



# WORKMEN'S CIRCLE FEDERAL CREDIT UNION

## LOAN POLICY

### ARTICLE - I. - PURPOSE

- A. The purpose of this loan policy is to describe and define the requirements, based on the National Credit Union Association (NCUA) guidelines and the Board of Directors (BOD) of Workmen's Circle Federal Credit Union (WCFCU). The terms and conditions for automobile, motorcycle, recreational vehicle, personal, mortgage, and home equity loans will be summarized in subsequent sections.

### ARTICLE - II. - REQUIREMENTS

- A. A completed loan application.
- B. A non-refundable loan applications fee of \$20.00
- C. The following information:
1. A loan application (see Attachment #1)
  2. A current credit report.
  3. Debt ratio requirements will be set as follows:
    - a. A debt ratio of 50% or less will be required for loan applications with a credit rating of A
    - b. A debt ratio of 45% or less will be required for loan applications with a credit rating of B
    - c. A debt ratio of 40% or less will be required for loan applications with all other credit ratings
  4. Proof of income in one of the following manners:
    - a. Current federal tax return
    - b. Previous 4 consecutive pay stubs
    - c. A financial statement prepared by a CPA or firm
- D. All fully secured loans are exempt from Section B, Parts 2 and 3.

### ARTICLE - III. - LOAN APPROVAL

- A. The Credit Committee or loan officer will review all materials presented and make a determination based on the requirements, loan amount limitations, and the specific loan type and terms.
- B. Approved loans are forwarded to the Treasurer. The Treasurer can do one of the following:
1. Issue a check if all the required materials are complete and all the required criteria are met.
  2. If there is any missing information or any typographical errors, send it back to the Credit Committee for completion.
- C. When a loan is declined, a letter of refusal will be sent to the requester stating the reason(s). This will also be documented in the Credit Committee Minutes.
- D. An officer of WCFCU will need BOD approval for any loan exceeding \$20,000. An officer must meet all of the required criteria.





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### ARTICLE - IV. - INTERST RATES

#### A. Rate Calculation

1. WCFCU calculates interest rates based on the following:
  - a. Type of loan
  - b. Life of the loan
  - c. Borrowers risk category
2. The current Loan Interest Rate Table and definitions used to determine the interest rate are contained in Attachment #2.
3. The base rate is defined as the interest rate for an "A" risk category and the shortest life of the loan.
4. The Board of Directors will determine the overall base interest rate for the interest rate calculations. Factors used to determine when changes in the base rate are voted on include, but are not limited to, changes in the prime interest rate and interest rates offered by local competition:
  - a. Base rate for automobile loans will be the overall base interest rate.
  - b. Base rate for Home Equity loans will be the overall base rate plus 0.75%.
  - c. Base rate for First Mortgage will be the overall base interest rate plus 1.25%.
  - d. Base rate for Personal loans will be the overall base interest rate plus 0.75%.
  - e. Base rate for Variable Rate Home Equity Line of Credit will be the overall base interest rate plus 0.50%.
  - f. Variable rates will not change more than 3.0% above or 1.0% below the initial interest rate.
5. The Risk Category is determined based on the National Risk Score supplied by a credit reporting agency. We currently use Experian.
6. Interest rates for borrowers without enough of a credit history to obtain a national risk score shall be calculated as follows:
  - a. A request for a cosigner will be made and the cosigner's National Risk Score will determine the Risk Category.
  - b. When there is no cosigner, the Risk Category will be determined by the debt ratio as stated in Attachment #2.

#### B. Interest Rate Matching

1. Members, based on the type of loan and their Risk Category, presenting written documentation of a bonified offer of loan interest rates lower than WCFCU's published rates may receive that lower interest rate, however, should not go lower than our fully secured rate, except for auto loans which may be as low as 3.5.
2. The credit union will match Home Equity/1st Mortgage interest rates that are verified in writing for "A" and "B" Risk Categories. WCFCU published interest rates will be used for "C", "D", and "E" Risk Categories.
3. The credit union will match new automobile interest rates. WCFCU published interest rates will be used for "C", "D", and "E" Risk Categories.





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4. The credit union will match used car interest rates that are verified in writing for "A" and "B" Risk Categories down to a minimum of (Prime – 1.25%). WCFCU published interest rates will be used for "C", "D", and "E" Risk Categories.

### ARTICLE - V. - LOAN AMOUNTS

- A. Individual unsecured personal loans shall be based on Risk Category. "A" risk shall not exceed \$20,000, "B" risk shall not exceed \$10,000, and "C" risk shall not exceed \$5,000. Unsecured personal loans shall not be granted to "D" risk category without co-maker and unsecured personal loans shall not be granted to "E" risk category. The aggregate of all personal loans where the member is the maker shall not exceed \$100,000.  
\*\* See attached for current rate schedule
- B. Real estate loans shall not exceed 80% of the appraised value up to a maximum of \$200,000.
- C. The aggregate of all loans where the member is the maker shall not exceed \$225,000
- D. Loans fully secured by shares can be taken for the total amount of the security.
- E. Automobile loans on used vehicles shall not exceed the dealer invoice price or N.A.D.A. Official Used Car Guide retail value, whichever is lower, for "A" and "B" Risk Categories and not exceed the trade-in value based on the most current N.A.D.A. Official Used Car Guide for "C", "D", and "E" Risk Categories. In addition, the "C", "D", and "E" Risk Categories must have a 20% down payment, a co-maker, or a trade-in in order to get the trade-in value. All other used car loans not meeting the above criteria will be granted at the most current N.A.D.A. Official Used Car Guide loan value.
- F. Automobile loans on new vehicles shall not exceed the dealer invoice price or retail value, whichever is lower.
- G. Automobile loans may have the sales tax and dealer preparation charges added to the total loan granted.

### ARTICLE - VI. - LOAN TYPES AND SPECIFIC TERMS

#### A. Automobile Loans

1. The following is required for all new and used vehicle loans:
  - a. A valid drivers license
  - b. Proof of insurance
  - c. A copy of the original invoice
  - d. The VIN#
  - e. The year, make, model, color, and body type
  - f. The current mileage
  - g. Any additional options
  - h. A current picture of the vehicle, which will be taken at WCFCU

#### B. RECREATIONAL VEHICLE LOANS

1. Loans secured by a recreational vehicle will fall under the real estate and home equity loan category





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2. The maker may choose, at his/her discretion, to have the recreational vehicle fall under the automobile loan category.
3. Loans for new recreational vehicles will fall under the new home equity loan category.

#### C. Real Estate and Home Equity Loans

1. All real estate loans (1<sup>st</sup> and 2<sup>nd</sup> mortgages and home equity) are considered as one category, with no exceptions authorized for any member.
2. Real estate 2<sup>nd</sup> mortgage loans shall be granted.
3. The appraisals of all requested real estate loans shall be made by a bonafide independent appraiser approved by the Credit Committee or President. No loan shall be considered or approved by the Credit Committee without the appraisal
4. The closing of all real estate loans and the examination of abstracts and titles shall be conducted by an attorney appointed by the BOD. The cost of such closing shall be born by the member who obtains the real estate loan. Funds are not to be paid out on real estate loans until all documents are completed and in the possession of WCFCU.
5. All real estate loans must be insured against fire and extended coverage insurance companies providing such coverage will be requested to issue a loss payable endorsement to WCFCU. Documentation of flood insurance is required if needed or not needed.
6. Real estate loan commitments of funds at the specified interest rate shall be good for 30 days.
7. Rental property loans are limited to owner occupied, one to four unit family residences.
8. Terms of real estate loans shall not exceed 15 years on one to four units.
9. Proof of occupancy must be obtained on owning more than one property.
10. Transaction requirements are based on the Home Equity Early Disclosure Form (see Attachment #3)
11. Loans secured by real estate shall be granted for up to 80% of the appraised value.
12. Open end lines of credit, shall not exceed 5 years.

#### D. Personal Loans

1. Loans fully secured by shares will be given at the base interest rate regardless of the amount or lifetime.
2. Loans secured by a co-maker are as granted as follows:
  - a. The co-maker must supply all of the information required of the maker
  - b. The highest National Risk Score between the maker and the co-maker will determine the Risk Category.
3. Loans secured by personal property are granted as follows:
  - a. Personal property includes but is not limited to stocks, bonds, and jewelry.
  - b. Loans will be granted for up to 50% of the appraised value of jewelry or current market value of the stocks or bonds.
  - c. The board will determine the loan percent for other personal property.
4. Signature loans will fall under the unsecured loan category.





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### E. Partially Secured Loans

1. Loans partially secured by tangible collateral, where there are shares available to make up the difference between the loan requested and the value of the tangible collateral, will be granted at an interest rate determined by the collateral.
2. Loans partially secured by tangible collateral, where there is a co-maker to make up the difference between the loan requested and the value of the tangible collateral, will be granted at an interest rate determined by the highest National Risk Score between the maker and the co-maker.
3. Partially secured loan amounts will not exceed the unsecured amount of \$20,000 plus an additional \$10,000 with co-makers that are in a risk category of "A" or "B", \$5,000 "C" risk \$2,500 "D" risk and or an added amount equal to pledged shares.
4. Loans partially secured by tangible collateral, where an unsecured personal loan will be used to make up the difference between the loan requested and the value of the tangible collateral, will be granted at an interest rate determined by either the collateral or the unsecured interest rate, whichever is higher. This type of loan will not be granted to "D" and "E" Risk Categories.

### F. Unsecured Loans

1. See Article V., Part A.
2. Verify that unsecured debt is not over the limit that the individual can afford.
3. Debt ratio calculations will be based on the real debt ratio plus 50% of the potential debt. Potential debt is determined by the total of all available funds in unsecured loan lines. Unsecured loans will be given for up to \$2,500, based on the Personal Loan Table rates according to the National Risk Score.

### G. Educational Loans

1. A loans granted, where the purpose stated is education or tuition, will be treated as an educational loan.
2. The interest rate will be determined in the same manner as a personal loan.
3. Proof of acceptance to a college or career education program, tuition, and/or cost of books and materials will be required.

## ARTICLE - VII. - REFINANCING

- A. A member in good standing may ask to increase his/her current loan balance up to the loan limits established in this policy.
- B. The member must have paid a minimum of 25% of the original loan balance before requesting a refinancing.
- C. The member must meet all of the necessary criteria described in this policy for the new balance requested.
- D. Fully secured loans may be refinanced at any time regardless of the amount paid.





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### ARTICLE - VIII. - LOAN EXTENSIONS

- A. A loan extension is allowed to increase the time needed to pay off the current loan balance. It may not be used to increase the current loan balance.
- B. A member may request an extension of their loan for any of the following reasons:
  - 1. Financial hardship
  - 2. Medical hardship or medical needs
  - 3. Significant changes in the household structure
- C. A specific loan extension form must be filled out, but reapplication is not necessary.
- D. The Credit Committee will be required to approve or deny all loan extensions.
- E. If approved, the loan lifetime will be extended with the original interest rate remaining in effect.
- F. The member will provide documentation of the reason for the need of an extension.

### ARTICLE - IX. - REFINANCING OF DELINQUENT LOANS

- A. Before a loan can be re-financed, we must have documented proof of the cause of the problem and documented proof that the problem will not re-occur.
- B. The loan customer must agree to make three (3) payments at the new loan rate and conditions before re-financing can be considered.
- C. Under certain circumstances a new interest rate can be established as well as additional collateral may be requested.
- D. As there is a credit problem – hence, refinancing considered, interest rate may go up a risk category.
- E. If the fundamentals remain the same, but a “one-time” specific problem caused the problem, the payment period can be extended thusly lowering the payment.

