



217 Xenia Avenue • Yellow Springs • Ohio • 45387 • (937) 767-7377

YS COVID-19 Emergency Loan Assistance Program: Individuals

Summary: 3-26-2020

Purpose: Through a partnership between YS Federal Credit Union (YSCU) and Yellow Springs Community Foundation (YSCF), an EMERGENCY LOAN PROGRAM is made available to residents of Yellow Springs and Miami Township impacted by COVID-19. This low-rate loan program is for those who have had income reduction or other interruptions to their budgeting process and as a stop-gap until other governmental and agency funding solutions can be made by the resident. Loan funds can be used to cover expenses related to COVID-19. Loans will be made by YSCU and fully share-secured by funds owned by YSCF and on deposit at YSCU. These micro loans will be available regardless of credit score, and they will have no application fee, and no payment until July 1.

Initial Scope: An initial amount of \$50,000 in shares owned by the Yellow Springs Community Foundation, on deposit at YSCU, will be pledged as collateral to secure up to the same amount in loans granted to individuals who meet the purpose of the program as stated in the above section.

Vision for Future Scope: It is possible that the pledged amount of shares could increase through additional deposits owned by YSCF, or by additional depositors pledging shares for this purpose. In such case, the ability to make additional loans to help additional applicants is possible.

Share-Secured Funds: One hundred percent of the total pool (initially \$50,000) will be comprised of shares on deposit, pledged as collateral, and owned by YSCF. The pledged funds are insured deposits through the NCUA according to all insured account terms of NCUA. Funds become available for withdrawal when the parties (YSCU and YSCF) agree to cancel the revolving loan fund program AND all loan balances are paid in full. With agreement of both parties at any given time, funds on deposit in the share security account(s) can be withdrawn incrementally as the total of outstanding balances reduces. Deposits earn regular dividends for the deposit product selected, but are subject to transfer to secured loans if the loans become delinquent 57 days or otherwise are in default. At all times, the pledged deposits will be equal to, or greater than, the outstanding payoff balances of all guaranteed loans in the program.

Privacy and Communication Between All Parties: Borrowers, guarantors, and the Credit Union recognize that to be successful in accomplishing the goals of the program, communication is important. While all parties commit to protecting the privacy of all involved according to the Payment Guaranty, legal requirements, and internal privacy commitments to members and clients, it is important to know that personal information about participation in the program may be divulged to various parties. Listings of those individuals and organizations making the program possible through contributions to the share pool and/or administration contributions, risk absorption and more, may be made available for public notices, news releases, trade articles etc. as agreed upon between the contributor and YSCU.

Borrower names and any information in the loan file may be released to YSCF as needed regarding loan information involved in the guarantee commitment. Sharing of information is per the language in the Guaranty Agreement and according to the confidentiality sharing agreement signed by the borrower at the loan closing. Encouraging the borrowers to allow their stories to be told is important to the future of the program. Necessary privacy forms and releases will be included as initial paperwork at entry into the program. The Credit Union and YSCF will be the only parties having access to individual borrower information other than names as permitted by the borrowers for marketing testimonials for the program.

The amount of contribution to the share pool by each contributor will remain confidential between YSCF and the Credit Union. Status reports will be provided to YSCF as requested and permitted based on privacy laws. Reports may include statistics of the program including, but not limited to, the number and amount of loans outstanding, the payment dates and delinquency status, and loss history of the loans.

Credit Union Membership: Each borrower must be a member of YSCU prior to receiving loan disbursements. Approved borrowers may join at the time of loan closing if not already a member. Joining is simple, and only involves signatures for disclosures and account agreement, information about products and services, and collection of \$5 share deposit which remains theirs.

Eligible Applicants: Current residents of Yellow Springs, of legal contract age of 18, having been impacted by COVID-19 in a manner affecting their personal finances are eligible to apply.

Compliance to Laws and Regulations: All loans will be reviewed, disbursed and collected according to all applicable laws and regulations as with any loan made by the Credit Union. The same notes and loan documents will be utilized as with other Credit Union consumer loan documents with the exception of any added forms noted in the program procedures and information contained

herein. A payment Guaranty Agreement will be signed by both YSCF and YSCU to clarify the guarantee agreement being made towards the loan balances.

Loan Terms: Loans will be disbursed with the following combination of terms tailored to each borrower:

- Maximum loan per borrower household is \$1,500 or the total determined by YSCU as necessary and related purposes (whichever is less). Amounts greater than the program maximum may be approved as an exception, in writing, by YSCF.
- It is not required for an applicant to have collateral or cosigners in order to qualify for the loan. The payment Guaranty between YSCF and YSCU is the guaranty that the loan balance will be repaid. The loans are approved on a first come, first served basis until the available collateral shares are depleted or until YSCF or YSCU decide to terminate the program.
- Amounts due creditors or service providers, etc., are paid directly from loan disbursements.
- Maturity can extend to December 31, 2021, and no payment is due until July 2020.
 - Interest accrued between the loan date and December 31, 2019 will be paid for by the Foundation.
 - Loans extending beyond December 31, 2020 will be assessed interest beginning January 1, 2021 - payoff date
- No prepayment penalty exists in the loan agreements, so YSCU should encourage borrowers to repay as quickly as they can out of courtesy to others who may be waiting to borrow from the fund.
- Automatic loan payments will be required (transfer from share account to the loan once per month) whenever possible.
- Direct Deposit should be encouraged when possible; and when the employer does not offer direct deposit the borrower should be asked to consider cashing payroll checks here at the Credit Union. This establishes a closer relationship with the borrower and ensures first funds pay the special loan.
- A fixed, simple interest rate will be charged on the closed-end notes and the rate will be calculated based on the current share-secured loan rate offered at the Credit Union minus a $\frac{3}{4}\%$ discount, with a floor of 2.75%.

Additional Agreements Between Parties: YSCF may ask YSCU to collect client/borrower signatures on agreements between YSCF and the borrower only. In such cases, YSCF agrees to deliver the documents to the Credit Union prior to the client's loan closing with written instructions to obtain signature on which specific documents. YSCF agrees that YSCU acts only as a witness to the signatures and is not responsible for the content or consequence of any such form.

Collection Actions: The Credit Union agrees to attempt to collect all balances due, up to 57 days delinquent, according to the terms and conditions of the

consumer notes signed by the debtors before transferring money from the share security pool to the loan balance. Collection efforts include computer-generated late notices to all signers upon the loan reaching 10 days past due. In addition, the Credit Union's collection staff will work each account with efforts appropriate for each case and will include, at a minimum, phone calls, personal letters, face-to-face counseling and payment arrangements. Since YSCU has a payment Guaranty with YSCF to collect unpaid payments and balances due, no legal or further collection action will be initiated unless the payment Guaranty would not pay the amounts due. YSCU is willing to cooperate as legally permissible with YSCF in recovering funds paid to delinquent loans by the pool. All collection correspondence and activity is solely from YSCU, and YSCF shall not act in any manner to be considered a debt collector. Defaulted loans may be reported to credit bureaus while good payment history will be reported.

Marketing, Promotion, Public Relations, Talking Points and Authorization to Speak on Behalf of the Parties to the Program: The Credit Union AND YSCF agree to work together in marketing the program and realize that increasing the share fund via additional deposits will add to the success of the program. Both parties agree to share public communications about the program prior to releasing data.

Sample Loan Terms as of 3-18-2020 (subject to change):

- Maximum \$1,500 per household
- All loans can extend until December 31, 2021; there is no penalty for early pay-off which is encouraged to redirect funds to help others
- First payment due in July 2020, but can be paid anytime sooner (in full or as payments) at member's discretion
- Rate = YSCU current share rate discounted by $\frac{3}{4}\%$ with a floor of 2.75% beginning January 2021
- Funds available in about 1 hour within application

For a Loan Contact

YS Federal Credit Union

937-767-7377

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