

# **CRYOVAC FEDERAL CREDIT UNION**

## **SECTION IV - GENERAL LOAN POLICY**

### **TABLE OF CONTENTS**

|  |          |
|--|----------|
| Statement of Purpose, Lending Policy, Loan Eligibility             | Page A   |
| Loan Officer Lending Authority                                     | Page B   |
| Loan Evaluation- Application, Purpose & Making the Credit Decision | Page C   |
| Loan Evaluation- Credit  | Page C-1 |
| Loan Evaluation-Rate Determination                                 | Page C-2 |
| Loan Evaluation- Terms and Loan Amount                             | Page C-4 |
| Loan Evaluation- Total Unsecured Indebtedness                      | Page C-6 |
| Loan Evaluation- Debt to Income                                    | Page C-7 |
| Loan Evaluaton- Collateral   | Page C-8 |
| Loan Decision-Approval, Referral, Denial                           | Page D   |
| Loan Approval  | Page E   |
| Loan Approval- Staff, Officials, Staff Family                      | Page E-1 |
| Loan Approval- Required Insurance                                  | Page E-2 |
| Loan Approval- Loan and Insurance Documentation                    | Page E-3 |
| Loan Approval- Booking the Loan                                    | Page E-5 |
| Referral- Manager & Board of Directors                             | Page F   |
| Denying the Loan   | Page G   |
| Exceptions to Policy   | Page H   |

# CRYOVAC FEDERAL CREDIT UNION

## SECTION IV - GENERAL LOAN POLICY

### TABLE OF CONTENTS- Page two

|  |          |
|--|----------|
| Servicing the loan after the account is established<br>Monthly, Annual Review    | Page I   |
| Servicing the Loan- Documentation Follow-up, Closed Loans                        | Page I-1 |
| Servicing the Loan- Loan Review  | Page I-2 |
| Servicing the Loan- Subsequent Loan Advance<br>Extensions<br>Prepayment          | Page I-3 |
| Servicing the Loan- Release of Collateral<br>Loan Assumption<br>Refinanced Loans | Page I-4 |
| Member Pay- Credit Life  | Page J   |
| Member Pay- Disability   | Page J-1 |
| Addendum   | Page K   |
| Loan Types   | Page L   |
| Risk-based Pricing – Risk Management Policy                                      | Page M   |

## CRYOVAC FEDERAL CREDIT UNION

**SECTION:**  
IV

**SUBJECT:**  
General Loan Policy

**PAGE:**  
A

### **STATEMENT OF PURPOSE:**

This section of the manual is provided to establish the policies and procedures that govern the lending activities of Cryovac Federal Credit Union. Compliance with policy is the responsibility of lending personnel at all levels. When any deviation of standard policy is to be considered, a written justification must accompany the standard loan documentation.

### **CFCU LENDING POLICY:**

The Board of Cryovac Federal Credit Union believes that sound loans are a desirable means of employing available share dollars. The extension of credit to eligible members is also a primary purpose for the existence of CFCU. All loans are governed by NCUA rules and regulations and regulations of all other federal agencies. All loans extended are to be in accordance with these regulations and compliance is mandatory. All policies outlined in this "General Policies Section" are to be applied to all consumer loans made by CFCU.

### **LOAN ELIGIBILITY:**

In order to participate in the financial benefits (defined as being the payee on a loan proceeds check) of a loan transaction, a borrower must be a member of the credit union. Refer to credit union policy for membership eligibility.

The credit union does not lend to a business entity.

Revised June 19, 2006

## CRYOVAC FEDERAL CREDIT UNION

|                       |  |                   |
|-----------------------|--|-------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Officer Authority | <b>PAGE:</b><br>B |
|-----------------------|--|-------------------|

### **LOAN OFFICER LENDING AUTHORITY:**

The authority to grant or deny loans is vested by the Board of CFCU to the individual loan officers. The authority delegated to each loan officer is defined as the authority to grant or deny loans to qualified members in accordance with written loan policy. Authorized loan officers are expected to make sound consumer loans.

The loan officer may extend a loan if the amount does not exceed his/her lending authority and if:

1. The member has a satisfactory credit report. Credit and credit history with CFCU is also considered
2. The member has the ability to repay the loan within the terms of the note
3. The member has stated a valid purpose for the loan
4. The member has furnished collateral equal to or greater in value than the loan proceeds
5. The member's race, color, religion, sex, age, national origin and other factors outlined in federal, state and local laws does not effect consideration of the member's ability to pay the loan. State law does require that the applicant be at least 18 years old

Revised June 19, 2006

## CRYOVAC FEDERAL CREDIT UNION

|                       |   |                              |
|-----------------------|---|------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Evaluation | <b>PAGE:</b><br>C<br>Rev. 01 |
|-----------------------|---|------------------------------|

### **Application:**

All details of a credit application should be current and complete. All required information is to be obtained from the member and it is the responsibility of the loan officer to see that the application or advance voucher is complete.

Applications may be received in person, by phone, by fax, thru the internet, etc. If a Credit Agreement has been signed establishing a Loanliner account, no further signatures are required on open end lending. All closed end loan product requests, first time Open End loan requests, or loans requests for members who do not have signed Credit Agreements on file at the Credit Union must be supported by a written loan application and signed loan documentation. It is preferred that all documents be signed if possible.

Once the Credit Agreement is signed, loans may be requested with an Advance voucher.

### **Purpose:**

All loan requests must have a stated valid purpose. No loan will be extended with the proceeds to be used for unlawful purposes.

### **Making the Credit Decision:**

The Loan Officer must review all aspects of the member's application and accredit report. All facts must be considered on an impartial basis and the Loan Officer must weigh all contributing factors and extenuation circumstances. A careful review of all contributing factors by the Loan officer will determine if the loan can be approved under the Loan Officer's authority.

The openness and cooperation of the member should be considered and all outstanding obligations should be disclosed.

The Loan Officer must review the loan request to ascertain that the term, purpose, amount, collateral to be used, and the member's creditworthiness are within CFCU policy.

Revised May 21, 2007

## CRYOVAC FEDERAL CREDIT UNION

|                       |   |                                |
|-----------------------|---|--------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Evaluation | <b>PAGE:</b><br>C-1<br>Rev. 02 |
|-----------------------|---|--------------------------------|

### **CREDIT:**

Credit and credit history with CFCU is considered. The credit union will not make a loan to any member who has caused the credit union to suffer a loss.

For loan consideration, CFCU uses credit reports from Equifax. A loan officer may use an existing credit report from the member's file if it is dated within the last year.

Any questionable credit should be discussed with the member to ascertain the validity of the report.

The credit report should be reviewed for the following:

*For loan approval, the MINIMUM Equifax Beacon Score is 400.*

### **Derogatory credit items, collections, judgments and public records:**

Due to the fact that the loan rate is determined by the credit score, past due debts may exist on the member's credit report. The severity of these past due accounts and the member's explanation of the circumstances pertaining to these debts must be evaluated in making the determination on approval, denial or counter-offer of the loan request(s).

### **If the report contains proof of Bankruptcy:**

If a member declares bankruptcy and reaffirms the debt with the credit union, he will maintain full rights to borrow additional funds from the credit union.

A member who has formally declared bankruptcy, but the credit union did not suffer any loss, will be eligible to apply for loans. Bankruptcy must be discharged in order to proceed unless otherwise authorized by the bankruptcy trustee. The member's current credit rating will be used in the evaluation process and the current credit score will be used to determine the appropriate rate. All exceptions should be fully documented in the loan file.

### **Verification of Employment:**

Members and/or co-applicants who are not employed by the sponsor must provide written verification of employment and income. All income from self-employment must be verified by 2 to 3 years of audited financial statements or 2 to 3 years Federal tax returns.

## CRYOVAC FEDERAL CREDIT UNION

|                       |   |                                |
|-----------------------|---|--------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Evaluation | <b>PAGE:</b><br>C-2<br>Rev. 02 |
|-----------------------|---|--------------------------------|

### **RATE DETERMINATION: (also called Pricing)**

The loan officer must determine the rate to be offered to the member using the following guidelines:

The purpose of offering Risk Based pricing is to help as many members as possible obtain loans at a reasonable rate. CFCU recognizes that certain members represent more risk than others. Because there are credit union members who are being charged excessively high rates by other lenders, the credit union believes we are helping our members through a managed risk program. The credit union can save those members substantially while helping them rebuild their credit. The credit union policy is designed to reward those members with whom, based on their credit history, there should be minimal risk while recognizing those members whose credit history indicates a greater than ordinary risk. The risk based pricing program allows the credit union to be the lender of choice for our members by offering them the best possible rate based on each member's credit history.

It is the policy and practice of Cryovac Federal 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 of good faith of any right under the Consumer Credit Protection Act. Therefore, Cryovac Federal Credit Union will use EQUIFAX Credit Bureau Beacon scores to determine pricing for all consumer loans except closed end loan products and share-secured loans. This includes the real estate loan that is classified as a consumer loan on the books of the credit union.

The CFCU Board of Directors sets the BASE RATE for all loan products using the advice of the Financial/Investment Committee. The Board shall review loan rates on a periodic basis. Rates for Open End lending products are published on the RATE AND TERM Addendum.

#### **Addendum: (Open End Loan Documentation)**

All Loanliner accounts require the disbursement of a rate and term addendum. This addendum lists all existing rates and term guidelines for the different loan types. This addendum is dated when changes are made and also shows the last date an addendum was changed. The member is given a current addendum at loan disbursement and our current addendum is also posted in each office.

BASE RATE in this chart is RATE B

Revised May 21, 2007

**CRYOVAC FEDERAL CREDIT UNION**

|                       |   |                                |
|-----------------------|---|--------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Evaluation | <b>PAGE:</b><br>C-3<br>Rev. 01 |
|-----------------------|---|--------------------------------|

**Secured Loans – Risk-based pricing guidelines:**

| <b>CLASSIFICATION</b>                                   | <b>BEACON SCORE</b> | <b>RATE</b>                 |
|---|---------------------|-----------------------------|
| A PAPER (low risk)                                      | 725+                | BASE RATE <i>minus</i> .50% |
| B PAPER ( <b>BASE RATE</b> )<br>Determined by the Board | 650 to 724          | BASE RATE                   |
| C PAPER (average risk)                                  | 600 to 649          | BASE RATE <i>plus</i> 1%    |
| D PAPER (below average risk)                            | 550 to 599          | BASE RATE <i>plus</i> 4%    |
| E PAPER (High Risk)                                     | 400 to 549          | BASE RATE <i>plus</i> 8%    |

**For loan approval, the MINIMUM Equifax Beacon Score is 400.**

**Unsecured Loans – Risk-based pricing guidelines:**

| <b>CLASSIFICATION</b>                                   | <b>BEACON SCORE</b> | <b>RATE</b>               |
|---|---------------------|---------------------------|
| A PAPER (low risk)                                      | 725+                | BASE RATE <i>minus</i> 1% |
| B PAPER ( <b>BASE RATE</b> )<br>Determined by the Board | 650 to 724          | BASE RATE                 |
| C PAPER (average risk)                                  | 600 to 649          | BASE RATE <i>plus</i> 1%  |
| D PAPER (below average risk)                            | 550 to 599          | BASE RATE <i>plus</i> 4%  |
| E PAPER (High Risk)                                     | 400 to 549          | BASE RATE <i>plus</i> 8%  |

**For loan approval, the MINIMUM Equifax Beacon Score is 400.**

*The applicant's BEACON score sets the interest rate.*

*If the applicant has no BEACON score, the assigned rate is C paper.*

*If there are co-applicants, the BEACON score of the primary borrower determines the rate. If the loan will have a maker and a co maker or a guarantor, the BEACON score of the maker will determine the rate.*

*The Loan Officer can make no exceptions to credit pricing. The Loan Officer can make no reductions of the rate. The member may request that the loan rate be referred to the credit union manager or as a last resort to the Board of Directors.*

## CRYOVAC FEDERAL CREDIT UNION

|                       |   |                                |
|-----------------------|---|--------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Evaluation | <b>PAGE:</b><br>C-4<br>Rev. 01 |
|-----------------------|---|--------------------------------|

*If the member feels the score is not accurate due to errors on the credit report, the member must dispute the credit report and have the errors corrected.*

*For a rate reduction due to credit report errors or changes, the member may re-apply for the loan after 90 days. The credit union will obtain a corrected version of the credit report and reevaluate the rate and adjust the rate from that date forward. A Subsequent Action form to modify the original loan agreement must be signed by the member. The Rate may be re-evaluated once in every 365 days.*

**\*Exceptions must be approved by the Credit Union Manager.**

*NOTE: A cash out transaction would involve a new application and be classified as a refinance not a modification.*

The paper grade is also entered in the Loan Advantage system so that management reports can be used to track these loans.

No loan rate will exceed the usury ceiling set by the NCUA. Each loan classification will be assigned a loan rate. All loan rate quotes are to be expressed as an Annual Percentage Rate.

CFCU policy is that the finance charge as disclosed on the note will contain nothing other than true interest.

### **TERMS AND LOAN AMOUNT**

All maximum loan amounts and terms are subject to review by the Board or Credit Union Manager on individual loan requests.

### **MAXIMUM TERMS**

No loan may be extended for more than 180 months. Each loan classification will have scheduled maximum terms. All exceptions to the stated maximum term must be approved by the Credit Union Manager.

## CRYOVAC FEDERAL CREDIT UNION

|                       |   |                                |
|-----------------------|---|--------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Evaluation | <b>PAGE:</b><br>C-5<br>Rev. 01 |
|-----------------------|---|--------------------------------|

### **SINGLE PAYMENT TIME LOANS:**

All single payment time loans must be approved by the Credit Union Manager (share loans excluded). Advances, rates, and collateral will be determined by loan classification. For example, time loans with a used auto as collateral would be subject to all specifications of the used auto section of the policy manual. Loan documentation would also be consistent with documentation required for installment type loans on the Closed End Loan program. Maximum term for single payment time loans will not exceed one (1) year. Real Estate Mortgage loans are not eligible for single payment terms.

### **LOAN AMOUNT:**

Due to an applicant's credit risk as determined by his Beacon Score, the amount that the credit union lends may be affected.

On loans secured by collateral (ex. vehicles, boats, motorcycles, etc), the general loan to value guidelines are:

- If the member has a paper grade of 600 to 649 (C paper), the credit union will lend 90 to 100% of the value of the collateral.
- If the member has a paper grade of 550 to 599 (D paper), the credit union will lend 80% to 90% of the value of the collateral.
- If the member has a paper grade of 400 to 549 (E paper), the credit union will lend 70% to 80% of the value of the collateral.

The loan product may also affect the loan amount. Refer to each product. All exceptions to these guidelines must be fully documented by the Loan Officer.

### **MAXIMUM LOAN AMOUNT:**

The maximum amount of loans outstanding to any one member may not exceed \$350,000 (share loans excluded) unless approved by the Board of Directors.

## CRYOVAC FEDERAL CREDIT UNION

|                       |   |                                |
|-----------------------|---|--------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Evaluation | <b>PAGE:</b><br>C-6<br>Rev. 01 |
|-----------------------|---|--------------------------------|

### **TOTAL UNSECURED INDEBTEDNESS:**

All loans regardless of their type are classified either as secured or unsecured. A secured loan has collateral pledged with the lender as lien holder. An unsecured loan is any loan that has only the borrower's signature as guarantee of payment.

In order to effectively control the total dollar amount of unsecured loans outstanding with CFCU by any one member, limits have been reviewed, and the following policy is to be adhered to:

- Unsecured loans:
- a. Signature loans - Open and/or Closed End.
  - b. Education Assistance Loans
  - c. Home Improvement Loans

The total dollar amount any one member may have outstanding from the combined list of unsecured loans will be \$11,000.\*

\*The Credit Union Manager may review loan requests in excess of \$11,000 and, if warranted and properly documented, approve the credit not to exceed the current collateral schedule maximum for the total of all unsecured loan types.

A member's total unsecured indebtedness includes all debts (both CFCU balances and balances owed to other creditors) that are secured with the borrower's signature as guarantee of payment. The maximum unsecured indebtedness can not exceed 40% of the total gross annual income used for qualifying the member for this loan (student loans secured with the Department of Education are not included in total unsecured indebtedness ratio). For example, if the gross annual income to qualify the member for this loan is \$10,000.00, the maximum unsecured indebtedness can not exceed \$4000. However, exceptions will occur and all exceptions to this guideline should be fully documented by the Loan Officer.

Revised May 21, 2007

## CRYOVAC FEDERAL CREDIT UNION

|                       |   |                                |
|-----------------------|---|--------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Evaluation | <b>PAGE:</b><br>C-7<br>Rev. 01 |
|-----------------------|---|--------------------------------|

### **DEBT TO INCOME**

The overall indebtedness of the member is to be weighed carefully as well as his/her approximate income.

Total Debts include all monthly debt obligations, including but not limited to housing expenses (mortgage or rent payment), vehicle loans, other collateralized loans, credit cards, other unsecured debts. ANY monthly payments that the member is contractually obligated to pay should be included with the exception of utilities and obligations that will pay off in the near future.

In a gross debt ratio environment, the credit union uses total monthly obligations divided by the member's gross salary. Overtime income should not be used to determine this ratio, unless the expectation of continued overtime can be credibly documented.

When computing the debt to income ratio, the Loan Officer may use a pro-rata portion of the house payment(s) or rent based on the percentage of contribution of their income to total household income, provided the total household income is verified.

At the time the loan is approved, the member may choose to add Credit Life and/or Credit Disability Insurance coverage. If the member chooses to carry the insurance, this increase in payment is not calculated in the debt to income calculation.

Reasonable guidelines for debt to income ratio are between 40% and 55%. If a debt to income ratio is between 40% and 55% and other areas of consideration are within policy guidelines, extenuating circumstances concerning the debt to income ratio should be noted. If the debt to income ratio exceeds 55%, and all other area of consideration are within CFCU policy guidelines, the loan officer must document the circumstances and record justification for approving the loan request.

Revised May 21, 2007

## CRYOVAC FEDERAL CREDIT UNION

|                       |   |                                |
|-----------------------|---|--------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Evaluation | <b>PAGE:</b><br>C-8<br>Rev. 01 |
|-----------------------|---|--------------------------------|

### **COLLATERAL:**

Each loan classification outlines the individual collateral requirements. Terms and maximum amounts for collateral not listed, or unusual collateral, will be determined by the Credit Union Manager.

In order to be considered as security for a loan, all non-standard collateral items must have two estimates of value. It is the Loan Officers responsibility to provide the collateral value estimates to the Credit Union Manager so that a determination can be made on if the item may be used as security for the loan.

Appropriate state titling Lien Forms must be completed and signed by the member before the disbursement of loan proceeds. If the collateral is currently titled to that member, a valid certificate of title is also required prior to the loan disbursement. If a lien currently exists on the collateral, the lien is paid off with proceeds from this loan. Upon receipt of the title from the current lender, the appropriate state forms are filed to record the credit union lien.

**Co-Borrower** may be accepted as additional collateral on a loan. The co-borrower must complete all requested information on the Loanliner loan application. The co-borrower must meet the same qualifying requirements as the borrower. The co-borrower will sign the Note and all applicable forms. The co-borrower signs the credit agreement which will make him responsible for all loans under the Open End agreement.

**Guarantor** can be accepted as additional collateral on a loan. The guarantor must complete all requested information on the Loanliner loan application. The guarantor must meet the same qualifying requirements as the borrower. The Guarantor signs the Guarantor Agreement and the Notice to Co-signer instead of the note. The Guarantor is responsible for the one loan. The guarantor should not be a payee on the proceeds check.

**Second Lien:** All requests for non-real estate secured credit where CFCU would be the second lien holder must be approved by the Credit Union Manager.

Revised May 21, 2007

## CRYOVAC FEDERAL CREDIT UNION

|                       |   |                              |
|-----------------------|---|------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Decision | <b>PAGE:</b><br>D<br>Rev. 01 |
|-----------------------|---|------------------------------|

**APPROVAL:** If the loan request meets all of the outlined requirements, the Loan Officer will proceed with the loan. See Section IV Page E for further details.

**DENIAL:** If the loan request does not meet the outlined requirements, the Loan Officer will follow the denial process. See Section IV Page G for further details.

**REFERRAL:** Loan requests that exceed the credit union guidelines, exceed the loan officer's authority, or if the loan officer questions the loan for any reason may at the Loan Officer's discretion be referred to the Credit Union Manager for approval or denial. After the Loan Officer and/or Credit Union Manager has denied or counter-offered a member's loan request, the member may request that the Board review the application. See Section IV Page F for further details.

Revised May 21, 2007

## CRYOVAC FEDERAL CREDIT UNION

|                       |   |                   |
|-----------------------|---|-------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Approval | <b>PAGE:</b><br>E |
|-----------------------|---|-------------------|

### **LOAN APPROVAL**

When the application is approved, the loan officer determines the processing procedure by the type of loan requested.

When the Loan Officer approves the open end application, a Loanliner account is established. Loanliner is the credit union product established for loans that can be advanced more than one time (open end). The open end Credit Agreement establishes this agreement between the member and the credit union.

Closed end loans limit the loan advance to the initial disbursement. Appropriate documentation covers this limitation.

Loan commitments will be valid for sixty (60) days from the date of loan approval. If a loan is not disbursed within that period of time, a new loan request must be made.

In order for a verbally quoted rate to be binding, it must be accompanied by a signed and dated loan application or advance request voucher (if out of town member, loan officer should indicate this and fill in signature line and fill in date rate quoted).

Revised June 19, 2006

## CRYOVAC FEDERAL CREDIT UNION

|                       |   |                     |
|-----------------------|---|---------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Approval | <b>PAGE:</b><br>E-1 |
|-----------------------|---|---------------------|

### **SPECIAL CIRCUMSTANCES**

#### **Staff Loans:**

All loan requests by the CFCU Management (share loans excluded) must be forwarded to the Board of Directors for approval. All loan requests by the CFCU staff (share loans excluded) **must** be approved by the Manager. Staff and management will be exempt from completing the salary range section of the application and/or advance request voucher. The Manager will maintain debt-to-income information on the staff members (with loans) in a separate confidential file. On loan requests from the Credit Union Manager, his/her debt-to-income information will be reviewed by the Credit Union President prior to presentation to the Board of Directors for approval.

A Board Approval sheet should be signed by the approving members and become part of the loan documentation.

#### **Officials Loans**

Any loan request from a Board or Supervisory Committee member must be approved by the Board of Directors and be so noted in the Board minutes. A Board Approval sheet should be signed by the approving members and become part of the loan documentation. Each loan request must be accompanied by a "Loans to Officials" computation sheet.

#### **Staff Family Loans:**

All loan requests by family members of the CFCU staff (share loans excluded) must be forwarded to the Credit Union Manager for approval. The credit union manager should sign the loan as the approving loan officer.

All loan requests by family members of the Credit Union Manager must be forwarded to the Board of Directors for approval. A Board Approval sheet should be signed by the approving members and become part of the loan documentation.

Upon approval from the Credit Union Manager or Board of Directors, the originating Loan officer will be responsible for all loan procedures and/or documentation

**CRYOVAC FEDERAL CREDIT UNION**

|                       |   |                     |
|-----------------------|---|---------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Approval | <b>PAGE:</b><br>E-2 |
|-----------------------|---|---------------------|

**REQUIRED INSURANCE**

Certain types of secured loans are required to have insurance naming CFCU as loss payee. Liability, collision and comprehensive (\$500.00 deductible) insurance is required on any loan of \$500.00 or more secured by the following:

- (a) New or used vehicles (including Motor Homes)
- (b) Motorcycles
- (c) Boats, motors and trailers (may be partially covered by Homeowners policy)
- (d) Campers and travel trailers

Homeowner's or Renter's insurance is required on loans of \$500.00 or more secured by:

- (a) Personal Computers
- (b) Mobile Homes
- (c) First or Second mortgages on residences

Flood Hazard (Federal Flood) Insurance is required on loans of \$500.00 or more secured by real estate located in a flood hazard area.

Any items not listed above that are held as security for a loan will be required to have proper insurance coverage.

Failure to maintain such insurance will result in the credit union purchasing this insurance for the member and billing the member for the cost of said insurance. Subsequent failure to maintain required insurance may result in the Credit Union taking possession of the collateral.

See page E-4 for Insurance documentation

## CRYOVAC FEDERAL CREDIT UNION

|                       |   |                     |
|-----------------------|---|---------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Approval | <b>PAGE:</b><br>E-3 |
|-----------------------|---|---------------------|

### **LOAN DOCUMENTATION:**

A CFCU loan report must accompany every loan request. This loan report is to reflect the member's present outstanding indebtedness to CFCU; the member's percentage of total unsecured indebtedness; any exception to policy; as well as any unusual circumstances of present or paid out loans. This report should also be signed and dated by the approving loan officer.

#### **Open End Loans:**

Open End Loans require Loanliner Open End Loan Documentation consisting of the following:

- Loan Application or Advance Request Voucher -Loanliner Open End Credit
- Open End Plan Signature/Credit Agreement
- Open End Voucher and Security Agreement
- Certificate of Insurance
- Addendum: All Loanliner accounts require the disbursement of a rate and term addendum. This addendum lists all existing rates and term guidelines for the different loan types. The member is given an addendum copy at loan disbursement.

A copy of the credit report is to be attached to the Credit Agreement in the member's file.

#### **Additional documentation for secured loans:**

- Dealer Invoice or CFCU Appraisal Sheet or current photos (if required)
- Title/Registration –
  - o NEW: Dealer handles all title and taxes.
  - o USED: The Loan Officer is responsible for obtaining the necessary information to the file for new registration, tags, and title naming CFCU as lienholder
- The check will be disbursed jointly to the member and the dealer or individual selling the collateral
- Request for Insurance Verification (green card)
- Tickler Card for Ready Reserve, Overdraft Loans, HELOCs, Future Advance Mortgages
- Pending Sheet

#### **Closed End Loans:**

Closed End Loans require Loanliner Closed End Loan Documentation consisting of the following:

- Loan Application
- Closed End Disclosure, Loan and Security Agreement
- Closed End Enrollment/Schedule for Insurance (Credit Life or Disability)
- Certificate of Insurance

Revised June 19, 2006

## CRYOVAC FEDERAL CREDIT UNION

|                       |   |                     |
|-----------------------|---|---------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Approval | <b>PAGE:</b><br>E-4 |
|-----------------------|---|---------------------|

### **Additional documentation for secured loans:**

- Dealer Invoice or CFCU Appraisal Sheet or current photos (if required)
- Title/Registration –
  - o NEW: Dealer handles all title and taxes.
  - o USED: The Loan Officer is responsible for obtaining the necessary information to the file for new registration, tags, and title naming CFCU as lien holder
- The check will be disbursed jointly to the member and the dealer or individual selling the collateral
- Request for Insurance Verification (green card)
  
- Pending Sheet

### **Refer to the individual loan product for other required documentation**

#### **INSURANCE DOCUMENTATION:**

For insurance verification, it is the Loan Officer's responsibility to provide documentation to the member requesting the credit union's security interest as lien holder be recorded. It is the member's responsibility to have their insurance agent complete and return to the Credit Union the required written insurance verification for the loan file.

On Mortgage loans, required insurance will be verified by the Loan Officer prior to the disbursement of funds.

Homeowner's insurance: Loan types that require homeowner's insurance should be documented with a copy of the homeowner's insurance policy declaration page indicating type and limits of coverage.

Liability, Collision and Comprehensive: Loan types that require liability, collision and comprehensive insurance should be documented by a declaration page indicating type and limits of coverage on the items(s) being used as collateral on the loan.

It is the responsibility of the Documentation Clerk to insure that the loan information is appropriately documented.

**CRYOVAC FEDERAL CREDIT UNION**

|                       |   |                     |
|-----------------------|---|---------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Approval | <b>PAGE:</b><br>E-5 |
|-----------------------|---|---------------------|

**BOOKING THE LOAN:**

Each Loan Officer is responsible for entering all approved loans on the Credit Union books using the credit union computer system. Under the Loan Advantage program the loan officer must enter the PAPER GRADE so that these loans may be tracked for management reports.

**Advances:**

Advances will be determined by the individual loan type and the collateral to be used as security. Unless otherwise stated in individual loan type policies, the minimum advance will be \$500.

All loan proceeds checks must be signed by a different authorized staff member or official. (Loan Officer may not disburse loan proceeds on loans that they have approved.)

**Subsequent Advance Request:**

Upon establishing a Loanliner account (open end), a member may or may not desire an initial advance. However, with or without an initial advance, the member is in the credit union records for loan processing.

Revised May 21, 2007

|                       |   |                              |
|-----------------------|---|------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Loan Approval | <b>PAGE:</b><br>F<br>Rev. 01 |
|-----------------------|---|------------------------------|

**REFERRAL:**

Loan requests that exceed the credit union guidelines, exceed the loan officer's authority, or if the loan officer questions the loan for any reason may at the Loan Officer's discretion be referred to the Credit Union Manager for review. After the Loan Officer and/or Credit Union Manager has denied or counter-offered a member's loan application, the member may request that the Board review the application.

**CREDIT UNION MANAGER AUTHORITY**

The Credit Union Manager will be appointed by the Board of Directors of Cryovac Federal Credit Union and is responsible in the administration of the Board approved loan policies. The Credit Union Manager acting as the Senior Loan Officer may grant loans up to the maximum as defined by policy under the Loan Maximum for each type of collateral. In the absence of the Credit Union Manager, a designated staff member will assume loan approval authority as approved by the Board of Directors.

**REVIEWING THE LOAN REQUEST:**

While consistency in decisions is desired, it is understood that, on occasion, a loan request will have to be considered on an exception basis.

The Credit Union Manager is to review all aspects of the loan request as outlined in the "Loan Evaluation" section of the policy manual.

It is understood that there will be occasions when the Credit Union Manager will have to make a judgment call as to whether to extend a loan or not. The Credit Union Manager should always be impartial with the overall good of the Credit Union and the member uppermost in his/her decision. After studying the individual loan request, the Credit Union Manager may decide to approve the loan on an exception basis. This is at the discretion of the Credit Union Manager, and the basis of the decision should be noted on the loan report.

**APPROVING THE LOAN:**

When the Credit Union Manager approves a loan request, the loan application or advance request voucher and the loan report are to be signed by the Credit Union Manager. The loan is returned to the Loan Officer to be documented and the funds disbursed. The loan will be recorded in the Credit Union Manager's approval minutes. The computer system loan officer field, the approving loan officer on the loan documentation, and the loan officer minutes should reflect the approving loan officer's initials/ signature.

## CRYOVAC FEDERAL CREDIT UNION

|                       |  |                              |
|-----------------------|--|------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Denying the Loan | <b>PAGE:</b><br>G<br>Rev. 01 |
|-----------------------|--|------------------------------|

### **DENYING THE LOAN:**

If the loan request does not meet all of the outlined requirements, the Loan Officer will complete the loan denial process.

When the Loan Officer denies a loan request, the loan application must be so noted and signed by the Loan Officer. If the loan is denied by the manager or the Board, the application is noted with their instructions and signed by them.

The Loan Officer sends an Adverse Action Notice to the member.

The copy of the adverse action along with the application, loan report, and all supporting documentation are to be placed in the member's file.

Denied loans must be reported on the Loan Officers monthly denial minutes.

## CRYOVAC FEDERAL CREDIT UNION

|                       |  |                              |
|-----------------------|--|------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Exceptions to Policy | <b>PAGE:</b><br>H<br>Rev. 01 |
|-----------------------|--|------------------------------|

### **EXCEPTIONS TO POLICY**

This Loan Policy is designed to enable Loan Officers to make loans to members under the most favorable terms, consistent with the Credit Union's obligation to provide a financially sound organization. It is recognized that exceptions to this policy may be justified. However, any authorized exception to the Loan Policy must be fully documented in writing and included with the loan documents at the time the exception is made.

See Referral Section Page F

### **EXCEPTIONS TO CREDIT PRICING**

The loan officer can make no exceptions to credit pricing. The loan officer can make no reductions of the rate. The member may request that the loan rate be referred to the credit union manager or as a last resort to the Board of Directors.

Revised May 21, 2007

## CRYOVAC FEDERAL CREDIT UNION

|                       |  |                              |
|-----------------------|--|------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Servicing the Loan | <b>PAGE:</b><br>I<br>Rev. 01 |
|-----------------------|--|------------------------------|

### **SERVICING THE LOAN AFTER THE ACCOUNT IS ESTABLISHED:**

#### **MONTHLY**

Loan Officers must submit their loan minutes to the Credit Union Manager monthly. Any loan approved by the credit union manager should be recorded on the manager's loan minutes.

#### **ANNUAL REVIEW**

A tickler system is maintained on all members with lines of credit to review the loan on the first quarter of the year (January – March) after its implementation and bi-annually thereafter on A & B paper loans. C, D & E paper loans will be reviewed annually. If additional loans are obtained during the year, the loan officer should update this tickler system if a new credit report date is applicable.

During this review process, a designed staff member will obtain a new credit report using the tickler system and review the member's reported financial status, their credit score, their debt to income and their total unsecured indebtedness.

If the member's credit criteria continues to meet CFCU guidelines for that loan, the tickler system is updated, the documentation and terms are updated appropriately and the account is continued.

If the member is outside CFCU guidelines in any area, a full investigation will be done on the member's creditworthiness to determine whether to continue or suspend the line of credit.

If a Loanliner account is suspended (placed on "hold"), the reviewing staff member prepares an the appropriate documentation and informs the member of what action has been taken and the reason for that action.

The tickler system and the annual/bi-annual review for loans originated at Iowa Park are maintained by that office.



## CRYOVAC FEDERAL CREDIT UNION

|                       |  |                                |
|-----------------------|--|--------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Servicing the Loan | <b>PAGE:</b><br>I-1<br>Rev. 01 |
|-----------------------|--|--------------------------------|

### **DOCUMENTATION FOLLOW-UP:**

The Documentation Clerk reviews the pending sheet for each collateralized loan to insure all documents are received.

The Documentation Clerk reviews titles held for collateral for accuracy of all details including collateral identification number, correct ownership, and the credit union listed as lien holder.

The Loan Officer is responsible for obtaining dated and properly recorded security documents and other filings with the county governments. (UCC-1)

Loans secured by vehicles, boats, motors, trailers, real estate, campers and travel trailers require adequate insurance with CFCU named as Loss Payee. Cuna Mutual's Collateral Protection Tracking Center reviews a data processing electronic transmission each month and tracks our loans for proper insurance coverage. If a loan is in default on required insurance coverage, the member and CFCU are notified of this default and proof of coverage is requested. Continued default in this area required a force-laced policy to be issued to protect the credit union's interest and the member is billed the appropriate premium based on the loan balance (no liability coverage is offered in this policy). The premium is added to the loan balance and the payment amount adjusted accordingly. The member is informed of all action taken. Should the member provide proof of insurance, the premium amount (or pro-rated portion, if applicable) is refunded to the credit union and subsequently to the member's loan.

Upon the renewal of any force-placed policy, the Documentation Clerk must notify the Collections Officer that a renewal is pending and a determination will be made whether to renew the coverage or take possession of the collateral due to continuing default on required insurance.

After the loan has been reviewed for exceptions and all other documentation has been obtained, the loan and documentation is placed in the member's file.

### **CLOSED LOANS**

Upon receiving the Closed Loan Account Report from the Data Processor, the Loan Documentation Clerk should review any large payoffs on secured loans with the Collection Officer to make sure repossession has not occurred. Assuming not, the Documentation Clerk stamps the paid loan notes and records payoff date.

Security documents are forwarded to the appropriate agency to have our security interest released (unless otherwise requested by the member or attorney).

Revised May 21, 2007

## CRYOVAC FEDERAL CREDIT UNION

|                       |  |                     |
|-----------------------|--|---------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Servicing the Loan | <b>PAGE:</b><br>I-2 |
|-----------------------|--|---------------------|

### **LOAN REVIEW:**

#### **GENERAL:**

If determined appropriate, the Credit Union Manager may conduct a loan review to ascertain the correctness and accuracy of all loan documents. This review may also be delegated to the Loan Review Officer, and he/she is to report, to the Credit Union Manager, all loan exceptions noted. Loan exceptions are divided into two classes:

1. CFCU Policy exceptions
2. NCUA Regulation or Compliance exceptions

#### **REVIEW PROCESS:**

A random sample of loans is reviewed in the following area:

- 1) Documentation applicable to all loans
  - a) Note properly signed
  - b) Loan Officer's witness (if applicable)
  - c) Loan Officer approval on application or Credit Agreement
  - d) Disclosure of APR on note
  - e) Proper description of collateral on note
- 2) Share Secured Loans
  - a) Amount of Share Dollars pledged
  - b) Pledged Share Account number
- 3) Secured Loans (vehicles, recreational vehicles, motor homes, etc.)
  - a) Title with CFCU lien recorded
  - b) Evidence of Value (Appraisal for Used Collateral)  
(Dealer Invoice for New Collateral)
  - c) Insurance with CFCU named as Loss Payee
  - d) UCC-1 filed, if applicable
- 4) Accuracy of data entry
  - a) Verify that the rate, # of payments, payment amount, payment frequency and CL/CD protection is accurately stated on the loan file with our data processor.

A LOAN CHECKLIST form is completed by the Credit Union Manager or Loan Review Officer on each loan that has exceptions. This loan exception list is returned to the responsible Loan officer for corrections. It is the issuing Loan Officer's responsibility to correct the exceptions and return the corrected documentation to the Credit Union Manager.

## CRYOVAC FEDERAL CREDIT UNION

|                       |  |                     |
|-----------------------|--|---------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Servicing the Loan | <b>PAGE:</b><br>I-3 |
|-----------------------|--|---------------------|

### **SUBSEQUENT LOAN ADVANCE REQUEST:**

Upon receiving a request for an additional advance(s), a loan officer should obtain the necessary information on the advance request voucher to ascertain that approval of the member's request does not exceed policy guidelines. The loan officer can refer back to the original approval of the Loanliner account and build in recent changes to determine current status. A full review of the member's file is not required until the anniversary date (month) that the Loanliner account was established.

### **EXTENSIONS**

Member request for loan extension must be in writing and detail the reasons for the request. The member's credit should be evaluated with a credit report no older than one (1) year.

The Loan Officer is responsible for the review and documentation of the extension. Extensions of two (2) months or less (over the entire term of the loan) can be approved by a Loan Officer.

A signed and dated Subsequent Action form is required to modify the loan.

All other extensions, or exceptions, must be approved by the Credit Union Manager. In his/her absence, they are to be referred to the Credit Union Manager's designated replacement.

### **PREPAYMENT**

CFCU does not assess any pre-payment penalties. Once the minimum payment is paid, the due date will be advanced by one payment and the number of payments remaining will be reduced by one payment. If a lump-sum payment is made in excess of a minimum payment the due date will be advanced by the number of payment equivalents contained in the payment amount and the number of payments remaining will be reduced by one payment. Loans indicating paid in advance will be reviewed for any unusual circumstances but no action will be taken otherwise.

Revised June 19, 2006

**SECTION:**  
IV

**SUBJECT:**  
General Loan Policy  
Servicing the Loan

**PAGE:**  
I-4

**RELEASE OF COLLATERAL:**

Release of collateral, without collateral exchange, on a loan with an outstanding balance must be approved by the Credit Union Manager. Release of collateral in exchange for collateral of equal or greater value can be approved by the Loan Officer. When such collateral is to be released, signed documentation must be placed in the member's file.

**LOAN ASSUMPTION:**

Loan assumption will not be granted.

**REFINANCED LOANS:**

No loans may be refinanced with proceeds of less than \$500.00. Frequency of refinancing is to be carefully reviewed by the Loan Officer. Any questionable requests for refinancing (as determined by the Loan Officer) will be referred to the Credit Union Manager for disposition.

Revised June 19, 2006

**CRYOVAC FEDERAL CREDIT UNION**

|                       |   |                   |
|-----------------------|---|-------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Credit Life | <b>PAGE:</b><br>J |
|-----------------------|---|-------------------|

**MEMBER PAY – CREDIT LIFE:**

Members are offered, on a voluntary basis, the opportunity to purchase Credit Life Insurance on their loans. The insurance must be purchased at the time the loan is granted or within 30 days. This insurance is optional, and the member indicated on his/her signed application his/her desire to purchase this coverage. At the time the loan is disbursed, the member signs and dates the acceptance of insurance section on the note or Credit Agreement. The member's copy of the Credit Agreement serves as his/her copy of the policy. The maximum term for coverage on any loan is 240 months.

CUNA Mutual Insurance Company of Madison, Wisconsin, is the insurance carrier. Terms of the policy are outlined below:

Coverage Maximum - \$50,000.00 (this is a per loan basis).

Age Limitations - Member must be under age 69 at the age of issue. Coverage expires on the member's 70th birthday.

Eligibility - If two persons are listed on the note, they may elect single coverage on the first named borrower, or joint coverage to include coverage on both parties.

Evidence of Insurability - Not needed if borrower applies for insurance within 30 days of the time the loan is made.

Premium - Premiums are \$.075 per \$100.00 of the loan balance for single credit life.  
Premiums are \$.12 per \$100.00 of the loan balance for joint credit life.  
Premiums are calculated on the outstanding balance of the loan as of the last day of each month.  
The premium is calculated and added back to the unpaid balance of the loan.

The member may, at his/her discretion, choose to terminate his/her insurance coverage on an existing loan. The member must state in writing his/her desire to terminate the insurance coverage.

On Open End Loans, if the member chooses to carry the insurance, all subsequent advances will include the insurance coverage. If the member wishes to cancel the insurance only on one loan, a Subsequent Action form is required. If the member wishes to cancel the insurance on all future loans, a new Insurance Certificate form is required. If the member wishes to cancel on all existing loans and all future loans, both forms are required.

## CRYOVAC FEDERAL CREDIT UNION

|                       |   |                     |
|-----------------------|---|---------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy<br>Credit Disability | <b>PAGE:</b><br>J-1 |
|-----------------------|---|---------------------|

### **MEMBER PAY - DISABILITY:**

Members are offered, on a voluntary basis, the opportunity to purchase Credit Disability Insurance Coverage on their loans. The insurance must be purchased at the time the loan is granted or within 30 days. This insurance is optional, and the member indicates on his/her signed application his/her desire to purchase this coverage. At the time the loan is disbursed, the member signs and dates the acceptance of insurance section on the note. The reverse side of the note serves as his/her copy of the policy. The maximum term for coverage on any loan is 120 months.

CUNA Mutual Insurance Company of Madison, Wisconsin is the insurance carrier.

The Member Pay Disability Insurance is the 14-day Non-retroactive Plan. Coverage Maximum - \$40,000.00 (this is on a per loan basis).

### **Age Limitations**

Member must be under age 65 at the date of issue. Coverage terminates upon attainment of age 66 by member.

### **Eligibility**

Member must be actively at work at least 25 hours per week on the date of the loan advance.

### **Premium**

Premiums are calculated on the outstanding balance of the loan as of the last day of the month. The premium is calculated and added back to the unpaid balance of the loan. The premium is \$.284 per \$100.00 loan balance.

### **Benefit Payment**

Up to \$700.00 a month per loan will maintain insured's monthly payment after 15-day waiting period. Pro-rated benefit will be paid for borrower who returns to work in the middle of a disability period.

On Open End Loans, if the member chooses to carry the insurance, all subsequent advances will include the insurance coverage.

If the member wishes to cancel the insurance only on one loan, a Subsequent Action form is required. If the member wishes to cancel the insurance on all future loans, a new Insurance Certificate form is required. If the member wishes to cancel on all existing loans and all future loans, both forms are required.

## CRYOVAC FEDERAL CREDIT UNION

**SECTION:**  
IV

**SUBJECT:**  
General Loan Policy  
Addendum

**PAGE:**  
K

CRYOVAC FEDERAL CREDIT UNION PO BOX 338 SIMPSONVILLE SC 29681

**LOANLINER® ADDENDUM: This Addendum is incorporated into and becomes a part of your LOANLINER® Credit Agreement. Please keep this form attached to your LOANLINER® Credit Agreement.**

Effective Date: May 20, 2008

Replaces Addendum Dated: 04-01-08

| DESCRIPTION   | Approx<br>TERM<br>(In Months) | DAILY<br>PERIODIC<br>RATE | ANNUAL<br>PERCENTAGE<br>RATE |
|---|-------------------------------|---------------------------|------------------------------|
| New Vehicle, Motor Home (1)<br>Up to 100% financing of Retail Value                           | Up to 72                      | .0130% - .0363%           | 4.75% - 13.25%               |
| New Vehicle (Demo) – Up to 100% Retail Value  | 60                            | .0130% - .0363%           | 4.75% - 13.25%               |
| Used Vehicle, Motor Home (1) Current yr – 1 year old<br>Up to 100% financing of Retail Value  | 60                            | .0158% - .0390%           | 5.75% - 14.25%               |
| 2 to 4 years old - Up to 100% financing of Retail Value                                       | 54                            | .0158% - .0390%           | 5.75% - 14.25%               |
| 5 to 8 years old - Up to 100% financing of Retail Value                                       | 42                            | .0158% - .0390%           | 5.75% - 14.25%               |
| Over 8 years old – Up to 100% financing of Retail Value                                       | 36                            | .0158% - .0390%           | 5.75% - 14.25%               |
| Motorcycle - New (1) – 100% Financing of Retail Value   | 60                            | .0164% - .0397%           | 6.00% - 14.50%               |
| Motorcycle - Used (1) – 100% Financing of Retail Value  | 48                            | .0164% - .0397%           | 6.00% - 14.50%               |
| New Boat, Motor, Trailer, Camper, Travel Trailer (1)<br>Up to 100% financing of Retail Value  | Up to 84                      | .0164% - .0397%           | 6.00% - 14.50%               |
| Used Boat, Motor, Trailer, Camper, Travel Trailer (1)<br>Up to 100% financing of Retail Value | Up to 60                      | .0164% - .0397%           | 6.00% - 14.50%               |
| Share Secured / Share Certificate Secured ***   | 36                            |                           | 2.00% above the index ***    |
| Home Improvement (non-real estate secured) (1)  | 48                            | .0247% - .0493%           | 9.00% - 18.00%               |
| Educational Assistance (1)  | 48                            | .0240% - .0486%           | 8.75% - 17.75%               |
| Personal Loan (1)   | 18                            | .0192% - .0438%           | 7.00% - 16.00%               |
| Ready Reserve * (Personal Line of Credit) (1)   |                               | .0192% - .0438%           | 7.00% - 16.00%               |
| Overdraft **(Line of Credit) (1)  |                               | .0384%                    | 14.00%                       |
| Home Equity Line Of Credit (mortgage) ****  |                               |                           | Prime Rate                   |

**(1) RISK BASED:** The Annual Percentage Rate (APR) you receive will be within the range disclosed above and is based on your credit worthiness. Please ask us for the initial rate for which you qualify.

**\* READY RESERVE:** For unpaid balances your minimum monthly payment will be \$2 per \$100 of the outstanding balance at the end of each month. This payment will automatically adjust at month end. Minimum monthly payment is \$20 on all Ready Reserve Loans. We will routinely evaluate your credit worthiness; the ANNUAL PERCENTAGE RATE on existing balances and new advances is subject to change at the time of a new advance after the routine evaluation.

**\*\* OVERDRAFT PROTECTION:** For unpaid balance up to \$500, your minimum monthly payment will be \$20. Automatic advances made in \$100 increments. We will routinely evaluate your credit worthiness.

**\*\*\* SHARE SECURED / SHARE CERTIFICATE:** The Annual Percentage Rate for share/share certificate advances will be the dividend rate paid on the account specifically pledged (the index) on the date of the advance, plus the percentage shown above. Funds equal to or greater than the loan balance must remain on deposit until the advance is fully paid. Failure to retain the balance will result in default under the Plan. The applicable APR and Daily Periodic Rate will be disclosed on the voucher/disbursement receipt issued at the time of the advance.

**\*\*\*\* HOME EQUITY LINE OF CREDIT:** The rate on this mortgage is equal to the current PRIME RATE with no margin. The Rate adjusts at the beginning of the Quarter. After the Draw Period of eight years, the loan term is 15 years.

**FILING FEE:** You will be charged a lien filing fee at the time of an advance if the Credit Union takes a security interest in your collateral and is responsible for placing the lien on the title or other securing document. The amount of the filing fee will be based on the amount of fee required by state law for the Credit Union to obtain a lien on this collateral. The amount of the filing fee will be disclosed on the voucher.

**MINIMUM PAYMENT:** Your minimum payment will never be less than \$20 per month.

**PREPAYMENT PENALTY:** There is no prepayment penalty on the loan types referenced on this addendum. Unless otherwise stated, all payments will be applied as regular payments with the interest due being paid first and the balance of the payment being applied to the principal.

**COLLECTION COSTS:** You promise to pay all costs of collecting the amount you owe under this agreement including court costs and reasonable attorney fees. These costs will include reasonable attorney fees and/or collection fees not in excess of 20% of the unpaid debt after default.

**CRYOVAC FEDERAL CREDIT UNION**

|                       |  |                              |
|-----------------------|--|------------------------------|
| <b>SECTION:</b><br>IV | <b>SUBJECT:</b><br>General Loan Policy | <b>PAGE:</b><br>L<br>Rev. 15 |
|-----------------------|--|------------------------------|

|  |   |   |        |
|--|---|---|--------|
| New Vehicle & Motor Homes                      |   | See Addendum  | Page K |
| Used Vehicle & Motor Homes                     |   | See Addendum  | Page K |
| Motorcycles                                    |   | See Addendum  | Page K |
| Boats, Motors, Trailers, Recreational Vehicles |   | See Addendum  | Page K |
| Home Improvement<br>Unsecured up to \$7,500    | 48 Months                               | See Addendum  | Page K |
| Share Secured Loans                            | 36 Months                               | 2.00% above rate being<br>paid on Regular Shares      |        |
| Share Certificate Loans<br>(closed end)        | Maturity date of<br>Pledged Certificate | 2.00% above rate being<br>paid on Pledged Certificate |        |
| Educational Assistance<br>Up to \$5, 000. 00   | 48 Months                               | See Addendum  | Page K |
| Signature Loans<br>(closed end)                | 36 Months                               | 1. 50% per month – 18.00 APR                          |        |
| Ready Reserve                                  | Open End                                | See Addendum  | Page K |
| Personal Computers<br>(closed end)             | 36 Months                               | 1 .00% per month – 12.00 APR                          |        |
| Garden Tractors:                               |   |   |        |
| New  | 48 Months                               | 2.% above current new car rate                        |        |
| Used   | 48 Months                               | 2% above current used car rate                        |        |
| Overdraft Line of Credit                       | Open End                                | See Addendum  | Page K |

Revised May 21, 2007



**SECTION:**  
IV

**SUBJECT:**  
General Loan Policy  
Risk-based Pricing  
Risk Management Policy

**PAGE:**  
M  
Rev. 01

**Introduction:**

Risk-based pricing/lending allows CFCU to assess the risks involved in different types of loan products; to provide those products based upon the inherent risks associated with different individual borrowers; and to reward those creditworthy members who have maintained an excellent credit performance. This results in a more diversified loan portfolio that mixes lower-yielding, lower-risk loans with higher-yielding, but riskier loans. This policy is based on the Board's review of the credit union's financial condition, business plan, lending and collection history, and its Asset Liability Management (ALM) Policy.

**Reserve Requirements:**

CFCU shall establish 5 tiers under its Risk-based Pricing Policy, with the 5<sup>th</sup> tier being a highest-risk tier. All loans in the higher-risk tiers (4 & 5) shall be reserved at one and one-half times the rate for all other loans.

**Monitoring:**

Each tier of loans made by the credit union will be assigned a unique code based upon the loan risk tier. At a minimum, the higher risk tier loans will be tracked separately from other loans in the credit union's portfolio. Using this data, Management must periodically (not less frequently than each quarter) evaluate our Risk-based Pricing Policy and recommend appropriate changes for Board approval.

**Maximums:**

The credit union's maximum outstanding higher-risk tiers loan balances shall not exceed 30% of loans outstanding. The maximum aggregate amount for each loan type offered by CFCU available to higher-risk borrowers is as follows:

| <u>Loan Type</u> | <u>Maximum % - Tiers 4 &amp; 5</u> |
|------------------|------------------------------------|
| Unsecured        | 10%                                |
| Secured          | 30%                                |

**Reporting:**

Management shall report (on a quarterly basis) to the Board of Directors the statistics of our Risk-based Pricing Program.

**Delinquencies:**

If the credit union's delinquency ratio exceeds 1.50%, or if the credit union's loan loss ratio exceeds .75%, the credit union will discontinue making tier 5 loans. If the delinquency ratio exceeds 1.75%, or if the loss ratio exceeds .90%, then the credit union will discontinue making tier 4 loans. Discontinuance shall remain effective until the delinquency ratio and loan-loss ratios are reduced below these levels. Also, should we experience low liquidity, it may be necessary to discontinue tier 5 then tier 4 loans until liquidity improves.