **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.
- 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**

- 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.
- Income verification

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

- The MSR will complete a Loan Verification Checklist form, verify that the Total Loan Promissory Note information agrees with the CUnify Loan information on the system, and all items required for each loan type are present.
- 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.).
- That insurance is inputted on the Loan Calculator screen at the bottom.

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 140 percent of the retail value of a car without approval from the Branch Manager, Vice President of Lending, Chief Financial Officer, or the President.

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:

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

If the President, Chief Financial Officer, Vice President of Lending, 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 140 percent financing. Terms are set up to 72 months and Branch Managers may approve terms up to 75 months.

Term on Used Cars:

The Credit Union offers up to 140 percent financing. Terms are based on the age of the car as follows:

First Year Model	Maximum of 75 months
Second Year Model	Maximum of 72 months
Third and Fourth Year Model	Maximum of 60 months and 48 months respectively
Fifth and Sixth Year Model	Maximum of 42 months and 36 months respectively
Seventh Year Model	Maximum of 24 months

The maximums are also based mileage and condition of the vehicle.

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, Vice President of Lending, or Branch Manager may override the 90-day rule in emergency situations.

Limits and Terms:

1st year employees	May apply for up to \$1,200 repaid in contract year.
2nd year employees	May apply for up to \$1,500 for a max of 24 months.
3rd year employees	May apply for up to \$2,000 for a max of 24 months.
4th - 7th year employees	May apply for up to \$3,000 for a max of 36 months.
8th - 10th year employees	May apply for up to \$4,000 for a max of 48 months.
11th - 14th year employees	May apply for up to \$4,500 for a max of 48 months.
15th - 19th year employees	May apply for up to \$5,500 for a max of 60 months.
Twenty and over yrs. Employees	May apply for up to \$7,000 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 Vice President of lending. 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, Vice President of Lending 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, Vice President of Lending, 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. Loans reaching three months delinquent with no payment will be recommended for Board approval to write-off. If loan payments have been received but reach three months delinquent, management will analyze each individual case and make a decision for recommendation for Board approval to write-off based on the individual's situation and probability of payment. At this point, the loan is sent to a collection firm for legal action, unless an acceptable payment schedule can be approved by the Vice President of Member Solutions, Vice President of Lending, or 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/collection 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.