

The Credit Union Loan Policy:

**FEDERAL EMPLOYEES NEWARK
FEDERAL CREDIT UNION
LOAN POLICY**

[Restated Jan 2010, Amended May 2010, **Amended Fall 2014**]

I. LOAN SUBMISSION:

- A. ELIGIBILITY** for membership in this Credit Union is as follows:
The field of membership shall be limited to those having the following common bond: Federal employees who work in or have head- quarters in the Federal Building at 970 Broad Street, or the Post Office Building at Federal Square, in Newark, New Jersey, except employees of the united States Post Office Department; employee of this credit union; members of their immediate families; and organizations of such person.
- B. LOAN APPLICATION.** Appropriate loan application, completed in full, in writing, with application fee, if required, paid in full. In addition, all applicants must provide a copy of their most current pay stub at the time an application is submitted.
- C. NON-DISCRIMINATION POLICY.** The Credit Union is an equal opportunity lender. The Credit Union will not allow discrimination on the basis of race, color, national origin, religion, sex, marital or familial status, age (providing applicant has capacity to contract), income derived from public assistance, exercise of consumer rights, disability, or any other prohibited basis.
- D. MEMBER IN GOOD STANDING.** To be eligible for loan approval, the applicant must be a member in good standing with a minimum share balance of \$5.00. Loan advances, refinances, or rewrites will not normally be considered for any member who is currently delinquent or has a history of delinquency with the Credit Union. Any exception needs approval by the credit committee or Board. The credit union shall not extend credit to members under the age of 18 years of age.

II. LOANS OFFERED

- A. Unsecured Signature Loans**
1. These loans require good financial standing and 10% of the original (or refinanced) amount to secure them (the ten percent is also referred to as a “pledge” amount). The amount of the loan depends on such factors as length of employment and past credit history.
 2. Be a member of the credit union at least six months and be continuously employed in the Federal Government for at least one year to qualify for \$1,500.00 loan.
 3. Be a member of the credit union at least six months and be continuously employed for at least two years in the Federal Government to qualify for \$5,000.00 loan.

4. Be continuously employed in the Federal Government for three years to qualify for \$5,000.00 loan (six month membership requirement waived).
5. Applicants qualifying under 2 or 3 above, with Federal Government income exceeding \$40,000.00, may qualify for a loan not to exceed 1 and one-half months gross income. These loans will be limited to \$8,000.00 and will require a qualified co-maker. The amount (if any) of a co maker's outstanding "credit union" loan will be considered in determining a members gross income loan limit.
6. For non Federal Government members under 5 or 6 above, a qualifying Federal Government member's eligibility may be substituted for the 6 month membership or the continuous employment requirement. The Federal Government member will be a cosigner to loans granted under this section.
7. Signature loans can be renegotiated only after they are at least 50% paid off, or for exigent circumstance that must be expressly stated on the loan application.

B. Share Secured Loans:

1. Loan is based on the amount of shares in the member's account.
2. Maximum term of repayment is 48 months.
3. Secured loans (including refinanced amounts) will require a share balance equal to the current outstanding amount of the loan.

C. New Auto (Boat/ Recreational Vehicle) Secured Loans:

1. Maximum non-preferred loans are limited to \$35,000 and preferred loans are limited to \$50,000. The limits are based on the purchase invoice of the vehicle (excluding taxes and preparation charges).
2. A security agreement must be completed and the Credit Union has to be designated as the lien holder on the certificate of ownership. Comprehensive and Collision Insurance (not more than a \$1,000 deductible) is required for the duration of the loan, and proof of same is required when the loan is taken out. The insurance policy must list the Credit Union as the loss payee. The dealer's Purchase Order must accompany the loan application.
3. Maximum term of repayment is 72 months.
4. Multiple auto loans will be subject to the maximum amounts under (C)(1) above. Loan applications that exceed the maximum amounts will be referred to the Board of Directors for approval/disapproval.
5. Preferred loans qualify for 100% financing, all others will be limited to 80%. See section (C)(8), below.
6. A new automobile is defined as a current year vehicle not more than one year old and that has never been titled.
7. The Credit Committee or Loan Officer may determine the reasonableness of the amount on the purchase invoice in determining whether to grant the loan.
8. A down payment may be required based on the applicant's credit record. Down payments are subject to the following guidelines:
 - i. The degree of risk to the Credit Union will be considered.
 - ii. Trade-ins and deposits made directly to the dealer will apply toward the down payment requirement.

iii. A member who is required to make a down payment will not be permitted to apply for a separate personal loan for this purpose.

D. Used Auto (Boat/Recreational Vehicle) Secured Loans:

1. Maximum loan is limited to \$15,000 based on 80% of the cost of the vehicle (excluding taxes and preparation charges). The maximum repayment period for these loans is 36 months.
2. A higher based limit (maximum \$30,000) will be available to members who meet the qualifications under section **H** below. The maximum repayment period for these loans is 60 months. Amounts that exceed \$30,000 will be referred to the Board of Directors for approval/disapproval.
3. A security agreement must be completed and the credit union has to be designated as the lien holder on the certificate of ownership. Comprehensive and Collision Insurance (not more than a \$1,000 deductible) is required for the duration of the loan, and proof of same is required when the loan is taken out. The insurance policy must list the Credit Union as the loss payee. The dealer's Purchase Order must accompany the loan application.
4. The Credit Union will use the NADA Blue Book loan value or purchase invoice, not including tax, tags, and title, to determine the loan amount.
5. The Loan Office may only make loans on used vehicles that are up to four years old. Vehicles older than four years will be referred to the Credit Committee or Board of Directors for approval/disapproval.

E. Education Loans:

We are sorry. At this time, we are not underwriting new Student Loans. However, **Student Loan Consolidations are available**. Please contact the credit union for more information

F. Home Owner Equity Loans:

1. Variable rate loans of 5, 10 and 15 years based on 75% of appraised value less any outstanding mortgages. Maximum loan \$200,000.
2. Fixed rate loans of 5, 10 and 15 years based on 75% of appraised value less any outstanding mortgages. Maximum loan \$200,000.
3. Combination of fixed and variable loans based on 75% of appraised value less any outstanding mortgages. Maximum combination of loans of \$200,000.
4. Fixed rate interest only loans. Up to 5 years based on 75% of appraised value less any outstanding mortgages. Maximum loan \$250,000.
5. Home owner equity loans are subject to application fees, relative to the amounts requested. Fees may be waived on the refinance of loans in existence for one year or longer.
6. All residential real estate loans are limited to one-to-four family dwellings, including an individual cooperative unit, that is or will be the principal residence of the applicant. The term of the loan shall not exceed fifteen years.
7. Home Owner Equity Loans are limited to residential properties within the State of New Jersey.

8. All Home Owner Equity Loans require the approval of the Credit Committee or Board of Directions.
9. "Appraised value" shall be determined by the following: (a) a Zillow estimate and/or a County tax assessment; (b) an appraisal conducted by another lender within one year from the date of the Credit Union application; (c) a Comparative Market Analysis ("C.M.A.") or Broker Price Opinion ("B.P.O.") provided by a local realtor at the Credit Union's discretion; or (d) an independent appraisal when requested by the member, whom will be selected by the member from a choice of three state certified appraisers or state licensed appraisers provided by the Credit Union and the cost of which shall be borne by the member.
10. Any application that does not meet these guidelines may be approved by a vote of the Board of Directors. All such applications will require an appraisal.

G. Other Secured Loans:

Other forms of secured loans will be considered on a case by case basis and will be submitted for review prior to approval by the Board of Directors.

H. Preferred Loans

Preferred loan rates are available for unsecured signature loans and auto loans. An unblemished credit report with a FICO score of 700 or better is required for preferred loan eligibility. Exceptions may be made in instances where an unfavorable credit report indicator is of a *de minimus* nature and does not impact on the overall credit worthiness of the applicant.

I. Credit Cards

In order to qualify for a Credit Union credit card, a member should have a FICO score of 600 or better for a "Classic Card," or a FICO score of 700 or better for a "Platinum Card." Members applying for a credit card must satisfy at least one of the membership and employment provisions described in Section II, Paragraph (A)(2) through (A)(6), above.

J. Additional Loan Stipulations

Members applying for *secured* loans do not have to meet the provisions concerning length of employment or membership. However, these factors can be taken into consideration in deciding whether to grant a loan request.

K. Secured Credit Cards

1. There will be no yearly fee for secured credit cards.
2. The annual percentage rate will be the same rate as our current rate for the Credit Union's unsecured "Classic Card."
3. The credit limit is the amount of secured by a pledge in the member's account specifically designated for the secured card. A member can raise their limit on a secured card only by raising their pledge.
4. The amount of the pledge will be put into a 1 year Certificate of Deposit for the member at the prevailing rate, and will be subject to the same terms and conditions as certificates of deposits.

5. A member may apply for an unsecured card after one year of good credit history at the credit union and subject to the conditions under paragraph I, above.
6. Reward points are available to secured card users which can be transferred to their unsecured Classic Card.
7. Credit Union staff can approve secured cards subject to receipt of funds securing the credit card, the clearance of those funds, and a completed loan application. No co-signor will be required. A credit report will be required in order to gauge the improvement of the credit score of the applicant.

III. LOAN REVIEW:

General Policy Statement. The Credit Union's lending policy strives to serve the legitimate credit needs of Credit Union members while safeguarding the investments of members. The policy promotes prudent underwriting, fair treatment of applicants, sound loan management, and compliance with all applicable federal and state laws and regulations. Further, it is the Credit Union's policy to provide all members with complete information and base credit decisions on a careful evaluation of facts. The Credit Union is an equal opportunity lender. The Credit Union will not allow discrimination on the basis of race, color, national origin, religion, sex, marital or familial status, age (providing applicant has capacity to contract), income derived from public assistance, exercise of consumer rights, disability, or any other prohibited basis.

- A. All information on the application will be certified such as employment, salary, telephone number, address and debts.
- B. Unless a recent credit report is on file, a credit report on all applicants will be requested and their credit history reviewed.
- C. Debt to Income ratios are utilized as a measure of the ability to repay.
 - a. The ratio is calculated as follows: total monthly short-term debt payments divided by net monthly income. For the purpose of computing the debt ratio, living expenses including rent or mortgage payments are ignored.
 - b. The following guidelines should be used:
 - i. 20% - safe;
 - ii. 30% - caution should be exercised;
 - iii. 40% - problems are present – correction needed;
 - iv. 50% - candidate for bankruptcy;
 - v. 60% - bankruptcy is a matter of time.
- D. **The following are the major reasons for possible denial of a loan:**
 1. Credit application incomplete/inaccurate.
 2. Insufficient number of credit references provided.
 3. Unacceptable type of credit references provided.
 4. Unable to verify credit references.
 5. Temporary or irregular employment.

6. Unable to verify employment.
7. Length of employment.
8. Income sufficient for amount of credit requested.
9. Excessive obligations.
10. Unable to verify income.
11. Length of residence.
12. Temporary residence.
13. Unable to verify residence.
14. No credit file.
15. Limited credit experience.
16. Poor credit performance with us.
17. Delinquent past or present credit obligations with others.
18. Garnishment, attachment, foreclosure, repossession, collection action or judgment.
19. Bankruptcy.
20. Value or type of collateral not sufficient.
21. Failure to provide Federal flood insurance protection for applicable loans.

- E.** Loan guidelines should be used by the loan officer and Credit Committee in making credit decisions. Such guidelines are not to be used as a substitute for good judgment on the part of the loan officer or Credit Committee. Allowances based on individual circumstances may occasionally be made on an exception basis.
- F.** When a loan application is denied because of adverse information in the credit report, the applicant will be advised in writing within 30 days of submitting the application by the Credit Union and informed as to the procedure for clearing up any out-of-date or inaccurate adverse information from the credit record. Once a satisfactory credit report reflecting the current status of indebtedness has been provided, the Loan Officer of Credit Committee will reconsider the loan application.
- G. Loan Officer:**
1. One Loan Officer may be appointed pursuant to the Bylaws.
 2. The Loan Officer may approve the following loans:
 - a. All unsecured, secured, preferred and new and used auto loans subject to the defined restrictions contained in this policy.
- H.** Loans in excess of \$20,000.00 requested by an employee, Board, Supervisory or other Committee member of this Credit Union will require additional approval by the Board of Directors. Loans to other members for which Board members or members of the supervisory or credit committee act as guarantor or endorser must be approved by the board of directors when such loans standing alone or when added to any outstanding loan or loans of the guarantor or endorser exceeds \$20,000.

I. CO-SIGNERS WHEN APPLICABLE. Members may have another individual share the responsibility of repaying their loan by co-signing. Members may need a co-signer if they have no credit history; lack required time on the job; or have not lived at their residence for the required time. The Credit Union will not ask for a co-signer where evidence suggests that the primary borrower is unable or unwilling to repay the loan. The Board reasons that in such circumstances it is unfair to ask for a co-signer where the co-signer will likely make all of the payments. Thus, if an applicant has a poor credit history, the loan officer or Credit Committee should not suggest a co-signer. If the loan officer or Credit Committee determines that a co-signer is prudent, he or she must review the creditworthiness of the cosigner. Co-signers must qualify for the loan they wish to sign on, just as if it were their own loan. Co-signers must satisfy the Credit Union's credit criteria including debt ratio guidelines and must agree to assume responsibility for the entire loan balance. Co-signers must be eligible to join the credit union.

IV. MISCELLANEOUS

A. Any deviations from the policies stated can only be approved by the Board of Directors.

VII. LOAN MODIFICATIONS / TROUBLED DEBT RESTRUCTURING

THIS SECTION LEFT INTENTIONALLY BLANK

VIII. LOAN SUBORDINATION

- A. The Manager, Loan Officer or Loan Committee may grant a loan subordination request if the following conditions have been met.
 - 1. The Credit Union remains in a second lien position only. The Credit Union will deny any request that places the Credit Union in a lower lien position.
 - 2. The request should not result in a higher loan-to-value ratio than the loan the Credit Union originated.
 - 3. If the loan subordination request is for a home equity line of credit, the Credit Union will conduct a management review and may require a credit limit reduction.
 - 4. If the subject property was the borrower's primary residence at the time of loan origination but is no longer, the Credit Union may require a credit limit modification.
 - 5. The member must fill out the application, have paid the respective fee (unless waived), and submit all paperwork required in the application. A denial may be based on failure to submit information.
- B. In considering whether to approve the application, the Manager, Loan Officer or Credit Committee will take into consideration the benefit to the member, combined Loan to Value ratio, overall credit history, the Credit Union pay history and any change in financial circumstances or change to the property since the Credit Union loan was granted.
- C. The Manager, Loan Officer or Credit Committee shall not grant the loan subordination if new money is being requested in the refinance.
- D. If any of the above conditions are not met, an appeal may be made to the Board of Directors with a written explanation from the member explaining the necessity of the loan subordination.