

Community Plus Federal Credit Union  
Emergency Loan Policy  
March 1, 2007

## I. PURPOSE

This product is an alternative to payday lenders for members facing an emergency situation. Payday lenders offer short term loans to people at exorbitant rates of interest. By allowing borrowers to “roll-over” the loans for a fee these lenders extract more in fees than was borrowed in a relatively short time. These lenders financially exploit the borrower, while at the same time fostering bad financial habits. In order to help keep our members out of this cycle the credit union is offering an emergency loan program.

## II. RISK LIMITS

The total outstanding balance of these loans is limited to \$15,000. This limit is subject to change by the Board of Directors. These loans will be assigned a unique loan type and purpose code in order to facilitate tracking.

## III. TERMS

- A. Maximum amount loaned is \$500.
- B. The purpose of this loan is to meet a financial emergency. The loan officer should ask sufficient questions to ascertain that the need exists, and note the nature of the need. The loan officer has the right to request documentation from the member to substantiate the need. However, such documentation is not required by this policy and is at the discretion of the loan officer.
- C. Repayment terms may be either as a single-pay balloon or monthly payments of up to 6 months. Single-pay balloons are for a maximum of 30 days with one extension allowed. They may be converted to a monthly payment loan.
- D. No additional security will be required. The standard loan contract will be used which provides for cross-collateralization and a lien on shares.
- E. An application fee of \$20 will be charged at the time of application to offset costs associated with processing the loan.
- F. The interest rate will be 18% APR.
- G. There must be a 30 day waiting period between paying off an Emergency Loan and the granting of a new one. This does not prevent a member from applying for any other type of loan, subject to the guidelines of those loans.
- H. Only one Emergency Loan may be outstanding at any one time to a member.
- I. No member shall be granted an Emergency Loan if they are joint owners with another member on an account that has an Emergency Loan. No member shall be granted an Emergency Loan if they are a joint borrower or cosigner on any loan with another member that has an Emergency Loan. Only one Emergency Loan will be granted per household (defined as adults living at the same address).

Community Plus Federal Credit Union  
Emergency Loan Policy  
March 1, 2007

#### IV UNDERWRITING

- A. A credit check is not required for underwriting, other than to verify the applicant has not filed bankruptcy in the last year. Credit reports will be used in order to obtain information for analysis of the program. Also, credit reports may be used for counseling purposes.
- B. Primary applicant must have been a member of the credit union for six months.
- C. Joint applications will be accepted.
- D. Debt ratios are not to be calculated for underwriting purposes.
- E. Applicant must have been employed with current employer for last six months.
- F. Minimum gross monthly income per household is \$1,000. Proof of income must be submitted or directly verified.
- G. If available, direct deposit of payroll is required. If direct deposit is not available from the employer, the loan officer may waive this requirement.
- H. Valid work and home phone numbers must be provided. If the applicant does not have a home phone number they must provide information on two close family members with valid home phone numbers.
- I. Applicant can not have filed bankruptcy or had debts discharged in bankruptcy in the past year.
- J. Member can not have any delinquent loans, overdrawn shares, or have caused a loss to the credit union. Previous problems with collecting on past due loan payments or negative shares at this credit union may also be grounds to deny an application.
- K. Applicant cannot be participating in Consumer Credit Counseling.

#### V. COLLECTIONS

These loans are to be monitored for delinquent accounts. More vigorous collection practices than those required in the Delinquent Loan Policy should be followed. Greater emphasis should be placed on personal contact than on collection notices or letters.

#### VI. OTHER GUIDELINES

This policy may conflict with other portions of the credit union's lending and collections policies. Provisions of this policy supersede other credit union policies where conflicts exist.