

## Loan Meeting Notes

June 16, 2022

Next planned meeting date: Thursday, July 18, 2022

- **Welcome back to Anna:** Many of you might remember Anna from working in the Meridian branch. She's back! 😊 She's been working remotely part-time as a Buyer for the Indirect Department and we are grateful for her help.
- **Welcome to Boe:** Welcome Boe to the lending team! He's been a teller in the Olympus branch and is making the move to MSR II and will be adding lending to his list of talents and knowledge. He's going to be great!
- **Interest Rates:** The Fed raised the Federal Fund rate, which is tied to the Prime Rate, from 4% to 4.75%. Therefore, our interest rates increase today. They were emailed out and last night and are available on the intranet. See [Stephanie's email](#) at the end of these notes for a quick explanation on the Fed Rate.
  - **HELOC Rates:** HELOC rates can change every quarter: January 1<sup>st</sup>, April 1<sup>st</sup>, July 1<sup>st</sup>, and October 1<sup>st</sup>, based on the Prime Rate 20 days before the quarterly date of the change. Because the rate was not changed before 20 days before July 1<sup>st</sup>, the variable rate for HELOCs will only be changing to 4% on July 1<sup>st</sup>.
  - **VISA Rates:** Visa rates can change twice a year: April 1<sup>st</sup> or October 1<sup>st</sup>, based on the Prime Rate on March 20<sup>th</sup> and September 20<sup>th</sup> respectively. The Prime Rate for Visas will stay at 3.5% until October 1<sup>st</sup> and then will change to whatever the rate will be as of September 20<sup>th</sup>.
- **Manufactured Homes:** Manufactured Homes that are in a trailer park or on leased land are not eligible for loans with Connections. We will only do loans on MHs if they are on a permanent foundation and declared real property, which cannot be done if the owner of the MH does not own the land it is on as well. This includes MHs that are on Tribal grounds.
- **Lender Close Slides:** Lindsay K made some slides for how to navigate Lender Close! Thank you, Lindsay! They will be available on the HELOC page of the Intranet.
- **Debt Ratio with Debt Protection:** If a member's debt ratio qualifies before we add Debt Protection, GAP, or MRC, but it is over the allowable debt ratio limits AFTER the back-end products are added, the loan can still be approved. We cannot deny the members the back-end products that we offer. Therefore, as long as they qualify without the back-end products, we can still approve the loan and allow them the back-end products.

- **Freeze Comments:** Remember to add an expiration date to the comments that are automatically generated when we add or remove a freeze from a member's account. If there is not an expiration date, those comments stay on the account until someone deletes them, which can sometimes be a LONG time later.
- **Address Comments:** Also, when making a change to a member's address, remember to select "Closed" on the comment box that pops up when making a change to a member's information, so it does not generate a comment on the account, especially if all you are putting in the comment is a period. If you forget to select closed, make sure to delete the comment that will show up on the account.

**Red Flag**

Red Flag Information

Status  
 Inactive  
 Active  
 Inactive  
 Closed

Expires On 06/17/2022

Description  Add Document

Verifications Performed

Do Not Generate Notice

Accept

- **GAP terms:** GAP covers up to 120% LTV and an 84-month term. What this means:
  - **Over LTV:** If an auto loan is done with a final LTV of 125%, GAP will re-amortize the loan for a 120% LTV loan and base their payoff off the difference of the insurance payment and what the balance would be at the time of the GAP claim if the loan had been done at 120% LTV with on-time payments. If the member has been paying extra each month and on time, their balance will most likely be under the amortized balance and they member might not have to pay anything. If they were paying late or only minimum payments, then they might have to pay a little after the GAP payment.
    - **Example:** A \$25,000 loan is done at 125% LTV and the member does a claim in month 38. Figuring the member has paid the minimum payment on the due date each month, the loan balance at month 38 is \$14,764.49. CUNA will amortize the loan for at 120% LTV and base their payoff assuming a loan balance in month 38 of \$14,174.03. This could possibly leave the member paying the difference of \$590.46.
  - **Over Term:** Similarly, if an RV loan is done at a term over 84 months, then CUNA will re-amortize the loan for an 84-month term and base their payoff by what the balance would be if the loan had been an 84-month term.
    - **Example:** A \$20,000 loan is done at 120 months and the member does a claim in month 38. Figuring the member has paid the minimum payment on the due date each month with the 120 months term, the loan balance at month 38 is \$14,709.89. CUNA will amortize the loan for an 84

month term and base their payoff assuming a loan balance in month 38 of \$11,811.46. This could possibly leave the member paying the difference of \$2,898.43.

- **GAP and Skips:** Our GAP policy allows for up to 6 credit union authorized skips per the loan period. Any more than 6 skips could affect the amount of the GAP benefit but does not cancel the GAP coverage.
- **Extensions for Back End:** Auto terms of 84 months cannot be extended for back-end products. RV terms of 120 months cannot be extended for back-end products. ANY term over 120 months for RVs needs to be approved and signed on by the CEO or VP of Lending.
- **Lender Close PCR Times:** The Boise, Twin Falls, and Heyburn areas have been taking much longer than usual to complete Property Condition Reports, and sometimes ask for an increased fee. Their vendor is experiencing the same staffing problem that everyone else is and has not been able to find agents to complete these PCRs for us. The other problem is that they are not communicating with us about these delays in a reasonable amount of time, sometimes up to 8 days after the order! Stephanie will be meeting with our representative from Lender Close to hopefully find a solution to this. In the meantime, please communicate with the members in the application process that the reports are sometimes taking longer than normal and therefore their closing might be a couple weeks out.

**From:** Stephanie Tocher

**To:** Supervisors; Anali Ayala; Andrea Prado; Anna Hill; Brian Osberg; Brooke Hoover; Cass Wilcox; Cori Lawson; David Chapman; Dee Murphy; Evelyn Fox; Gary Motzner; GinGar Lancaster; Jade Banks; Jamie Reynolds; Jamie Simmons; Jeremy Dudley; Jimelle Kinney; Jordy Riddle; Karissa Farnham; Krissy Lemoing; Lacey Temple; Laura Howard; Lindsay Kiernan; Logan Schmidt; Makayla Williams; Maria Smith; Michael Torres; Misty Kerr; Patty Deluna; Randi Irick; Rhonda Ellsworth; Rosa Pardo; Rusty Vitek-Pusey; Sandra Sanders; Shannon Lord; Stephanie Tocher; Tami Lewis; Tara Peterson

**Subject:** Interest Rates Info

**Date:** Wednesday, June 15, 2022 4:25:07 PM

Hi Team,

I just wanted to share some information with you all this afternoon about Interest Rates, we can discuss this more in our meeting tomorrow morning. We will also be discussing our variable rate loans (VISA & HELOC) tomorrow and how they will be affected.

The Feds announced an increase in its Federal Funds Rate today of .75%.

Prime Lending Rate will move to 4.75% from 4.00, effective tomorrow, June 16, 2022.

This marks the largest one-time increase since November 1994.

### Ratings Methodology

What's included? The federal funds rate is the primary tool that the Federal Open Market Committee uses to influence interest rates and the economy. Changes in the federal funds rate have far-reaching effects by influencing the borrowing cost of banks in the overnight lending market, and subsequently the returns offered on bank deposit products such as certificates of deposit, savings accounts and money market accounts. Changes in the federal funds rate and the discount rate also dictate changes in The Wall Street Journal prime rate, which is of interest to borrowers. The prime rate is the underlying index for most credit cards, home equity loans and lines of credit, auto loans, and personal loans. Many small business loans are also indexed to the Prime rate. The 11th District Cost of Funds is often used as an index for adjustable-rate mortgages.

### What is the historical fed funds rate?

The Federal Reserve tends to keep the fed funds rate within a 2.0% to 5.0% sweet spot that maintains a healthy economy, but there have been exceptions. There were times in history when the nation's benchmark rate was increased well above the sweet spot to curb runaway inflation. It's also dipped well below 2% to stimulate economic growth.



See you all in the morning!

Stephanie

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