

**7100. LENDING POLICY
HISTORICAL RECORD OF POLICY CHANGES
2010-2013**

Historical Record of Policy Changes

Date Revised: July 2010
Date Approved: August 2010

Policy Change

Complete Policy Rewrite

Date Revised: April 2011
Date Approved: May 2011

Policy Change

Lending Powers (91.701)

- Made changes to percentages on:
 1. (b) and (c)
 2. (c)
- #9 – added (f.) Lines of Credit
- #13 – Added “Rate discount options”

Interest (91.703)

#2 – New content

Real Estate Lending (91.704)

- #7 – Added “that entity assigned by Resource One Credit Union” to end of section.
- #10 – Added “assigned to a third party for servicing” to end of section.
- #16 – New content

Real Estate Appraisals or Evaluations (91.708)

- #1 – Added additional requirements
- #3 – New content

Member Business Loans (91.709)

- #6 – changed exclusions
 - #10 – Added “Collateral Requirements” and acceptable categories of MBL.
 - #11 – ~~Those secured by receivables~~ Loans relating to the “Adult Industry”
-

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- #12 (a) – Changed percentages
- #15 – Changed “these” to “the categories” and “loans” to “MBL offered”
- #17 – 4.5 1.25
- #18 – worse-higher
- #21 – Increased score on a., b., and c.
- #22 (a) – such as These loans would typically be
- #23 – Sales & Remote Service Center Lending Officer

Loans to Officials and Senior Management Employees (91.719)

- #6 – Change semiannually to annually in first sentence. Strike last sentence and insert “The Board’s review will be included as part of the minutes of the meeting at which the report was presented.

Small-Dollar Short –Team Credit (91.720)
New Section

Collections

- #5 (e) – Changed Collection Manager to Collection Lead

Attachment A

- Chief Sales and Remote Service Center Lending Officer
- Real Estate Loan Officer – New section/limits

Date Revised: August 2011
Date Approved: September 2011

Policy Change

Lending Powers (91.701)

- #2 (a) – added “if applicable”
- #3 (a & d) – added verification and target options for consumer loan decisions.
- #4 (a) – replaced approval with “underwriting” authority.
- #5 – New section regarding collateral value for secured loans.
- #9 (g) – New section - Added terms for credit cards.

Interest Rates (91.703)

- #1 – Added “The detailed loan rates will be contained in the ALM Committee Minutes

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and reported to the Board of Directors on a monthly basis. The Board of Directors may also authorize a refund of interest on loans under conditions it may prescribe.”

Real Estate Lending (91.704)

- #3 (d) – Added additional required underwriting documents.
- #9 – Collections Dept. will use normal collection practices to collect past due Real Estate loans.
- #14 (b & g) – Added maximum maturities for second/vacation homes, member business loans, and rental homes.

Real Estate Appraisals or Evaluations (91.708)

- #1 – New section regarding Board responsibilities for reviewing/adopting policies/procedures for real estate appraisals and evaluation program.
- #5 – New section defining requirements for appraisals.
- #8 – Added acceptable requirements for renewal of existing loans.
- #9 – Added additional appraisal requirements to comply with NCUA Rules and Regulations.

Member Business Loans (91.709)

- #1 – Changed focus to target and made a few minor changes.
- #2 – Those factors must be noted documented, verified and justified, and approved, by the CLM before proceeding with underwriting.
- #4 (a, b, & c) – Refers you to Purchase and Sale of Member Loans section of this policy.
- #4 (b) – New section stating MBL pricing will be monitored by the ALM Committee and approved by the BODs.
- #8 – Defines “associated member
- #10 (a) – Added additional requirements for collateral or assets used to secure a loan.
- #10 (c) – Added proper requirements for secured loans and acceptable categories of MBL.
- #11 – Added f. Accounts Receivable loans.
- #12 (a – c) – Changed and/or added maximum amounts given per category or type of MBL.
- #14 – New section listing requirements for loans for Rental Properties.
- #17 – New section listing the procedures followed when making a decision.
- #18 – Updated analysis requirements for extension request, or increasing a line of credit request.
- #23 – New Section: Environmental Liability and Risk Management Program

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- #25 (a-e) – Defined types of MBL's that do not require an annual analysis.
- #26 – Added Chief Operations Officer and Chief Administrative Services Officer as not eligible for a MBL.

Overdraft Protection (91.710)

- ~~Loan Participation~~ Purchase and Sale of Member Loans (91.711)
- #1 – Resource One Credit Union does not offer sell, or purchase, ~~Loan Participations~~ member loans.

Exceptions to General Lending Policy (91.715)

- #1 – Added: However, the BOD's written standards for the review and approval of exception loans has established the following.

Insurance for Members (91.402)

New section explaining the conditions for insurance products.

Debt Cancellation Products; Federal Parity (91.403)

- #3 – The debt cancellation product will be offered on a ~~fee~~ flat charge basis. Add: The charge will be listed on the members' contract, as a line item, and will be in accordance to the GAP Cost Schedule maintained in the consumer lending areas.

Collections

- #4 – A member filing bankruptcy will have ~~their~~ all accounts and/or loans managed under the particular terms of their bankruptcy. Loans, ~~which the member has~~ that are reaffirmed will be brought to a current status to match the repayment plan, once regular payments under the plan begin, and any ordered cram down balance will be charged off.
- #4 (e) – Add: And the request will be sent to the proper underwriting authority for final review and approval.
- #4 (f & g) – New section regarding workout/rewrite involving Real Estate loans.

Attachment A

Updated limits

Attachment B

Updated acceptable risk rating grade

Revised: February 2019

Ratified: April 2019

Attachment D

New Section – Risk Rating Guide

Date Revised: April 2012

Date Ratified: April 2012

Policy Change

Member Business Loans

- #12 (a.1.f) – changed "40%" to "30%"
(a.1.g) – changed "45%" to "55%"
- #14 – changed: Resource One Credit Union recognizes Rental Properties acquired by businesses, for the purpose of generating income for that business, are different than loans for Rental Properties ~~these~~ to a members with a primary source of income unrelated to the income generated from the rental property ~~(see 25 below)~~. As such, loans made to members with another primary source of income ~~for Rental Properties~~ are subject to the following additional requirements:
 - a. The request will be evaluated by the MBL Department regardless of the dollar amount of the request.
 - b. These loans may be underwritten in the Real Estate department, however, the final decision regarding approval or denial of the loan may only be made by an employee possessing the State mandated underwriting experience requirement for MBL.
 - c. When evaluating the rental income of the borrower, ~~a 75% factor will be used. This assumes a 25% vacancy rate at any given time.~~ the income received from the rental property will be discounted by 25%.
 - d. The property will be valued at purchase price, or appraised value at the time of property purchase; whichever is less.
 - e. If the property is being renovated the value at completion of the project can be used if an appraisal can be readily obtained using a specific and detailed list of proposed renovations that ~~is~~ are acceptable to the Appraiser.
 - f. Additionally, these types of loans will be serviced by Resource One Credit Union, maintained on the current Banking System and risk rated using Credit Score and Bankruptcy Score as outlined in **Attachment D**.

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- #20 – changed: While minimum (Debt Service Coverage) DSC will vary from industry to industry, in no case will loans will not be granted to any member/business with a ~~Debt Service Coverage (DSC)~~ DSC ratio less than 1.25 times. As part of the underwriting process an industry standard DSC will be obtained for the type of credit being analyzed. If the industry standard minimum DSC is higher than 1.25 times; the higher ratio will be used.
- #21 changed “higher” to “worse”
- #23 (a.1) changed “Borrowers(s)” to “Owners of the property,”
- #25 deleted: ~~These loans may be underwritten in the Real Estate department, however, the final decision regarding approval or denial of the loan may only be made by an employee possessing the State mandated underwriting experience requirement for MBL. Additionally, these types of loans will be serviced by Resource One Credit Union, maintained on the current Banking System and risk rated using Credit Score and Bankruptcy Score as outlined in Attachment D.~~

Attachment A

Loan Authorization Limits

- Changed “Chief Lending Officer” to “Director of Lending” and Commercial limit from “\$1,500,000” to “\$500,000”
- Consumer Loan Manager limits updated
- Real Estate Loan Manager limits updated

Date Revised: August 2012
Date Ratified: August 2012

Real Estate Appraisals or Evaluations (91.708)

1. The Board of Directors is responsible for reviewing and adopting policies and procedures in order to establish and maintain an effective, independent real estate appraisal and evaluation program. This program will be in accordance to the guidelines set forth in NCUA Letter to Credit Unions 10-CU-23.
2. When choosing an Appraiser for the Approved Appraiser List, Resource One Credit Union requires the following minimum criteria:
 - a. The individual has neither a direct nor indirect interest, financial or otherwise, in the property or transaction and be able to render an unbiased opinion.
 - b. The individual selected must also be competent to perform the appraisal based upon the individual's qualifications, experience, expertise and educational background.
 - c. The individual selected must possess the appropriate State certification or license for the type of business being conducted as defined in National Credit Union Administration (NCUA) Rule Part 722.2 (i) & (j).
 - d. Due diligence will be performed on the Appraiser prior to being assigned to the List and an ongoing evaluation will be performed to remain on the List.
 - e. An annual review of the work performed by the Appraiser will be conducted.
3. Resource One Credit Union employees who review appraisals and evaluations will:
 - a. Be independent of the transaction and have no direct or indirect interest financial or otherwise, in the property or transaction, and be independent of and insulated from any influence by loan production staff.
 - b. Possess the requisite education, expertise, and competence to perform the review commensurate with the complexity of the transaction, type of real property, and market.
 - c. Be capable of assessing whether the appraisal or evaluation contains sufficient information and analysis to support the credit union's decision to engage in the transaction.
14. LTV will be determined by one of the following methods:
 - a. Appraisal,
 - b. County or city tax assessment, or

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- c. Comparable sales data.
15. In order to obtain an accurate appraisal, the following criteria will be followed:
- a. The employee, or organization, ordering the appraisal will be independent from the transaction and loan production staff.
 - b. A predetermined value will not be communicated to the engaged Appraiser be that a maximum or minimum value.
 - c. No person, or organization, involved in the appraisal process will be compensated for a loan consummation.
 - d. No person, or organization, involved in the appraisal process will place a Condition of Continued Future Engagements on an Appraiser based on receipt of a predetermined property value.
16. All appraisals will, at a minimum:
- a. Conform to generally accepted appraisal standards as evidenced by the Uniformed Standards of Professional Appraisal Practice;
 - b. Be written and contain sufficient information and analysis to support the decision to engage in the transaction;
 - c. Analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units;
 - d. Be based upon market value which is defined as the most probable price which a property should bring in a competitive and open market under all conditions and requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus, and
 - e. Be performed by a State licensed or certified appraiser.
17. Real estate loans in which the transaction value exceeds \$250,000. Appraisal reports will be in writing and conform to generally accepted appraisal standards as evidenced by the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards board of the Appraisal Foundation, in Washington, D.C.:
- a. Residential - Resource One Credit Union will obtain a professional appraisal report by a state certified or licensed appraiser.
 - b. Non-residential – Resource One Credit Union will obtain a professional appraisal report by a state certified appraiser.
18. Real estate loans with a transaction value of \$250,000 or less: While the services of a state certified or licensed appraiser is not necessary; Resource One Credit Union will obtain an appropriate evaluation of real property collateral. The evaluation will be

supported by a written estimate of market value either performed by a qualified individual who has demonstrated competency in performing evaluations or from tax appraisal data of a governmental entity. When using tax appraisal data, Resource One Credit Union will demonstrate that a valid correlation exists between the tax assessment data and the market value, based on the following criteria, as required in NCUA Letter 10-CU-23, page 35:

- a. Determine and document how the tax jurisdiction calculates the Tax Assessment Valuation (TAV) and how frequently property revaluations occur.
 - b. Perform an analysis to determine the relationship between the TAV and the property market values for properties within a tax jurisdiction.
 - c. Test and document how closely TAVs correlate to market value based on contemporaneous sales at the time of assessment and revalidate whether the correlation remains stable as of the effective date of the evaluation.
19. Existing Loans: In the case of renewal of a loan where there has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the real estate collateral protection after the transaction, and there is no advancement of additional funds, a written certification of current value by the original appraiser or an acceptable substitute, such as tax appraisal data of a governmental entity, will be acceptable.
20. Other Appraisal Requirements. Resource One Credit Union will also comply with applicable real estate appraisal requirements contained within Part 722 of the NCUA Rules and Regulations.

Member Business Loans (91.709)

24. All MBL will be analyzed to determine the member's/businesses ongoing capacity to repay. All documentation requested at the onset of the loan request will be required to perform this analysis in addition to any other documentation that may be required. These documents will be used to perform an analysis at the following frequencies:
- e. Annually for loans with a Risk Rating Score of 6 or better.
 - f. Bi-Annually for loans with a Risk Rating Score of 7.
 - g. Quarterly for loans with a Risk Rating Score of 8 or higher.
25. Based on the periodic reviews of MBLs, a "Watch List" will be maintained by the credit union to monitor the status or activity of loans identified as higher risk. Loans with questionable financial performance, covenant violations, delinquency issues, poor reporting, or presenting any other concerns will be monitored on this list. The list will be monitored, updated, and reviewed by management monthly.

Collections

- f. In the event the Workout/Rewrite involves Real Estate (either consumer or commercial), the following considerations apply:
- 1) The Workout should improve prospects for repayment of principal and interest,
 - 2) The Workout should be supported by a comprehensive analysis of the borrower's willingness and ability to repay,
 - 3) Evaluation of the support provided by the guarantor(s) and
 - 4) Obtaining a current value of the collateral if applicable.
 - 5) Any loans that are modified due to the members' inability to meet the original terms of the loan will be tracked and reported.

Date Revised: December 2012

Date Ratified: January 2013

Attachment A

Loan Authorization Limits

- Consumer Loan Manager limits updated
- Real Estate Loan Manager limits updated
- Changed "Branch Manager/Branch Lead/Loan Officer/Branch Service Reps" to "Loan Underwriters"
- Added Director of Sales & Service

Date Revised: July 2013

Date Ratified: July 2013

This is an updated policy. The policy is required to be updated per the document of response (DOR).

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Lending Powers (91.701)

- a. First Mortgage Loans: 15% of the Total Assets.
 - b. All Other Mortgage Loans: 30% of the Total Assets.
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Member Business Loans (91.709)

1. Resource One Credit Union's primary Member Business Loan (MBL) target will be, but is not limited to, small businesses defined as those businesses:
 - a. With gross annual sales, or revenues, between \$500,000 and \$10,000,000,
 - ~~a.b.~~ are within 5 miles of our current branch locations and,
 - ~~b.c.~~ _____ have been in existence for at least two years.
2. Commercial ventures in business less than 2-3 years or start-up businesses will be considered within the programs of the US Small Business Administration. Loans for young or new ventures, not within the SBA programs may be considered with substantial ~~not be considered for a business loan unless~~ compensating factors exist. Those factors must be documented, verified and justified by the ~~Commercial Lending Manager~~ Director of Commercial Lending, or higher authority, before proceeding with underwriting.
4. Other MBL considerations:

- a. Any interest Resource One Credit Union purchases in a loan, made by another lender to a Resource One Credit Union member, will be classified as a MBL. (see Purchase and Sale of Member Loans of this Policy)
- b. Any interest Resource One Credit Union obtains in a nonmember loan will be classified as an MBL. (see Purchase and Sale of Member Loans of this Policy)
- c. If Resource One Credit Union holds any nonmember loan participation investments that would constitute a MBL if made to a member then Resource One Credit Union will affect the aggregate limit on net MBL balances. (see Purchase and Sale of Member Loans of this Policy)
- d. MBL pricing will be monitored by the ALM Committee, recorded in minutes of the ALM Committee meeting and approved by the Board of Directors. The [Director of Commercial Lending or the Commercial Lending Manager MBL Loan Officer](#) may negotiate interest rates and terms based on risk, member relationship and market; subject to State limits.

10. Categories, Types and Collateral requirements for MBL that will be offered are: [MBLs will fall into two broad categories, Term Loans and Lines of Credit, either unsecured or secured. We will seek to further mitigate our risk and increase our income by pursuing these loans under the programs available to the CU through the US Small Business Administration. \(Limits and concentrations are shown in a separate section below.\)](#)

- [Commercial Lines of Credit](#)

[Commercial lines of credit give the business owner flexibility to fund short-term cash flow shortfalls. Duration is typically one year or less, with interest only payments monthly. While often considered “unsecured” due to the nature of the collateral, a Line of Credit will typically be secured by the short-term assets being funded. The CU will consider an unsecured Line of Credit for a well-qualified borrower.](#)

- [Construction & Development](#)

[Construction loans are similar to Lines of Credit in that a credit limit is determined and the loan is drawn on periodically. But unlike a revolving line of credit described above, it does not revolve. Appraisals will be required. A permanent take-out will be required from an acceptable financial institution. The CU may offer the permanent loan.](#)

- [Commercial Term Loans](#)

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Commercial Term Loans will typically be used to fund the purchase of large fixed assets or to extract equity from fixed assets resulting in permanent working capital. As with a line of credit, a term loan will be secured by the asset being purchased (or refinanced). Amortization and term (with a maximum of 15 years) will be guided by the useful life of the collateral and limited by regulation. Unsecured loans will not exceed 36 months and be fully amortized (no unsecured balloon loans). R1CU will seek term loans that fall into the following categories:

- o Commercial Real Estate

Examples: Owner occupied property, Investment rental property, office buildings, churches, apartments, industrial buildings, and retail centers, among others.

- o Equipment

Examples: wreckers, forklifts, loaders, cranes, bulldozers, backhoe excavators, commercial lawn equipment, and other types of machinery and equipment.

- o Vehicles

- o Unsecured – for well-qualified borrowers

a. Secured Loans, which are those loans that can be secured with proper collateral or assets. The collateral, or assets, dealing with a secured loan must have the ability to:

- i. Be appraised or valued and have ownership easily determined.
- ii. Be secured by a lien, or other proper filing, which will place Resource One Credit Union in a priority lien holder position. Second lien positions, or non-priority liens, will only be allowed if Resource One Credit Union is also the first, or priority, lien holder.
- iii. Be readily disposed of through sale to an individual or group of individuals, to another business or through a public auction liquidated through common commercial channels.

b. Secured Loans will be collateralized as follows:

- iii. Real Estate, such as land or buildings, but not to include construction loans and loans for the development of commercial or residential property.
- iv. Equipment used by the business. Furniture, fixtures and office equipment are not considered equipment loans for the purpose of this definition.

~~v. Fleet Vehicles.~~

~~vi. Construction loans and loans for the development of commercial or residential property. Appraisals for these types of loans will be subject to the value upon completion of the project. The project must be completed within 12 months of the original loan date.~~

~~h.b.~~ Secured Loans will be secured by placing Resource One Credit Union in a priority lien position, at the time of loan funding, through:

- 1) Proper recording of a Deed of Trust
- 2) Proper filing of a lien on titled collateral
- 3) Proper filing of a UCC
- 4) Other documents that may be deemed appropriate

~~i. Unsecured loans. For the purpose of this Policy, loans secured by Blanket Liens will be considered, and underwritten, as Unsecured Loans. As such, State limits will apply.~~

~~j.c. Examples of~~ acceptable Categories of MBL ~~are~~ include:

- 1) Medical and Dental Offices and Practices
- 2) Convenience Stores
- 3) Manufacturing
- 4) Construction
- 5) Schools and Churches
- 6) Rental Property
- 7) Investment Property
- 8) Warehouse
- ~~9) Restaurants~~

~~MBL Categories falling outside those listed above can be considered if acceptable reasons are provided.~~

R1CU will not actively pursue certain loans as they are either industries that statistically have higher rates of default, have higher environmental risk, or are not consistent with the CU's lending philosophy or mission. Examples of these industries include:

Restaurants

Dry cleaners, automotive repair facilities (high environmental risk)

Businesses with no tangible, marketable collateral
Loans secured solely by stock of closely held companies, which are not readily marketable
Loans to a new business without an established record of performance, unless the loan is well collateralized with readily marketable collateral with substantiated valuations or guaranteed by the SBA
Unsecured loans with no secondary sources of repayment

11. Categories of MBL that will not be offered are:

- a. Loans relating to the "Adult Industry".
- ~~b. Loans secured by Inventory.~~
- ~~e.b.~~ Loans for illegal purposes.
- ~~d.c.~~ Loans to entities posing an unacceptable environmental hazard as determined by an Environmental Impact Assessment.
- ~~e.d.~~ Wholesale Floor plan loans.
- ~~f.e. Accounts Receivable loans.~~

13. Construction and development of commercial or residential property are subject to the following additional requirements:

- ~~c.~~ The funds will be released after on-site, written inspections by qualified personnel and according to a pre-approved draw schedule and any other conditions as set forth in the loan documentation.
- ~~e.d.~~ Construction loans in excess of \$1.5 million will require the use of a construction management firm. They will perform a budget review, provide a performance guarantee, title updates, down-date endorsements, inspections, and funds control,

14. Resource One Credit Union recognizes Rental Properties acquired by businesses, for the purpose of generating income for that business, are different than loans for Rental Properties to members with a primary source of income unrelated to the income generated from the rental property. As such, loans made to members with another primary source of income are subject to the following additional requirements:

15.

- ~~. When evaluating the rental income of the borrower, the income received from the rental property will be discounted by 25%.~~

- ~~d.c.~~_____ The property will be valued at purchase price, or appraised value at the time of property purchase; whichever is less.
- ~~e.d.~~_____ If the property is being renovated the value at completion of the project can be used if an appraisal can be readily obtained using a specific and detailed list of proposed renovations that are acceptable to the Appraiser and the credit union.
- ~~f.e.~~_____ Additionally, these types of loans will be serviced by Resource One Credit Union, maintained on the current Banking System and risk rated using Credit Score and Bankruptcy Score as outlined in Error! Reference source not found..
17. If the experience requirement is met through the use of a Credit Union Service Organization (CUSO), an employee of another credit union, an independent contractor, or other third party; the recommendation provided by the third party will be followed. If a decision is made to override the third party's recommendation; ~~the procedures covering that decision will be followed. those reasons will be fully documented and the request will be submitted to the next higher authority for approval.~~
20. While minimum (Debt Service Coverage) DSC will vary from industry to industry, in no case will loans be granted to any member/business with a ~~Global~~ DSC ratio less than ~~1.25-1.40~~ times. As part of the underwriting process an industry standard DSC will be obtained for the type of credit being analyzed. If the industry standard minimum DSC is higher than ~~1.25-1.40~~ times; the higher ratio will be used.
21. Resource One Credit Union currently uses the Risk Rating Score provided by Texas Business Lending Group (TBLG) (See Error! Reference source not found.). Loans will not be granted to any member/business scoring worse than ~~5~~ 3.
22. Collateral requirements for MBLs are subject to the following:
- a. LTV Ratios will conform to stated requirements in this Policy.
 - b. An appraisal or valuation, title search ~~or lien search~~, and insurance are required on all real estate secured MBL loans. A lien search and insurance will be required on all other types of collateral.
 - c. Proper steps will be taken to insure Resource One Credit Union is in a priority lien/deed position on all collateralized loans.

- d.
23. Environmental Liability and Risk Management Program.
24. Ongoing monitoring will take place during each annual review of every MBL secured by non-residential real estate and non-titled equipment initially valued in excess of \$100,000. An assessment is warranted;
24. All MBL will be analyzed to determine the member's/businesses ongoing capacity to repay. All documentation requested at the onset of the loan request will be required to perform this analysis in addition to any other documentation that may be required. These documents will be used to perform an analysis at the following frequencies:
- a. Annually for loans with a Risk Rating Score of 6.5 or better.
 - b. Bi-Annually for loans with a Risk Rating Score of 7.6.
 - c. Quarterly for loans with a Risk Rating Score of 8.7 or higher.
27. The Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Director of Lending, Director of Commercial Lending, members of Senior Management and any associated member or immediate family member of such persons, are not eligible for MBLs. In addition, the Credit Union may not grant a member business loan:
- a. If any additional income received by the Credit Union or Senior Management employee is tied to the profit or sale of the business or commercial endeavor for which the loan is made.
 - b. To a compensated Director unless the Board of Directors approves granting the loan and the compensated Board of Director is excused from the decision making process.

Prohibited Fees (91.716)

1. The Credit Union will not make any loan or extend any credit if, either directly or indirectly, any commission, fee, or other compensation from any person or entity other than the credit union is to be received by the credit union's Directors, Committee Members, Senior Management Employees, Loan-Officers Underwriters, or any immediate family members of such individuals, in connection with underwriting, insuring, servicing, or collecting the loan or extension of credit.

Attachment A

LOAN AUTHORIZATION LIMITS

Board of Directors

Up to State Charter prescribed limits for all classifications

Loan Committee

<u>Consumer</u>	<u>Real Estate</u>	<u>Commercial</u>	<u>Unsecured-(All Loan</u>
<u>Classifications)</u>			

\$1,000,000	\$2,000,000	\$3,000,000	\$250,000
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**Commercial Loans exceeding \$1,500,000 will require ratification from the board of directors*

President/CEO/CFO

Consumer	Real Estate	Commercial	Unsecured-(Consumer
Only)			Only)

\$1,000,000	\$2,000,000	\$3,000,000	\$250,000
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COO

Consumer	Real Estate	Commercial	Unsecured-(Consumer
Only)			Only)

\$1,000,000	\$0	\$0	\$250,000
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Director of Lending

Consumer	Real Estate	Commercial	Unsecured-(All Loan
Classifications)			Classifications)

\$750,000	\$1,000,000	\$500,000	\$100,000
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Director of Commercial Lending

<u>Consumer</u>	<u>Real Estate</u>	<u>Commercial</u>	<u>Unsecured-(All Loan</u>
<u>Classifications)</u>			<u>Classifications)</u>

<u>\$750,000</u>	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$100,000</u>
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Consumer Loan Manager

Revised: February 2019

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Consumer Only)	Real Estate	Commercial	Unsecured-(Consumer
\$750,000 \$500,000	\$0	\$50,000	

Commercial Loan Manager Consumer Only)	Real Estate	Commercial	Unsecured-(Commercial
\$0 \$0	\$ 1,500 100,000	\$ 100 50,000	

Real Estate Loan Manager Consumer Only)	Real Estate	Commercial	Unsecured-(Consumer
\$500,000 \$1,000,000	\$0	\$25,000	

Real Estate Loan Officer Consumer	Real Estate	Commercial	Unsecured-(All Loan Classifications)
\$0	\$250,000	\$0	\$0

Attachment C

Risk Rating Guide

RISK RATING	SUMMARY OF RISK RATING
1 0	Premium Quality — Investment Grade Cash Secured
2 1	High Quality
3 2	Superior
4 3	Satisfactory Acceptable
5 4	Acceptable Watch List
6 5	Management Watch — Special Mention
7 6	Regulatory Substandard A (Continue Interest Accrual): Probability of Loss: < 20% and Chance of Payment Default: > 20% but < 50%
8 7	Regulatory Substandard B (Stop Interest Accrual): Probability of Loss:

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	<20% and Chance of Payment Default: > 25% but < 50%
9 8	Regulatory Doubtful (Stop Interest Accrual): Probability of Loss: >50% and Chance of Payment Default: > 25% but < 50%
40 9	Regulatory Loss: Probability of Being Uncollectible: => 75% and should be classified as a loss and promptly charged off

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Date Ratified: April 2015**

**Date Revised: September 2018
Date Approved: September 2018**

Page 6

9. Maximum terms for each type of loan, except real estate and commercial loans, are:
- a. Boat, RV and Aircraft: 180 months
 - b. Automobile: 84 months
 - c. Motorcycle: 60 months
 - d. All other collateralized loans: 60 months
 - e. Unsecured loans: 60 months
 - f. Unsecured Home Improvement Loans (Fully Insured) 180 months
 - g. Lines of Credit: Revolving, however, payments must be sufficient to amortize the outstanding balance over a reasonable period of time and not cause negative amortization.
 - h. Credit Cards: Revolving, however lines will be reviewed every two years to ensure underwriting criteria is met.

**Revised: February 2019
Ratified: April 2019**

Real Estate Lending (91.704) Page 9

2. Resource One Credit Union will offer First Mortgages, Second Mortgages, Land, Construction, Home Improvement, Home Equity, Home Equity Lines of Credit (HELOC), Purchase and Purchase Money Seconds Real Estate Loans to its members. The Trade Area for Real Estate loans will be the State of Texas.
3. Pursuant to recent changes to Regulation Z by the Consumer Financial Protection Bureau (CFPB) the categories of “qualified” and “non-qualified” mortgages have been established. Resource One will offer both types of mortgages.

“Qualified” Mortgages (QM) must meet eight Ability to Repay (ATR) factors. Those factors (as follows) will be reviewed and considered as a part of the underwriting process:

- a. Current or reasonably expected income or assets other than the value of the property that secures the loan that the consumer will rely on to repay the loan.
- b. Current employment status if relied on for assessing the repayment of the loan. Reasonable evidence must be acquired to support the information such as verifiable paystubs or tax returns.
- c. The monthly payment for variable rate HELOC’s must be fully-amortizing payments that are substantially equal payments between each interest rate adjustment that pay the accrued interest and a portion of the principal.. To qualify for a variable rate loan, the current margin and the prime index, plus 2% will be used.
- d. Inclusion of any payment on a simultaneous loan secured by the same property.
- e. Monthly payments for mortgage related obligations including but not limited to, property taxes, hazard or flood insurance and Home Owner Association fees
- f. Current debt obligations, including things such as alimony and child support payments, in addition to typical re-occurring debts as shown on a credit report must be considered.
- g. Monthly Debt-To-Income ratio (DTI) meaning the percentage of a consumer's monthly gross income that goes toward paying housing and all other monthly obligations.
- h. Credit history consideration is not specifically described by the Ability to Repay (ATR) rule. A creditor should make every reasonable effort to verify and assess all obligations especially if these obligations make an impact on the consumer’s

ability to repay the loan. If documentation is used to determine an obligation then those documents should become a part of the permanent loan file.

CFPB Qualified Mortgages (QM) requirements also prohibit certain risky features and practices, such as negative amortization and interest-only periods and loan terms longer than 30 years.

Page 11

For a loan to be a QM, the points and fees may not exceed the points-and-fees caps. The points-and-fees caps are higher for smaller loans.

- 3 percent of the total loan amount for a loan greater than or equal to \$100,000
- \$3,000 for a loan greater than or equal to \$60,000 but less than \$100,000
- 5 percent of the total loan amount for a loan greater than or equal to \$20,000 but less than \$60,000
- \$1,000 for a loan greater than or equal to \$12,500 but less than \$20,000
- 8 percent of the total loan amount for a loan less than \$12,500

4. Underwriting standards are as follows:

- a. The target debt to income ratio is 36% front (before) and 45% back (after).
- b. The target credit score is 620 and above.
- c. The member must provide the following documents:
 - 1) Pay stubs
 - 2) W-2 or
 - 3) Two years tax returns for self-employed.
 - 4) Home Owners Insurance
 - 5) Documentation proving assets in an amount equal to two monthly payments when required.
 - 6) Proof of cash needed at closing.
- d. If the above factors do not meet target or requirements, the underwriter will fully review the documentation and make an exception, if justified and validated.

5. Deed of Trust will be recorded promptly after funding.

6. Private Mortgage Insurance (PMI) is required on loans with LTV greater than 80%. (NOTE: PMI requirement will not be based on race, color, religion, national origin, sex, sexual preference, marital status, age, or public assistance.)

Page 12

7. Title Insurance is required on all Real Estate Loans over \$100,000 and all purchase transactions and is optional on all other Real Estate Loans.
8. While the Board of Directors establishes all Loan to Value (LTV) limits, in no case will those limits exceed the following:
 - c. Unimproved land held for investment/speculation: 80% LTV
 - d. Construction and other nonresidential: 75% LTV
 - e. Owner-occupied residential real estate other than home equity: 95% LTV
 - f. Other residential real estate such as a second or vacation home: 90% LTV
 - g. Home Equity: 80% LTV
 - h. All other: 80% LTV

Page 13

9. Notwithstanding the 15 year maturity limit on lending transactions to members, the following maximum maturities for real estate lending transactions will apply:
 - a. Improved residential Real Estate Loans (owner-occupied, first lien): 30 years.
 - b. Improved residential Real Estate Loans (second or vacation home): 30 years.
 - c. Home Equity Loans: 20 years (second lien); 30 years (first lien).
 - d. Home Improvement Loans: 20 years.
 - e. All other Real Estate loans including Member Business Loans and Rental Homes: 15 years.

Page 15

Real Estate Appraisals or Evaluations (91.708)

2. When ordering an appraisal all orders will be placed with an Appraisal Management Company (AMC). Resource One Credit Union requires the following minimum criteria:
 - a. The individual has neither a direct nor indirect interest, financial or otherwise, in the property or transaction and be able to render an unbiased opinion.
 - b. The only communication between Resource One Credit Union and the appraiser will be conducted through the AMC only.

Page 16

C. The individual selected must possess the appropriate State certification or license for the type of business being conducted as defined in NCUA Rules Part 722.2 (i) & (j).

D. Due diligence will be performed on the Appraiser by the AMC prior to being assigned an order and ongoing evaluation will be performed to ensure qualifications remain in order.

E. An annual review of the work performed by the Appraiser will be conducted by the AMC.

3. Resource One Credit Union employees who review appraisals and evaluations will:

- d. Possess the requisite education, expertise, and competence to perform the review commensurate with the complexity of the transaction, type of real property, and market.
- e. Be capable of assessing whether the appraisal or evaluation contains sufficient information and analysis to support the credit union's decision to engage in the transaction.

4. LTV will be determined by one of the following methods:

- a. Appraisal,
- b. County or city tax assessment, or
- c. Comparable sales data.

5. In order to obtain an accurate appraisal, the following criteria will be followed:

- a. The employee, or organization, ordering the appraisal will be independent from the transaction and loan production staff.
- b. A predetermined value will not be communicated to the engaged Appraiser be that a maximum or minimum value.
- c. No person, or organization, involved in the appraisal process will be compensated for a loan consummation.
- d. No person, or organization, involved in the appraisal process will place a Condition of Continued Future Engagements on an Appraiser based on receipt of a predetermined property value.

5. All appraisals will, at a minimum:

Page 19

5. Real estate loans in which the transaction value exceeds \$250,000. Appraisal reports will be in writing and conform to generally accepted appraisal standards as evidenced by the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards board of the Appraisal Foundation, in Washington, D.C.:
 - a. Residential - Resource One Credit Union will obtain a professional appraisal report by a state certified or licensed appraiser.
 - b. Non-residential – Resource One Credit Union will obtain a professional appraisal report by a state certified appraiser.

6. Real estate loans with a transaction value of \$250,000 or less: While the services of a state certified or licensed appraiser is not necessary; Resource One Credit Union will obtain an appropriate evaluation of real property collateral. The evaluation will be supported by a written estimate of market value either performed by a qualified individual who has demonstrated competency in performing evaluations or from tax appraisal data of a governmental entity. When using tax appraisal data, Resource One Credit Union will demonstrate that a valid correlation exists between the tax assessment data and the market value, based on the following criteria, as required in NCUA Letter 10-CU-23, page 35.
 - a. Determine and document how the tax jurisdiction calculates the Tax Assessment Valuation (TAV) and how frequently property revaluations occur.
 - b. Perform an analysis to determine the relationship between the TAV and the property market values for properties within a tax jurisdiction.
 - c. Test and document how closely TAVs correlate to market value based on contemporaneous sales at the time of assessment and revalidate whether the correlation remains stable as of the effective date of the evaluation.

7. Existing Loans: In the case of renewal of a loan where there has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the real estate collateral protection after the transaction, and there is no advancement of additional funds, a written certification of current value by the original appraiser or an acceptable substitute, such as tax appraisal data of a governmental entity, will be acceptable.

8. Other Appraisal Requirements. Resource One Credit Union will also comply with applicable real estate appraisal requirements contained within Part 722 of the NCUA Rules and Regulations.

9. Providing Appraisals to Applicants: Resource One Credit Union must provide applicants for first-lien loans on a dwelling with copies of appraisals, as well as other written valuations developed in connection with the application, whether or not the applicants request copies.
 - a. Notification Requirements: After receiving the member's application, Resource One has three business days to notify the member of their right to receive a copy of the appraisal.
 - The Credit Union must promptly share copies of appraisals and other written valuations with the applicant. Promptly means promptly upon completion, or at least three (3) business days before consummation, whichever is earlier.
 - b. Content of the Appraisal Notice: Resource One's Appraisal Notice will state:
 - "We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost."
 - c. Waive Appraisal Right: The applicant can waive the right to receive copies of the appraisal or other written valuations in advance of the closing, but in those cases, The Credit Union must still deliver the copies at or prior to consummation.
 - d. No Fee for Appraisal Copy: The Credit Union cannot charge a fee for the copy of the appraisal.
 - e. Handling Loans That Do Not Close: If the Credit Union does not consummate the loan and the applicant has provided a waiver, the credit union has 30 days after it determines that the loan will not consummate to send the applicant a copy of the appraisal and/or other written valuations.
10. Crediting Payments: The Credit Union will credit all mortgage loan payments as of the date of receipt, except when a delay would not result in any charge to the member or in the reporting of negative information to a consumer reporting agency.
11. Providing Loan Payoff Statements: The Credit Union will provide a loan payoff statement within seven (7) days of a member's request. Prior to delivering this statement, the credit union will take reasonable measures to verify the identity of those purporting to act on behalf of a member, and will obtain the member's authorization to release information to any such persons before the seven day

timeframe begins to run.

12. Error Resolution: The Credit Union will create procedures to comply with 12 CFR 1024.35 and the requirement to acknowledge in writing within five days a notice of error from a borrower. The credit union will correct an error within 30 days unless it is concluded after a reasonable investigation that no error occurred and notify the borrower of that finding.
13. Force-Placed Insurance: The Credit Union shall not charge a borrower for forced-placed insurance coverage unless it has a reasonable basis to believe the borrower has failed to maintain hazard insurance, as required by the loan agreement, and has provided required notices.
16. Title Companies – was deleted.

Page 27

Delete under c. #8

Page 28

Delete under #12 a. i

Page 29

e. Construction loans in excess of \$1.5 million may require the use of a construction management firm depending on the nature, size and complexity of the project. They will perform a budget review, provide a performance

Page 38, 39, 40

Re-numbering

Page 42

Participations – Commercial Real Estate

1. Resource One concentrates on the development of commercial business in its trade area. Lending relationships are intended to be relationship oriented, not transaction oriented. From time to time it may be in the Credit Union's

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- interests to enter into transactions with other financial institutions in order to accommodate the needs of larger borrowers, diversify geographic risk, and reposition the balance sheet to increase liquidity or to acquire additional earning assets. These transactions may be in the form of a Loan Participation.
2. A Commercial Real Estate Loan Participation is the sale or purchase of ownership interests in a single loan between two or more financial institutions. Participations purchased will be within Texas or 150 miles of our branches.
 3. When purchasing a Participation it is important to determine if the Lead Lender, CUSO or other servicing entity have adequate experience in the effective servicing of Participation Loans. Therefore prior to considering a purchase offer, the Director of Commercial Lending or his/her designate, will collect and review the selling institution's due diligence package (financial reports, sample loan activity reports, resume's, etc.), obtain references and meet with key members of the selling institution's staff. It is expected that the selling institution have a minimum of 5 years' experience selling and servicing Participation Loans.
 4. Resource One requires that all commercial real estate participations purchased or sold be on a pro-rata basis. When purchasing a Participation the CU will expect the lead lender to retain a minimum of 10% of the loan request. Additionally, any purchase by the CU will be for 25% of the loan as a minimum, subject to the portfolio limitation below. Therefore, no Participations are to be purchased or sold on a last-in, first-out basis. All commercial real estate participations sold will be without recourse. In the event of a sale, the Director of Commercial Lending or his/her designate will provide potential participants complete information to enable those institutions to make an independent evaluation. No subjective representations are to be made to the participant regarding the quality of the credit.
 5. When Credit Union considers purchasing a Participation, the CU must obtain complete information from the selling bank. The underwriting process is to mirror Credit Union's due diligence for all of its own credits.
 6. Participations must be purchased in credits that meet the terms of the CU's policy. The credit analyst may consider information such as the Lead Lender's write-up, however he/she will prepare a complete independent credit

write-up. In addition to the normal credit analysis, the CU will obtain copies of all pre and post-closing loan documentation. These documents will be reviewed, pre and post-closing, by the Commercial Lending Manager or the Director, and where appropriate, by the CU's legal counsel as well. For Commercial Real Estate transactions, an independent site inspection will be performed prior to approval.

7. All Commercial Real Estate Participations, purchased or sold, must have a participation agreement outlining expectations of the seller and buyer regarding servicing of the credit. Key elements of the agreement will include:
 - The selling institution will provide required financial and other information received from the borrower during the life of the loan in compliance with regulation and the Member/Borrower's specific Loan Agreement.
 - The selling institution will diligently service the credit to protect the interests of Resource One.
 - The selling institution will promptly distribute any payments received from the borrower to Resource One.
 - The selling institution will provide timely notification to Resource One in the event of any default by the borrower.

8. All Commercial Real Estate Participations purchased will be managed by the Commercial Lending Manager. Participations purchased will be limited to a total of \$ 4 Million Dollars per fiscal year and to a maximum of \$ 2 Million Dollars per transaction.

Participations – Auto Loans

1. The Credit Union recognizes the value of auto loan participations in maintaining member service and/or improving financial performance. During periods of low loan demand, the Credit Union will consider purchasing interests in other institutions' auto loan portfolios as a means of increasing yield.

2. All loan participation activities will be conducted in compliance with applicable state and federal regulations, within portfolio limitations of the approved loan policy, and in accordance with Asset Liability Management policy and strategy.

3. The borrower must be a member of the Credit Union, or of another participating credit union before the loan participation is made.

4. The risk assumed by the Credit Union through a loan participation should be comparable to the risk it assumes through its normal business practices. Care should be taken to ensure that underwriting procedures, agreements, and future oversight practices of participation partners are handled with the same consideration as other Credit Union lending activities.
5. The Credit Union will ensure that adequate systems are in place to account for the loan participation transaction before an agreement is executed. The Credit Union will retain all loan participation records and documents in accordance with applicable record retention requirements for loan records.
6. When Credit Union considers purchasing a Participation, the CU must obtain complete information from the selling institution. The underwriting process is to mirror Credit Union's due diligence for all of its own credits.
7. Participations purchased must meet the terms of the CU's policy. The credit analyst may consider information such as the Lead Lender's write-up, however he/she will prepare a complete independent credit write-up. In addition to the normal credit analysis, the CU will obtain copies of all pre and post-closing loan documentation. These documents will be reviewed, pre and post-closing, by the Chief Lending Officer, Manager or the Director, and where appropriate, by the CU's legal counsel as well.
8. Concentration and Geographic location Restrictions
 - a. The aggregate total balances of auto loan participations purchased will not exceed 25% of the Credit Union's net worth.
 - b. Auto loan participations purchased from one originating lender: Will not exceed the lesser of \$11,000,000 or 25% of the Credit Union's net worth.
 - c. Credit Quality – To reduce credit risk, the auto loan participation purchased must have a weighted average credit/FICO score of 720 or more
 - d. Geographically restriction – All auto loans within the participation which makeup participations purchased are restricted to the State of Texas.

Page 56

Attachment A

LOAN AUTHORIZATION LIMITS

Board of Directors

Up to State Charter prescribed limits for all classifications

	Consumer	Real Estate	Commercial	Unsecured Consumer	Unsecured (All other loan classifications)
Loan Committee	\$1,000,000	\$2,000,000	\$ 4,000,000*	\$250,000	\$250,000
President/CEO/CFO	\$1,000,000	\$2,000,000	\$0	\$100,000	\$0
COO	\$1,000,000	\$0	\$0	\$100,000	\$0
CLO	\$ 1,000,000	\$1,500,000	\$ 500,000	\$ 200,000	\$ 200,000
Director of Commercial	\$750,000	\$ 1,000,000	\$ 500,000	\$ 200,000	\$ 200,000
Director of Real Estate	\$500,000	\$1,000,000	\$0	\$100,000	\$100,000
Consumer Loan Manager	\$750,000	\$0	\$0	\$50,000	\$0
Asst. Real Estate Manager	\$500,000	\$500,000	\$0	\$25,000	\$0
Underwriter - Consumer	\$125,000	\$0	\$0	\$25,000	\$0
Underwriter - Real Estate	\$0	\$500,000	\$0	\$25,000	\$0
Director of Sales & Service	\$50,000	\$0	\$0	\$5,000	\$0

**Commercial loans exceeding \$2,500,000 will require ratification from the board of directors*

Page 57

Footnotes:

1. **Net Worth Ratio** - "Total Reserves + Undivided Earnings / Total Assets"
2. **Regulatory Maximum MBL Limit** – The lesser of "12.25% X Total Assets" or 1.75% of Net Worth.

Revised: February 2019

Ratified: April 2019

3. **Risk Rating Grade** - Individual MBLs are assigned a “Risk Grade” ranging from (1 – 9). A risk grade of “1” indicates that a strong borrower with little or no default risk. A risk grade of “9” indicates a MBL that is nearing charge off status.

Page 63

Re-numbering

Page 70

Lending Powers (91.701)

Section 9, Added Bullet F (page 6) – Added “Unsecured Home Improvement Loans (Fully Insured)” with the 180-month maximum term.

Section 9, Bullet H (page 6) – Corrected language to “Revolving, however, lines will be reviewed every two years to ~~insure~~ ensure underwriting criteria is met.”

Lending Powers (91.701)

9. Maximum terms for each type of loan, except real estate and commercial loans, are:

- | | |
|--|---|
| a. Boat, RV and Aircraft: | 180 months |
| b. Automobile: | 84 months |
| c. Motorcycle: | 60 months |
| d. All other collateralized loans: | 60 months |
| e. Unsecured loans; | 60 months |
| f. Unsecured Home Improvement Loans (Fully Insured) | 180 months |
| g. Lines of Credit: | Revolving, however, payments must be sufficient to amortize the outstanding balance over a reasonable period of time and not cause negative amortization. |
| h. Credit Cards: | Revolving, however lines will be reviewed every two years to insure ensure underwriting criteria is met. |

Date Revised: December 2018
Date Approved: December 2018

Lending Powers (91.701)

Section 3 c. (page 4) - Added Debt to income (DTI) ratio to underwriting standards. This is a prominent metric used in underwriting. Should provide more structure for underwriters.

Section 3 c. 4) (page 4) – Omitted. DTI parameter added to underwriting guidelines. Escalating unsecured debt was a too subjective.

Section 5. a. & b. (page 5) – Using a more conservative valuation basis. Should help reduce losses on vehicle repossessions.

Paragraph following Section 5 e. (page 5) – LTV reduced from 150% to 140% to be a little more conservative without impeding backend product sales. Should help reduce losses on vehicle repossessions.

Real Estate Lending (91.704)

Section 1. (page 9) – Added the government mortgage loan products that Resource One Credit Union offers or will offer.

Section 7. (page 11) – Added language that provides more guidance with respect to property lien status for loans less than or equal to \$100,000.

Section 10. (page 11) – Corrects an omission of the word “Delinquent”.

Section 12. b. (page 12) – Our mortgage department has been approved for construction loans up to 90% LTV by several mortgage insurance companies. This will make us more competitive in that market.

Section 14. d. (page 12) – Loans sold to the FHLB Bank through the Mortgage Partnership Finance (MPF) Original Program carries a small amount of recourse. This credit risk is manageable and does not pose an unacceptable risk to the credit union.

Real Estate Appraisal or Evaluations (91.708)

Revised: February 2019
Ratified: April 2019

Section 4. d. (page 16) – Added an additional valuation source approved by the NCUA.

Section 7. (page 17) – Added an additional valuation source approved by the NCUA.

Section 8. (page 18) – Added an additional valuation source approved by the NCUA.

Member Business Loans (91.709)

Section 5. (page 23) – Provides more guidance concerning guarantees when lending to nonprofit organizations such as churches and charitable organizations.

Section 26. A. bullet point 2 (page 34) – Increased LTV from 75% to 80% for non-owner occupied single-family rental real estate. This makes us comparable to our competition.

Section 28. (page 36) – Added annual review language to address recent exam criticism.

Business Credit Cards

No changes were made to this section. The position of this information was moved to the MBL section of the policy.

Purchase and Sale of Member Loans (91.711)

Sections 1. & 2. (page 46) – Provides guidance and rationale for the sale or purchase of loans.

Default Insurance (91.721)

Section 1. Provides guidance and rationale for the use of default insurance in consumer lending. This should reduce losses in the lower credit tiers and enable the credit union to continue to service that segment of the membership.

Exceptions to General Lending Policy (91.715)

Section 1. c. (page 47) – Added CLO to share responsibility.

Section 6. (page 49) – Since this is lending related the CLO would probably be a better person to report this than the CEO.

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Date Approved: February 2019

Lending Powers (91.701)

Section 3. c. (page 4) – Omitted factors evaluated section. Since we are using Debt to Income, the section was unnecessary.

Section 3. d. (page 4) – Added the ability to loan exceptions to be made with approval of Assistant Manager or higher.

Section 5. Last paragraph (page 4) - Added LTV Exceptions may be made with approval from an Assistant Lending Manager or higher.

Real Estate Lending (91.704)

Section 12. a. through g. (page 12) – Re-worded section to mirror language used in the Texas Administration Code §91.704 (c).

Section 11. Commercial Term Loans - Added Commercial Leases for fleets, equipment and heavy machinery.

Indirect Financing of Motor Vehicles and Other Chattels (91.713)

Section 1. through 9. (page 47) - Added language to permit and provide general guidance for indirect lending.

Leasing (91.714)

Section 1. through 10. (page 48) - Added language to permit and provide general guidance for the lease program.

Attachment A (page 59) Loan Authorization Limits- Added limits for Assistant Manager.

Attachment A

Assistant Loan Manager Limit page 58 - Increase limit to \$200,000 (previous \$125,000) secured consumer to \$30,000 (previous \$25,000) unsecured consumer.

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