

## **HOME EQUITY LOAN POLICY**

### Home Equity Line of Credit (HELOC)

HELOC is a credit line secured by the equity in the member's 1-4 family property that may be owner occupied or non-owner occupied. Equity is determined by comparing the appraised/market value to the current debt against the property.

The maximum available line of credit is established by following the real estate valuation policy. The maximum LTV is determined using the Fair/Isaac Credit Scoring matrix, along with the established value.

FICO >700	92% LTV
FICO 671-700	85% LTV
FICO 640-670	80% LTV
FICO 600-639	75% LTV
FICO 600<	75% LTV

Members within 10 points of a higher category, and at least three years of loan history with Connections, and no delinquency, can be moved to the higher category.

### **QUALIFICATIONS:**

The General Loan Policies of Connections Credit Union will be followed. The maximum debt to income ratio will follow the same parameters as outlined in the Lending Policy. HELOC approvals are subject to Lending Authority per Addendum A of the Lending Policy.

HELOC loans over \$50,000 with LTV greater than 80% and in second lien position must be reviewed and approved through the Loan Review Process, Credit Manager, CLO or CEO.

Home equity lines over \$100,000 must be approved by the Credit Manager, CLO or CEO. Home equity lines over \$150,000 must be approved by the CLO or CEO.

The minimum line of credit will be \$5,000.

Exceptions to these limits may be granted with approval of the CEO or CLO.

A future advance request form will be signed at loan closing by all borrowers for all subsequent advances and will be stored for reference in the loan docs in Forza.

### **MODIFICATIONS (CHANGES TO THE REVOLVING DEED OF TRUST AND DEED OF TRUST NOTE):**

A modification to a Deed of Trust should be treated as a new loan request with the same disclosures, documents, and processes for keying in FORZA as a new loan, the only exception would be the Deed of Trust. For a modification a DOT should be recorded with a modification. The original DOT that secures the CU lien should remain and not be reconveyed.

## **ANNUAL PERCENTAGE RATES:**

ALL HELOC's are variable rate and are adjusted on Jan. 1, April 1, July 1, and Oct. 1. The rate for home equity loans is indexed to the Prime Rate as published 20 days prior to the quarterly rate change date. The final rate is determined by adding the index (prime) and the margin together, as shown in the table below. The margin is determined by credit score. A floor rate (4.50%) and ceiling rate (15%), as set by the Board of Directors, will be used for all Home Equity loans. The maximum (ceiling) rate may not exceed the maximum APR allowed by the national Credit Union Administration or State of Idaho at the time of each adjustment.

The index represents the Prime Rate as published in the Wall Street Journal 20 days prior to the end of the quarter.

<u>FICO RANGE</u>	<u>INDEX</u>	
	<u>PRIME</u>	<u>MARGIN</u>
above 700	Prime Rate	0%
671-700	Prime Rate	1%
640 -670	Prime Rate	2%
600- 639	Prime Rate	3%
below 600	Prime Rate	4%

## **REPAYMENT:**

During the initial draw period of seven years, payments will be calculated at 1% of the outstanding balance or with a minimum payment of \$100, whichever is greater. Following the initial seven-year draw period, the remaining balance will be set to a fixed term not exceeding 15 years determined by the dollar amount. The following schedule will be used to determine the length of the fixed term:

\$5,000-\$99,999.99	120 Months
Over \$100,000	180 Months

## **PROCESSING EXPENSES:**

Fees shall be paid by the Credit Union unless otherwise declared by the Board of Directors. If other documents are required based on credit criteria or requested by the member, those expenses such as appraisal and title insurance fees are paid by the borrower.

Debt Protection is offered to Home Equity borrowers but is never to be a requirement for approval of the loan.

Homeowners Insurance must be obtained by the borrower and show the Credit Union's interest or will be ordered at the members expense from a collateral insurance company tracking the loan.

Reconveyance costs are paid by the credit union when the loan is paid in full and closed.

### **APPRAISALS:**

Adequate property valuations must be completed following requirements outlined in the Real Estate Valuation Policy.

HVE/AVM – Online Values – Credit Union pays for this value. Use Market Value/Mid.

700+ FICOs with CEO or CLO review and approval may use Estimated High Value instead when approved.

A Property and Condition Report is required to accompany HVE/AVM online values and is paid for by the Credit Union.

Any additional value outside of HVE/AVM is paid for by the member.

Property and Condition Reports are not required to accompany Value Net Plus or Appraisal values.

### **DOCUMENTS:**

A basic credit report may be used. If the loan officer needs further information a Closed End Mortgage credit report may be ordered.

Pay stubs or taxes may be used as proof of income. Verification of Income may not be waived on a HELOC: no stated income.

A flood determination and coverage shall be requested for coverage required by government regulations to track for the life of the loan.

A lot book investigation or D&E Report is the minimum required for all home equity loans. At the discretion of the loan officer or management, a full title search and/or title policy may be required based on information obtained in the approval process or furnished by the member. A full title policy may be required.

The revolving Deed of Trust and all other necessary documents shall be signed and then recorded. A modification of the Deed of Trust also requires the three day Right of Rescission to

be enforced. The three day Right of Rescission will not include weekend or holidays. The date the documents are signed will not count as a full day for the Right of Rescission period.

**APPROVALS:**

Faxed, emailed, or electronically signed copies of documents other than applications, and proof of employment may not be used unless they can be notarized and fully documented. The Deed of Trust and any other title work will always require a notary. Signatures on all documents that are not signed in the Loan Officer's presence must be notarized when signed.

Electronic signatures with signature pads are allowed when signed in the presence of the lender. Notarized documents require a wet signature unless the notary is certified to notarize electronically.

**DENIALS:**

Members, whose loans have been denied, must be informed in writing within 30 days of receipt of the application on the proper forms.

**MISCELLANEOUS:**

Lenders processing Home Equity Line of Credit loans shall have a clear understanding of the lending process. All Lenders processing or approving HELOC requests are required to have a NMLS#.