

emPowerSBC
Santa Barbara County Residential
Energy Efficiency Loan Program

Energy Efficiency Loan Loss Reserve Agreement

Santa Barbara County

and

CoastHills Federal Credit Union

August __, 2011

**ENERGY EFFICIENCY LOAN
LOSS RESERVE AGREEMENT**

This Energy Efficiency Loan Loss Reserve Agreement ("Agreement"), dated August __, 2011 is entered into by and between:

Santa Barbara County a political subdivision of the State of California ("Santa Barbara County" or "County"); and CoastHills Federal Credit Union, a Federally Chartered not-for-profit financial cooperative, headquartered in Lompoc, California ("CoastHills") (separately a "Party" and together the "Parties").

Recitals

- A. Santa Barbara County through its emPowerSBC Program (the "Program") is joining together with CoastHills to implement a residential energy efficiency retrofit financing program, to market, facilitate, and finance energy efficiency retrofits for single family residential structures throughout Santa Barbara County; and
- B. Under the Program, energy efficiency retrofits include, but are not limited to, lighting retrofits, insulation, air sealing, duct sealing, water pipe and heater wrap, heating, ventilation, and air conditioning components and control systems, water heating systems—including solar hot water, window and door replacement, water conservation measures—including low-flow water fixtures, heat exchangers, energy efficient appliances, and may in some instances include solar photo-voltaic measures; and
- C. The Program will accomplish these energy retrofits by providing services to participants in collaboration with Energy Upgrade California, including access to qualified and pre-screened contractors, information to access utility rebates, project monitoring, and affordable financing; and
- D. Santa Barbara County is designating One Million Dollars (\$1,000,000) of its Better Buildings Energy Efficiency & Conservation Block Grant ("EECBG") funds to provide a loan loss reserve to support residential energy efficiency financing; and
- E. Santa Barbara County has selected CoastHills as its lending partner via a competitive procurement process. CoastHills, as lender, will provide loan financing directly to individual eligible residential customers ("EE Loans") for energy efficiency ("EE") retrofits as detailed in Paragraph B of this Agreement's Recitals and wishes to obtain the financial credit enhancement support for its EE financing activities available from Santa Barbara County, as provided in this Agreement; and
- F. CoastHills will also serve as fiduciary agent ("CoastHills as Fiduciary Agent") and will provide fiduciary services to manage the receipt, disbursement, and depository services of Santa Barbara County funds as provided in this Agreement; and

- G.** Santa Barbara will deposit into a CoastHills interest bearing checking account referenced as the "Deposit Account," which is defined in Article II of this Agreement. The balance of the Depository Account will be established and funded by Santa Barbara County and will be administered by CoastHills for the purposes of coverage of EE Loan losses as defined under the DOE grant funds.
- H.** EE Loan Losses are deemed allowable expenses under the Energy Efficiency and Conservation Block Grant ("EECBG") Program; and
- I.** CoastHills will execute an "Affiliated Lending and Loan Servicing Agreement" with Ventura County Credit Union ("Ventura") whereby CoastHills will originate and service EE Loans in northern Santa Barbara County and Ventura will originate and service EE Loans in southern Santa Barbara County. The lending and servicing areas for each credit union is defined by Zip Code boundaries and defined within the Agreement between CoastHills and Ventura.

Within the content of the Agreement, all future reference to CoastHills will include the loan origination, loan servicing and all other responsibilities and activities by Ventura as defined by this Agreement.

Agreements

NOW, THEREFORE, in consideration of the premises and agreements set forth herein, the Parties enter into this Agreement and establish a Deposit Account, Reserve Account, and Reflow Account (as such terms are defined below) each with CoastHills as Fiduciary Agent, to be funded and administered in accordance with the terms of this Agreement.

Article I

Definitions. The following terms shall have meanings as defined:

"ARRA" means the American Recovery and Reinvestment Act of 2009.

"ARRA Eligible" means activities that are eligible for expenditure of ARRA funds as set forth in ARRA, implementing regulations and United States Department of Energy Guidance on ARRA.

"CoastHills as Fiduciary Agent" means CoastHills in its role as a fiduciary agent through which it will provide fiduciary services to manage the receipt, disbursement, and depository services of Santa Barbara County funds as provided in this Agreement.

"Defaulted EE Loans" shall mean those EE Loans that are sixty (60) days or more delinquent and have triggered an acceleration of the Loan and written notice to the borrower of such, as evidenced by documents defined in Section 3.04.

"DOE" means the United States Department of Energy.

“EECBG” means the Energy Efficiency and Conservation Block Grant program, which is funded by the American Recovery and Reinvestment Act of 2009.

“EE Loan(s)” shall mean loans made by CoastHills for the purposes of financing Eligible Projects, using a form Loan agreement developed by CoastHills and approved by Santa Barbara County, and that meets all of the Terms, Conditions, and Underwriting Criteria in Annex B and the Project Eligibility Design Criteria in Annex C.

"Deposit Account" has the meaning given in Article II below.

“Eligible Projects” means EE projects that meet the criteria set forth in Annex C.

“Energy Efficiency Program Partner Agreement” means the certain agreement between CoastHills and Santa Barbara County entitled “Energy Efficiency Program Partner Agreement”, dated August __, 2011, for the purpose of defining the respective roles of the Parties in the Program relating to marketing, Loan origination, Loan servicing and reporting.

“Excess Reserve Funds” has the meaning given in Annex H.

“Loan Agreement” means the agreement between CoastHills or Ventura and the borrower that sets forth the terms and conditions of the EE Loan.

“Loss Amount” shall mean unpaid principal on a Defaulted EE Loan and shall not include any accrued interest or penalties.

“Loss Reserve Percentage” shall equal five percent (5%) of the principal amount of a Loan, as applied in Section 3.02, except as otherwise set forth in Annex H

“Loss Share Percentage” shall equal ninety percent (90%) as applied in Section 3.04.

“Monthly Report” means the report made by CoastHills by the 10th business day of each month, covering the preceding one-month period, during the term of this Agreement listing the new EE Loans originated during the preceding month, EE Loan repayment, and EE Loan loss status as defined in Article III, below. A form Monthly Report, Program Residential Worksheet, and Program Loan Performance Reporting are attached as Annex A.

“Net Recovered Amount” shall have the meaning given in Section 3.04.

“Quality assurance inspection” shall mean a physical inspection of installed energy efficiency measures. See Annex E for further description.

“Reflow Account” means a separate Deposit Account designated to receive periodic funding of Excess Reserve Funds as set forth in Section 2.07 *et seq.*

“Reserve Account” shall have the meaning given in Article III below.

ARTICLE II

Deposit Account and Reflow Account

Section 2.01: Deposit Account. CoastHills as Fiduciary Agent hereby establishes a segregated interest bearing checking depository account, the account number of which is set forth in Schedule 3 ("Deposit Account") for Santa Barbara. The Deposit Account will be funded by Santa Barbara County and administered by CoastHills, as provided in this Agreement. The fiduciary arrangement hereby established does not create a debtor-creditor relationship between the Parties, and all monies, funds, or assets of the Deposit Account shall be insured by the National Credit Union Share Insurance Fund (NCUSIF) administered by the National Credit Union Association (NCUA) to the full extent permitted by law or regulation. A signature from CoastHills as Fiduciary Agent shall be necessary for any withdrawal under Section 2.03(b) below.

Section 2.02: Funding of the Deposit Account.

(a) On or before October 1, 2011, Santa Barbara County shall make an Initial Deposit into the Deposit Account in the amount of One Million Dollars (\$1,000,000), and CoastHills as Fiduciary Agent shall acknowledge to Santa Barbara County receipt of such funds upon deposit. Notwithstanding the above, Santa Barbara County's obligation to fund the Deposit Account shall be contingent upon approval of this Agreement by the DOE and subsequent draw down of EECEBG Funds, and Santa Barbara County shall only be obligated to deposit funds into the Reserve Account up to the amount drawn down from the DOE, up to One Million Dollars (\$1,000,000). Funds in the Deposit Account are the sole property of Santa Barbara County and shall be held in the name of Santa Barbara County.

(b) Santa Barbara County may, at its option, make subsequent deposits to the Deposit Account.

Section 2.03: Disbursements from Deposit Account. Disbursements from the Deposit Account to the "Reserve Account" shall be made by CoastHills as Fiduciary Agent as follows:

(a) to the Reserve Account, as provided for in Section 3.02, below; or

(b) to Santa Barbara, as provided for in Sections 2.04 and 2.05, below.

(c) In no event, except as provided in Subsections 2.03(a) and (b) immediately above, shall funds be disbursed or withdrawn from the Deposit Account.

(d) No portion of the proceeds of an EE Loan may be used for refinancing of an existing loan on the books of CoastHills or for any loans to the borrower incurred prior to the date a Loan is executed or any other purpose not expressly provided for above.

(e) Interest on funds in the Deposit Account shall accrue at CoastHills' existing interest

bearing checking account dividend rates , as adjusted from time-to-time by CoastHills for such accounts and such dividends shall be deposited into the Reflow Account.

Section 2.04: Reprogramming Funds in the Deposit Account. Funds in the Deposit Account belong solely to Santa Barbara County and shall be held in the name of Santa Barbara County. It is mutually agreed to by the parties to this Agreement that the minimum loan production targets for loan originations are as follows:

Loan Origination Targets:

Dates		Total Amount of EE Loans Originated /Funded*
Q3 - 2011		\$100,000
Q4 - 2011		\$230,000
2011 Totals		\$330,000
Q1 - 2012		\$600,000
Q2 - 2012		\$800,000
Q3 - 2012		\$1,000,000
Q4 - 2012		\$650,000
2012 Totals		\$3,050,000
Q1 - 2013		\$600,000
Q2 - 2013		\$800,000
Q3 - 2013		\$1,000,000
Q4 - 2013		\$650,000
2013 Totals		\$3,050,000
Every year thereafter		\$3,000,000

If these minimum loan origination targets are not met, Santa Barbara County has the option at its sole and absolute discretion to withdraw and re-allocate all or part of the funds remaining in the Deposit Account to a different credit enhancement option or other ARRA-eligible option (such as an interest rate buy-down or to direct cash incentives), after submitting and finalizing an amendment through the DOE Project Officer, as applicable. CoastHills will be provided an opportunity to participate in any alternative EE Loan Program option(s) once approved by the DOE Project Officer. To re-allocate and/or withdraw funds, Santa Barbara County must submit to CoastHills, in writing, a showing that the minimum loan origination targets set forth above, in this Section 2.04, have not been met and submit a demand for release of the funds held in the

Deposit Account toward a different ARRA-Eligible use or project designated by Santa Barbara.

Section 2.05: Termination of Deposit Account. Upon termination of this Agreement as set forth in Section 9.02 the Deposit Account shall terminate at which time CoastHills as Fiduciary Agent shall notify Santa Barbara County of any remaining balance in the Deposit Account and remit such balance to Santa Barbara County within 5 business days to fund ARRA Eligible options as determined by Santa Barbara County.

Section 2.06: Reflow Account. CoastHills as Fiduciary Agent hereby establishes a segregated Reflow Account, the account number of which is set forth in Schedule 3 ("Reflow Account") for Santa Barbara County. The Reflow Account will be a CoastHills Savings Account and will be funded and administered as provided in this Agreement. All monies, funds, or assets of the Reflow Account shall be insured by the National Credit Union Share Insurance Fund (NCUSIF) administered by the National Credit Union Association (NCUA) to the full extent permitted by law or regulation.

Section 2.07: Funding of the Reflow Account. As set forth in Annex H, the Reflow Account shall be funded on a monthly basis from the following sources:

- (a) All balances held in the Reserve Account exceeding 5.0% of the outstanding principal on all loans in the portfolio.
- (b) all capitalized interest on applicable County depository accounts
- (c) all loan loss recoveries

Section 2.08: Interest on Reflow Account. Interest shall be earned on and accrue to the Reflow Account at CoastHills' existing savings account rate, as adjusted from time-to-time by CoastHills for such accounts.

Section 2.9: Disbursements from Reflow Account. Funds in the Reflow Account are the sole property of Santa Barbara County and shall be held in the name of Santa Barbara County. Disbursements, re-programming, or withdrawals from the Reflow Account are at the sole option and discretion of Santa Barbara County. However, Santa Barbara County shall only re-program funds to other ARRA-Eligible activities, and it is the current non-binding intent of Santa Barbara County that monies deposited in the Reflow Account will be used to capitalize a sustainable energy efficiency improvement fund following the principles and terms laid out in this Agreement.

Section 2.10: Reporting. CoastHills will include the amount of principal for the Reflow Account in its Monthly Report and a summary of all other activity with the Reflow Account.

ARTICLE III

Reserve Account

Section 3.01: Reserve Account for EE Loans. CoastHills as Fiduciary Agent hereby establishes a segregated loan loss reserve account, the account number of which is set forth in

Schedule 3 ("Reserve Account") for Santa Barbara County. The Reserve Account will be a CoastHills savings account and shall be funded and administered as provided in this Agreement. All monies, funds, or assets of the Reserve Account shall be insured by the National Credit Union Share Insurance Fund (NCUSIF) administered by the National Credit Union Association (NCUA) to full the extent permitted by law or regulation. Funds in the Reserve Account are the sole property of Santa Barbara County and shall be held in the name of Santa Barbara County.

Section 3.02: Funding of Reserve Account. The Reserve Account will be funded by monies from the Deposit Account for Eligible Projects (see Annex D for Eligible Project determination). Each time that CoastHills originates and funds an EE Loan, CoastHills as Fiduciary Agent shall transfer funds from the Deposit Account to the Reserve Account in an amount equaling the Loss Reserve Percentage multiplied by the principal amount of the applicable EE Loan.

Example:	Originated Loan Amount		\$10,000
	Reserve Percentage 5.0%	=	\$ 500
	Amount deposited into Reserve Account:		\$ 500

(a) CoastHills will assess a 1% loan fee of the total amount of each EE loan funded under this Agreement. One half of this loan fee, or 0.5% of the total principal amount borrowed of each EE Loan originated, will fund the Reserve Account. It is acknowledged by both parties to this Agreement that the remaining second half of this loan fee, or 0.5% of the principal amount borrowed is considered as Interest Income for CoastHills.

Section 3.03: Interest on Reserve Account. Interest shall be earned on and accrue to the Reflow Account at CoastHills' existing Share savings account rate.

Section 3.04: Declaration of a Defaulted Loan; Use and Disbursement of Funds from the Reserve Account. All funds in the Reserve Account shall be available to CoastHills to pay the agreed Loss Share Percentage of Loss Amounts on Defaulted EE Loans.

(a) A Loan will be deemed a Defaulted Loan if Loan payments are sixty (60) days or more past due and have triggered an acceleration of the Loan as evidenced by one of the following documents:

(i) A copy of an expired demand letter sent by Coast Hills to the EE Loan borrower, a sample of which shall be in the form attached hereto as Annex G; or

(ii) A copy of a verified Bankruptcy petition filed by the Borrower.¹

(b) Ten business days after a Loan is deemed a Defaulted Loan, CoastHills as Fiduciary Agent will disburse funds from the Reserve Account to CoastHills in an amount, which shall equal the Loss Share Percentage multiplied by the Loss Amount for the Defaulted

¹ In bankruptcy actions, financial institutions are stayed from following normal collection procedures, as a result no demand letter sent.

Loan.

Example:	Defaulted EE Loan Principal Balance:	\$7,400
	90% of Defaulted EE Loan Principal Balance disbursed from Reserve Account:	\$6,660
	CoastHills Loan Loss:	\$ 740

(c) The Reserve Account is limited to the amounts as set forth in this Agreement and does not constitute a loan guarantee. When and if the Reserve Account has a zero balance (no funds remaining), Santa Barbara County shall not be obligated to pay CoastHills for further losses on Defaulted EE Loans and all further losses on Defaulted EE Loans shall be fully borne by CoastHills. The liability of Santa Barbara County for Loss Amounts on Defaulted EE Loans is strictly limited to the balances in the Reserve Account, and no additional liability shall be incurred as a result of this Agreement.

(d) Despite the existence of the Reserve Account, CoastHills shall still employ its standard collection practices for the recovery of the EE Loans.

(e) Recoveries on Defaulted EE Loans. At anytime, in the event of recoveries on Defaulted EE Loans, CoastHills shall deposit back to the Reserve Account the Net Recovered Amount multiplied times the Loss Share Percentage. The Net Recovered Amount shall equal the gross amount of the recoveries less reasonable collections expenses, including attorney's fees and costs. CoastHills shall retain documentation in its files evidencing any such reasonable and actual collection expenses, including attorney's fees and costs as applicable, and upon request, present such documentation to Santa Barbara County.

Section 3.05: Termination of Reserve Account. The Reserve Account shall terminate on the date that CoastHills as Fiduciary Agent notifies Santa Barbara County that the last EE Loan under this Agreement has been fully paid or upon termination of this Agreement as provided for herein. At such time, CoastHills as Fiduciary Agent shall notify Santa Barbara County of any remaining balance in the Reserve Account and remit such balance to Santa Barbara County.

ARTICLE IV Reporting

Section 4.01: Monthly Reporting.

(a) CoastHills will provide to Santa Barbara County Monthly Reports no later than the 10th business day of each month, covering the preceding one-month period, listing all EE Loan activity in that month, within CoastHills' internal procedures. The Monthly Report shall list all new EE Loans financed by CoastHills for the preceding month, assign each EE Loan a unique, anonymous identification number, and indicate the original principal amount of each Loan along with various loan structure criteria. The Monthly Report shall indicate the payment performance on all outstanding EE Loans, collections if any, and all other activities in the Deposit Account, Reserve Account, and Reflow Account. The Monthly Report shall also indicate any inchoate losses or acceleration notices. The Monthly Report shall include a section noting which EE Loans have been paid in full. CoastHills shall use the form Monthly Report,

Program Residential Worksheet, and Program Loan Performance Reporting which are attached hereto as Annex A.

(b) Within ten (10) business days of receipt by Santa Barbara County of each Monthly Report, if Santa Barbara County does not communicate its disapproval of the Monthly Report, in whole or in part, the Monthly Report will be considered final.

Section 4.02: Resolution of Monthly Reports. If Santa Barbara County disapproves in writing of a Monthly Report within the ten-business-day period following its receipt, then:

(a) Santa Barbara County shall immediately describe in detail to CoastHills Santa Barbara's reasonable cause for such disapproval and request from CoastHills such additional information as reasonably needed to resolve the matter in question;

(b) CoastHills shall provide additional information as requested by Santa Barbara County to support and document its Monthly Report; and

(c) CoastHills and Santa Barbara County shall immediately use their best efforts to complete a mutually acceptable and corrected Monthly Report.

Section 4.03: Use of Monthly Reports. Santa Barbara County may use aggregated information, not specific individual Loan information, contained in the Monthly Reports to report on any aspect of the Energy Efficiency Loan Program. Within the Program Agreement, Section 10; Confidentiality, will apply to the development and communication and use of Monthly Reports. Santa Barbara County under the emPowerSBC Program acknowledges and agrees that CoastHills, as a financial institution, has an obligation under federal and state laws to maintain as confidential the "non-public personal information" and any other information it possesses relating to members and customers.

ARTICLE V

Assignment & Assurances

Section 5.01: Negative Pledge. Neither CoastHills, nor CoastHills as Fiduciary Agent, shall grant, assign, or otherwise create, or permit to exist, any assignment, lien, encumbrance, security interest, pledge, charge, privilege, or priority of any kind in or to the Deposit Account, the Reserve Account, or the Reflow Account or any of the funds at any time or from time-to-time held on deposit therein in favor of any person or entity other than Santa Barbara.

Section 5.02: Assignment by CoastHills. Notwithstanding the foregoing in Section 5.01, CoastHills may assign certain rights under this Agreement for the purposes of refinancing its EE Loan portfolio with the prior written approval of Santa Barbara. Santa Barbara County will support and cooperate with this effort. In the event of such assignment, Santa Barbara County will direct CoastHills as Fiduciary Agent to effect and document such assignment and CoastHills as Fiduciary Agent will do so as directed by Santa Barbara.

Section 5.03: Fiduciary Agent Notice. Neither CoastHills nor CoastHills as Fiduciary Agent has actual knowledge of any other assignment, lien, encumbrance, pledge, security interest, charge, privilege, or other priority of any kind related to the Deposit Account, the Reserve Account, or the Reflow Account other than that created pursuant to this Agreement; and CoastHills as Fiduciary Agent shall give Santa Barbara County prompt notice of any such interest other than that created pursuant to this Agreement of which a responsible officer of CoastHills, or CoastHills serving as Fiduciary Agent, obtains actual knowledge after the date hereof.

ARTICLE VI

Administration of Account

Section 6.01: Account Administration. CoastHills shall administer the Deposit Account, the Reserve Account, and the Reflow Account and follow such procedures and due diligence as it would in administering other accounts in its standard practices.

Section 6.02: Monthly Statements. CoastHills shall provide to Santa Barbara County on a monthly basis, and from time-to-time upon request, a statement with respect to the Deposit Account, the Reserve Account, and the Reflow Account of (i) the balance of funds as of the beginning and the end of the period and (ii) all deposits and all withdrawals made during the period covered by such statement. Except in the case of manifest error, each such statement shall be deemed correct and final upon receipt by Santa Barbara County unless CoastHills or CoastHills as Fiduciary Agent is notified in writing to the contrary within thirty (30) days after the date of such statement. Santa Barbara County and CoastHills shall make a good faith effort to resolve any disputes involving balances, the transfer of funds, or the monthly reports. In the event of a failure to resolve a dispute on their own, the Parties will follow procedures in Section 9.02.

ARTICLE VII

Representations, Warranties, and Covenants

Section 7.01: Representations of CoastHills and CoastHills as Fiduciary Agent. CoastHills and CoastHills as Fiduciary Agent, individually and jointly, represent and warrant to Santa Barbara County as follows:

(a) Each has the requisite corporate power to own its assets, to conduct its business as presently conducted, and to enter into, and perform its obligations under this Agreement.

(b) Neither the making of this Agreement nor the compliance with its terms will require any further consent, conflict with or result in a breach of any of the terms, conditions, or provisions of, constitute a default of, or create any indenture, lien, mortgage, pledge, charge, conditional assignment, hypothecation, security interest, title retention, preferential right, trust arrangement, privilege, or priority of any kind, under any agreement, or other instrument or arrangement, to which either CoastHills as Fiduciary Agent or CoastHills is a party or by which

it is bound, or violate any of the terms or provisions of CoastHills' charter or any laws, judgment, decree, or order or any statute, rule, or regulation applicable to either CoastHills or CoastHills as Fiduciary Agent.

(c) This Agreement has been duly authorized and executed by each of CoastHills as Fiduciary Agent and CoastHills and constitutes the valid and legally binding obligation of each, enforceable against each in accordance with its terms.

(d) There is no required consent, authorization, or approval of, or any registration or filing with, any government or governmental, administrative, fiscal, judicial, or government-owned body, department, commission, tribunal, agency, entity, or authority required under any law, regulation, order, decree, or judgment applicable to each of CoastHills as Fiduciary Agent and CoastHills in connection with the making and performance of this Agreement.

(e) Funds in the Deposit Account and the Reflow Account, and all funds from time-to-time deposited therein, are and shall be lawfully owned by Santa Barbara County, free and clear of any assignment, pledge, lien, charge, encumbrance, or security interest, other than those granted by Santa Barbara County in this Agreement for the purposes of transferring funds under Section 2.03 and/or 3.04.

(f) The Reserve Account and all funds from time-to-time deposited therein are and shall be lawfully owned by Santa Barbara County, free and clear of any assignment, pledge, lien, charge, encumbrance, or security interest, other than those granted to CoastHills in this Agreement.

Section 7.02: Indemnification. CoastHills, and CoastHills as Fiduciary Agent, shall indemnify, hold and save harmless, and defend, at their own expense, Santa Barbara County, their officials, agents, and employees from and against all suits, claims, demands, and liability of any nature or kind, including its costs and expenses, arising out of acts or omissions of CoastHills', and CoastHills as Fiduciary Agent's, employees, officers, agents, or sub-contractors, in the execution and implementation of this Agreement.

Santa Barbara County shall indemnify, hold and save harmless, and defend, at its own expense, CoastHills and CoastHills as Fiduciary Agent, its officials, agents, and employees from and against all suits, claims, demands, and liability of any nature or kind, including its costs and expenses, arising out of acts or omissions of Santa Barbara County's employees, officers, agents, or sub-contractors, in the execution and implementation of this Agreement.

The obligations under this Article VII shall survive termination of this Agreement.

Section 7.03: Covenants of Santa Barbara County and CoastHills. Santa Barbara County and CoastHills shall each submit to CoastHills as Fiduciary Agent a certification under oath by its corporate secretary, Clerk of the Board or other equivalent officer attesting to the authority of the officer duly designated by each to issue instructions for purposes of this Agreement, and set forth their full names, their respective positions, and specimen signatures. All orders, instructions, requests, or certifications of such duly designated officers shall be in writing, and

CoastHills as Fiduciary Agent may rely upon, and shall be fully protected and discharged from any responsibility or accountability in acting in accordance with such orders, instructions, requests, or certifications that Santa Barbara County and CoastHills hereby warrant to be valid, binding, and duly authorized by its respective governing body.

Section 7.04: Notification of Material Changes. Each Party shall notify the other Party of any material changes in the mode of operation, change of premises, significant negative change in financial position, as well as any litigation or proceedings before any court or administrative agency that may adversely affect its ability to fulfill its contractual obligations under this Agreement.

ARTICLE VIII

The Fiduciary Agent

Section 8.01: General.

(a) CoastHills as Fiduciary Agent shall only serve as Fiduciary Agent under this Agreement for the Deposit Account, the Reserve Account, and the Reflow Account, and the funds in each of those respective accounts, in accordance with (i) this Agreement, (ii) written instructions duly authorized and given in conformity with this Agreement, or (iii) other instructions agreed to and submitted in writing by Santa Barbara County. It is understood that this Agreement expressly sets forth all of the duties and obligations of CoastHills as Fiduciary Agent with respect to the Deposit Account, the Reserve Account, and the Reflow Account, and the funds in each of those respective accounts. In the event that any of the terms and provisions of any other agreement between or among any of the Parties conflict or are inconsistent with any of the terms and provisions hereof, for purposes of determining the duties and obligations of CoastHills as Fiduciary Agent under this Agreement, the terms and provisions of this Agreement shall govern and control in all respects.

(b) This Agreement is for the exclusive benefit of the Parties and their respective successors and permitted assigns and shall not be deemed to give, either express or implied, any legal or equitable right, remedy, or claim to any other entity or person whatsoever.

(c) If at any time CoastHills as Fiduciary Agent is served with any judicial or administrative order, judgment, decree, writ, or other form of judicial or administrative process that in any way affects the Deposit Account, the Reserve Account, the Reflow Account, or any of the funds in those Accounts (including but not limited to order of attachment or garnishment or other forms of levies or injunctions or stays relating to the transfer of any of the funds), CoastHills as Fiduciary Agent is authorized to comply therewith in any manner as it or its legal counsel of its own choosing deems appropriate. If CoastHills as Fiduciary Agent complies with any such judicial or administrative order, judgment, decree, writ, or other form of judicial or administrative process, CoastHills as Fiduciary Agent (except in the case of CoastHills as Fiduciary Agent's gross negligence, fraud, or willful misconduct) shall not be liable to Santa Barbara County or to any other person or entity even though such order, judgment, decree, writ, or process may be subsequently modified or vacated or otherwise determined to have been

without legal force or affect.

(d) In no event (except in the case of CoastHills as Fiduciary Agent's negligence, fraud, or willful misconduct) shall CoastHills as Fiduciary Agent be liable (i) for any consequential, punitive, or special damages, (ii) for the acts or omissions of its nominees, correspondents, designees, subagents, or sub-custodians, or (iii) for an amount in excess of the value of the funds.

(e) CoastHills as Fiduciary Agent shall not be responsible in any respect for the form, execution, validity, value, or genuineness of documents or securities escrowed hereunder, or for any description therein, or for the identity, authority, or rights of persons executing or delivering or purporting to execute or deliver any such document, security, or endorsement.

(f) CoastHills as Fiduciary Agent is authorized to comply with and rely upon any notices, instructions, or other communications believed by it to have been sent or given by a person or persons authorized by Santa Barbara.

Section 8.02: Fiduciary Agent Fees. No escrow fees or charges shall be charged to Santa Barbara County or any borrowers of EE Loans for CoastHills' services as Fiduciary Agent provided hereunder.

Section 8.03: Replacement and Resignation. CoastHills as Fiduciary Agent or any successor fiduciary agent hereunder may be replaced by Santa Barbara County at any time, or may resign upon giving at least sixty (60) days' prior written notice of resignation to CoastHills and Santa Barbara County, and such resignation shall be effective from the date specified in such notice. If the office of CoastHills as Fiduciary Agent shall be vacant for any reason, Santa Barbara County may, upon consultation with CoastHills, appoint a fiduciary agent as successor fiduciary agent, in writing and delivered to the successor fiduciary agent, the retiring CoastHills as Fiduciary Agent, and CoastHills, together with a copy of this Agreement. Upon written acceptance, the successor fiduciary agent shall succeed to all the rights and obligations of the retiring CoastHills as Fiduciary Agent as if this Agreement were originally executed by such successor fiduciary agent, and the retiring CoastHills as Fiduciary Agent shall duly transfer and deliver to such successor fiduciary agent the funds in the form held by it hereunder at such time.

ARTICLE IX

Term of Agreement

Section 9.01: Agreement Contingent of Funding of Reserve Account.

(a) This Agreement shall only become effective when this Agreement has been executed by the Parties. However the County of Santa Barbara's obligation to deposit funds is contingent upon draw down of funds from DOE.

(b) In the event that the DOE does not approve the draw down as set forth above within two (2) months of execution of this Agreement, then this Agreement shall become null

and void.

Section 9.02: Termination of Agreement. This Agreement shall terminate upon the occurrence of any of the following:

(a) The payment in full of all EE Loans and when all funds, as set forth in Section 3.05 and approved by CoastHills as Fiduciary Agent, have been moved from the Reserve Account to the Reflow Account and all funds in the Reflow Account have remitted to Santa Barbara County.

(b) Mutual written agreement by the Parties regardless of cause

(c) Should CoastHills be adjudged bankrupt, or be liquidated, or become insolvent, or should CoastHills make an assignment for the benefit of its creditors, or should a Receiver be appointed on account of the insolvency, Santa Barbara County may, without prejudice to any other right or remedy they may have, terminate this Agreement forthwith. CoastHills shall immediately inform Santa Barbara, who in turn will notify the DOE Project Officer and/or Commerce as applicable, of the occurrence of any of the above events.

(d) Should the County be adjudged bankrupt, or be liquidated, or become insolvent, or should the County make an assignment for the benefit of its creditors, or should a receiver be appointed on account of the insolvency, the CoastHills may, without prejudice to any other right or remedy it may have, terminate this Agreement forthwith. The County shall immediately inform the CoastHills of the occurrence of any of the above events.

(e) If the EE Loan Program does not meet the milestones set forth in Section 2.04 of this Agreement, either party may terminate this agreement upon 6 month notice to the other party.

(f) This Agreement shall terminate automatically on December 31st 2028 unless extended upon mutual written agreement of the Parties.

(g) CoastHills will give the County 30 days prior notice with detailed rationale of any rate change. In the event that CoastHills raises interest rates charged on EE Loans as set forth in Section 10.28 by more than 50 basis points (.5%) over the then existing interest rates set for this Program per calendar quarter, the County may terminate this Agreement within 60 days of notification by CoastHills of the interest rate increase. Such termination would be effective 90 days after notice of termination by County.

(h) In the event that significant regulatory changes affecting either party's duties and obligations under this Agreement make it impossible or infeasible to continue performing under this Agreement, the party subject to such regulatory changes shall immediately notify the other party and may cancel this Agreement upon 90 day notice to the other Party.

Section 9.03 Effect of termination of Agreement. Upon termination of this Agreement as

set forth in Section 9.02 above, the following shall occur:

(a) All funds in the Reflow Account, including accumulated interest shall be remitted to Santa Barbara County within 5 business days of the date of termination. Funds in the Deposit Account shall be remitted as set forth in Section 2.05 above.

(b) Until no funds are remaining in both the Reserve Account and the Reflow Account, on a monthly basis CoastHills as Fiduciary Agent shall remit any funds which have been deposited into the Reflow Account, together with any interest accrued on either the Reserve Account or the Reflow Account to the County.

(c) Notwithstanding anything set forth in this Agreement, CoastHills as Fiduciary Agent's obligation to remit funds to County from the Reflow Account shall survive termination of this Agreement and shall continue until there are no funds remaining in both the Reserve Account and the Reflow Account.

ARTICLE X

Miscellaneous

Section 10.01: Compliance with Federal Requirements. Santa Barbara agrees to ensure compliance by its employees, officers, agents, or sub-contractors, in the execution and implementation of all work in furtherance of this Agreement with the Davis Bacon Act, the Prevailing Wage Act, the National Environmental Policy Act, Section 106 of the National Historic Preservation Act, and other ARRA requirements listed in Annexes I, J, and K as set forth therein, as well as all provisions of the Special Terms and Conditions and other requirements of Grant Agreement DE-EE0003796/000.

Section 10.02: Settlement of Disputes and Arbitration.

- (a) In the event of any breach of this Agreement the non-breaching party shall provide written notice to the other party of such breach. The breaching party shall have an opportunity to cure such breach within thirty (30) days from their receipt of such written notice or such longer period of time the non-breaching party determines is necessary to cure the breach if the breaching party diligently undertakes to cure such breach. If the breaching party fails to perform a timely cure of the specified breach, the non-breaching party may proceed as set forth below.
- (b) Upon the expiration of the time to cure as set forth above, any dispute or controversy arising out of, in connection with, or relating to this Agreement that the Parties are unable to resolve after making a good faith effort to do so on their own, shall be submitted to mediation conducted by a mutually acceptable mediator. If the parties are unable to agree on a mediator or a framework for mediation, then the non-breaching party may pursue in any of the following remedies:

(i) Bring an action in equitable relief seeking the specific performance of the terms and conditions of this Agreement, and/or enjoining, abating, or preventing any violation of said terms and conditions, and/or seeking declaratory relief; or

(ii) Terminate this agreement

(iii) Pursue any other remedy allowed at law or in equity.

Section 10.03: Use of Name, Logo, and Likeness and Observance of Other Laws.

(a) No Party shall use the name, logo, likeness, emblem, or official seal of any other Party without that Party's express written permission.

(b) All Parties shall include federal and California State funding acknowledgement and disclaimer language as required for any publications, signs and forms in compliance with applicable federal and state regulations.

(c) CoastHills shall comply with all laws, ordinances, rules, and regulations bearing upon the performance of its obligations under the terms of this Agreement, including but not limited to the Fair Lending Act, Fair Housing Act, Bank Secrecy Act, RESPA, Regulations B, C, E, and Z and FTC Red Flag rules as applicable. CoastHills shall submit any and all information Santa Barbara County requires to demonstrate compliance with such laws, ordinances, and codes within two weeks of Santa Barbara's request for such information.

(d) Nothing in this Agreement shall constitute a partnership between or among the Parties nor constitute one Party the agent of another Party or vice versa. Except as set out in this Agreement, no Party shall have express or implied authority to bind or represent any other party for any purpose whatsoever unless expressly agreed in writing by the Party concerned.

Section 10.04: Taxes. Neither CoastHills nor Santa Barbara County shall be exempted from the payment of taxes by reason of this Agreement that they shall incur in the process of undertaking their respective obligations under this Agreement, such as, but not limited to, taxes due to the government on the gross income.

Section 10.05: Notices. All notices, instructions, and other communications shall be in writing and shall be delivered by registered mail or by confirmed email or fax to the Parties at the following addresses:

For CoastHills:

Robert Goebel, Senior Vice President
Chief Lending Officer
3880 Constellation Road
Lompoc, CA 93436
805-733-7624
Fax: 805-733-7858

Email: robertg@coasthills.coop

For CoastHills as Fiduciary Agent:

Robert Goebel, Senior Vice President
Chief Lending Officer
3880 Constellation Road
Lompoc, CA 93436
805-733-7624
Fax: 805-733-7858
Email: robertg@coasthills.coop

For Santa Barbara County:

Sharon Friedrichsen, Program Administrator
Housing and Community Development Director
105 East Anapamu Street, Room 105
Santa Barbara CA 93101
Phone (805) 568-3520
Fax: (805) 568-2289
Email: sfried@co.santa-barbara.ca.us

And to:

Angela Hacker, Program Manager
The County of Santa Barbara
emPowerSBC
105 E Anapamu Street, Room 403
Santa Barbara, CA 93101
Phone: (805) 568-3515
Fax: (805) 568- 2289
Email: ahacker@co.santa-barbara.ca.us

All such notices and communications shall be deemed to have been delivered on the date of delivery, if delivered by certified mail, or on the date confirmation was sent if delivered by confirmed email or confirmed fax. If delivered by U.S. Mail all such notices and communications shall be deemed to have been delivered 3 days after mailing.

Section 10.06: Successors and Assigns. This Agreement shall bind and inure to the benefit of the Parties and the respective successors and assigns but shall not be assignable by any Party without the prior written consent of all other Parties. Any purported assignment in violation of this Section shall be void.

Section 10.07: Entire Agreement; Waiver and Modification. This Agreement together with the Energy Efficiency Program Partner Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes any and all prior agreements and undertakings, written or oral, with respect to the subject matter. Any waiver, amendment, or

modification of the provisions shall not be effective unless in writing and signed by all the Parties. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given and shall not be construed to affect any other or future waiver or consent. In the event of a conflict between this Agreement and the Energy Efficiency Program Partner Agreement, the terms of this Agreement shall prevail.

Section 10.08: Headings. Headings in this Agreement are for convenience or reference only and shall not be used in the interpretation or construction of this Agreement.

Section 10.09: Severability. If any one or more of the provisions of this Agreement shall be found to be invalid, illegal, or unenforceable in any respect or to any extent, such finding shall not affect the validity, legality, or enforceability of such provisions in any other jurisdiction, and the validity, legality, and enforceability of the remaining provisions of this Agreement shall not in any way be affected, impaired, or restricted.

Section 10.10: No Waiver; Remedies. No failure on the part of any Party to exercise, and no delay in exercising, and no course of dealing with respect to, any right, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or remedy under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power, or remedy. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

Section 10.11: Governing Laws. This agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 10.12: Nondiscrimination in client services. CoastHills shall not, on the grounds of race, color, sex, religion, national origin, creed, marital status, age, or disability, unlawfully:

(a) Deny a qualified individual any facilities, financial aid, services, or other benefits provided under this Agreement;

(b) Provide any service(s) or other benefits to a qualified individual that are different, or are provided in a different manner, from those provided to others under this Agreement or confer separate treatment in any manner related to the receipt of any service(s) or other benefits provided under this Agreement;

(c) Deny any qualified individual an opportunity to participate in any program provided by this Agreement through the provision of service(s) or otherwise, or any individual an opportunity to do so that is different from that afforded others under this Agreement.

Section 10.13: These funds will not be used to:

(a) Discriminate against any employee or applicant for employment on the basis of religion;

(b) Discriminate against any person applying for services on the basis of religion or

limit such services or give preference to persons on the basis of religion; or

(c) Provide religious instruction or counseling, conduct religious worship or services, or exert other religious influence in the provision of services.

Section 10.14: In the event that funding is withdrawn, reduced, or limited in any way after the effective date of this Agreement due to Grantor reduction or elimination in grant revenues, and prior to its normal completion, Santa Barbara County may summarily terminate the Agreement as to any of its funds withdrawn, reduced, or limited from the Deposit Account or the Reflow Account, notwithstanding any other termination provisions of this Agreement. Termination under this Section shall be effective upon receipt or written notice thereof.

Section 10.15: Insurance. CoastHills shall maintain Blanket Bond Fidelity insurance throughout the life of this contract. See Annex M for a copy of CoastHills Certificate of Liability Insurance.

Section 10.16: Equal Employment. CoastHills and any contractors, subcontractors, and professional service providers for this project shall comply with all requirements concerning equal employment opportunity and nondiscrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of sex; (b) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 795), which prohibits discrimination on the basis of handicaps; (c) the Age Discrimination Act of 1975, as amended (42 U.S.C. 6101-6107), which prohibits discrimination on the basis of age; (d) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (e) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (f) Sections 523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. 290 dd-3 and 290 ee-3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (g) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (h) any other nondiscrimination provisions in the specific statute(s) made; and, (i) the requirements of any other nondiscrimination statute(s) which may apply.

Section 10.17: Anti-kickback requirement. CoastHills shall comply with the Copeland "Anti-Kickback" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR Part 3).

All Section 10.18: Ownership of Data. Any data and design and engineering work created under this Agreement shall be owned by Santa Barbara County and shall not be subject to copyright protection. The rights to any invention which is developed in the course of this Agreement shall be the property of the County.

Section 10.19: Lobbying Restrictions. CoastHills agrees that none of the funds provided under this Agreement shall be expended, directly or indirectly, to influence congressional action

on any legislation or appropriation matters pending before Congress, other than to communicate to Members of Congress as described in 18 U.S.C. 1913. This restriction is in addition to those prescribed elsewhere in statute and regulation.

Section 10.20: Warranties. CoastHills represents and warrants (1) that it has access to professional advice and support to the extent necessary to enable it to fully comply with the terms of this Agreement and to otherwise carry out the project, (2) that it is duly organized, validly existing and in good standing under the laws of the State of California, (3) that it has the full power and authority to undertake the project and to execute this Agreement, and (4) that the persons executing and delivering this Agreement are authorized to execute and deliver such documents on behalf of CoastHills.

Section 10.21: Debarment and Suspension. CoastHills represents and warrants that it is not a party of the list of the United States General Services Administration's List of Parties Excluded from Federal procurement or Non-procurement Programs in accordance with Executive Orders 12549 and 12689.

Section 10.22: Clean Air Act. CoastHills agrees to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).

Section 10.23: Political Activity. None of the funds provided under this agreement shall be used for political activity in violation of the Compliance with the provision of the Hatch Act (5 U.S.C. 1501 – 1508 and 7324 – 7328).

Section 10.24 Fraud: CoastHills shall promptly refer to the DOE or other appropriate Inspector General any credible evidence that a principle, employee, agent, contractor, sub-grantee, subcontractor, or other person has submitted a false claim under the False Claims Act or has committed a criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity or similar misconduct involving funds under this Agreement..

Section 10.25: Protection of Whistleblowers. An employee of CoastHills may not be discharged, demoted, or otherwise discriminated against as a reprisal for disclosing, including a disclosure made in the ordinary course of an employee's duties, to the Accountability and Transparency Board, an inspector general, the Comptroller General, a member of Congress, a State or Federal regulatory or law enforcement agency, a person with supervisory authority over the employee (or other person working for the employer who has the authority to investigate, discover or terminate misconduct, a court or grant jury, the head of a Federal agency, or their representatives information that the employee believes is evidence of:

- (a) gross mismanagement of an agency contract or grant relating to covered funds;
- (b) a gross waste of covered funds;

- (c) a substantial and specific danger to public health or safety related to the implementation or use of covered funds;
- (d) an abuse of authority related to the implementation or use of covered funds; or
- (e) as violation of law, rule, or regulation related to an agency contract (including the competition for or negotiation of a contract) or grant, awarded or issued relating to covered funds.

Section 10.26: Amendments of Annexes. As working documents, it may be necessary or convenient for the Parties to amend any of the Annexes A, D, E, F and F attached to this Agreement from time to time without formally amending this Agreement. The County hereby delegates to the Director of the Housing and Community Development Department and CoastHills hereby delegates to its Chief Lending Officer the authority to negotiate and execute any amendments to the Annexes A, D, E, F, and G which are necessary or convenient for the implementation of this program. All such amendments must be consistent with the text of this Agreement and with all applicable federal and state requirements.

Section 10.27: Quarterly Meetings. The second Monday following the end of a fiscal quarter or as soon thereafter as is convenient, the Parties shall meet to discuss program performance, implementation, underwriting and assumptions (“Quarterly Meeting”).

Section 10.28: EE Loan Interest Rate increases. CoastHills uses various tools to help measure risks and the Credit Union’s financial position. From time to time, CoastHills will measure the various risks and adjust as necessary its interest rates assessed to members. As a result, CoastHills may adjust interest rates of EE Loans being originated. In the event CoastHills raises interest rates charged on EE Loans by more than 50 basis points (0.50%) over the then existing interest rates per calendar quarter, and the County does not agree with the proposed interest rate adjustments, in excess of the 50 basis point as stated above, for the EE Loan Program, the increase may go forward but the County shall have the option to terminate this Agreement as set forth in Section 9.02 (g). CoastHills will give the County 30 days prior notice and detailed rationale of any rate change.

IN WITNESS WHEREOF, the Parties to this Agreement have caused this Agreement to be duly executed as of the date first written above.

CoastHills Federal Credit Union

CoastHills Federal Credit Union as
Fiduciary Agent

Robert M. Goebel

Robert M. Goebel

By: Robert Goebel

By: Robert Goebel

Title: Senior Vice President

Title: Senior Vice President

and

and

Dallis E. Widick

Dallis E. Widick

By: Dallis Widick

By: Dallis Widick

Title: Vice President

Title: Vice President

COUNTY:

COUNTY OF SANTA BARBARA
BOARD OF SUPERVISORS
A Subdivision of the State of California

By: _____
JONI GRAY
Chair, Board of Supervisors

ATTEST:
CHANDRA L. WALLAR
CLERK OF THE BOARD

By: _____
Deputy

APPROVED AS TO LEGAL FORM:
DENNIS A. MARSHALL,
COUNTY COUNSEL

APPROVED AS TO

ROBERT W. GEIS, CPA
AUDITOR CONTROLLER

By: Dennis A. Marshall
Deputy County Counsel

By: Gregory R. ...
Deputy Auditor Controller
FOR BOB GEIS

List of Annexes

- A. Sample form for Monthly Report
- B. Terms, Conditions, and Underwriting Criteria
- C. Project Eligibility Design Criteria
- D. Project Eligibility Determination Procedure
- E. Sample form Residential Project Eligibility Letter
- F. Sample form Project Completion Certificate
- G. Sample form CoastHills Default Demand Letter
- H. Evaluating Residential Loan Portfolio Performance & Resetting the Loss Reserve Percentage, and the Residential Loan Facility Size
- I. Federal Regulations
- J. Federal Funding Contractor Provisions
- K. Intellectual Property Provisions (NRD-1003) Non-research and Development
- L. Acknowledgment and Disclaimer Language
- M. Certificate of Liability Insurance

List of Schedules

- 1. CoastHills' Loan Underwriting Criteria
- 2. Monthly Reports
- 3. List of Account Numbers



Lending Institution Report Submission

Overview

Name of Lending Institution:	
Reporting Date:	
Reporting Period Covered (please indicate month and year):	
Number of Job Hours Worked this Period:	
Preparer's Name:	
Preparer's Phone Number:	
Preparer's Email Address:	

By checking the box, I certify that the data entered is correct to the best of my knowledge.

LENDER OBLIGATIONS:

A) Required for each loan application received:

Loan Product	
Loan Amount	
Reporting Period	

B) Required for each loan at various stages of default (30, 60, 90 days past due, etc.):

Days Past Due	
Number of Loans	
Reporting Period	

Loan Product	
Loan Amount	
Reporting Period	

(Pre-filled by Santa Barbara County)

Instructions:

Report is due to County of Santa Barbara no later than the 10th calendar day of each month, covering the prior month's activity.

Annex A

Form for Monthly Report - *Sample*

Page 2 of 5

emPowerSBC PROGRAM RESIDENTIAL WORKSHEET

	Monthly Totals	Example 1	Project 1	Project 2
GENERAL PROJECT DATA	Monthly totals are self-calculating			
Unique Project ID Number/Loan Application Number	0	12345-6789		
Location: Zip Code (#####)		97202		
Building type (drop down)		Owner-Occupied Single Family Site Built		

Loan Amount (\$)	\$	10,000.00		
Direct Customer Contribution (\$)	\$	6,000.00		
Amount of Rebates or Grant (\$)	\$	250.00		
Rebate Source (drop down)		State		

LOAN APPLICATION ACCEPTANCE				
Loan application rejected? (1 if yes)	0			
Was loan rejected because of credit worthiness or incomplete application?				
If loan was rejected based on credit worthiness, select the reason that is most applicable to the loan applicant.				

RESIDENTIAL LOAN TERMS				
Which loan product was used to finance the retrofit? (As listed in the LOAN PRODUCT INFO Tab)		[Enter name of Loan product offering in this box]	[Enter name of Loan product offering in	
Loan Closing Date (mm/dd/yyyy)		2/1/2011		
Compounding Period (# of times per year)		4		
Loan Term (# of Months)		36		
Fixed Interest Rate (%)		8.0%		
Initial Interest Rate if Variable (%)		N/A		

RESIDENTIAL UNDERWRITING CRITERIA				
Annual Income (\$)		\$ 100,000.00		
Middle Credit Score (FICO)		650		
Debt-to-Income Ratio (Front End)		37%		
Debt-to-Income Ratio (Back End)		19%		
Property Valuation (\$ or n/a)		\$ 450,000.00		
Outstanding Mortgage Debt (\$)		\$ 350,000.00		
Outstanding Home Equity Line (\$)				
Outstanding Other Debt (\$)				
Existing Liens on Property (\$)				
Loan-to-Value Ratio		45		
Previous bankruptcy or foreclosure in past 7 years? (1 if yes)				
Other (write here to specify) i.e. Bankruptcy Watch Score				
Other (write here to specify)				
Other (write here to specify)				

Annex A

Form for Monthly Report - *Sample*

Page 4 of 5

MONTHLY REPORT to Santa Barbara County

Coast Hills as Fiduciary Agent

Report is due to County of Santa Barbara no later than the 10th of each month, covering the prior month's activity.

SANTA BARBARA COUNTY	
Name of Lending Institution	
Reporting Date	
Reporting Period Covered (please indicate month and year)	
Preparer's Name	
Preparer's Phone Number	
Preparer's Email Address	

By checking the box, I certify that the data entered is correct to the best of my knowledge.

<u>Transfer of Funds from Deposit Account to Reserve Account</u>	<u>Sample</u>
Total Loan Principal of new EE Loans this Reporting Period:	\$ 40,000.00
Funds to be Transferred from Deposit Account to Reserve Account for new EE Loans, as per Agreement Section 3.02 (at rate of 5.00%):	\$ 2,000.00
Funds Transferred from Deposit Account to Reserve Account, per all prior Monthly Reports:	\$ 30,000.00
Funds Transferred from Deposit Account to Reserve Account, with this Monthly Report:	\$ 2,000.00
Total Funds Transferred from Deposit Account to Reserve Account, as of this Monthly Report:	\$ 32,000.00

<u>Transfer of Funds from Reserve Account to CoastHills</u>	
Total Net Loss Amount this Reporting Period:	\$ 5,000.00
Funds to be Disbursed to CoastHills from Reserve Account for total Net Loss Amount per this Monthly Report, as per Agreement Section 3.04 (at rate of 90%):	\$ 4,500.00
Funds Disbursed to CoastHills from Reserve Account, per all prior Monthly Reports:	\$ -
Funds to be Disbursed to CoastHills from Reserve Account, with this Monthly Report:	\$ 4,500.00
Total Funds Disbursed to CoastHills from Reserve Account, as of this Monthly Report:	\$ 4,500.00

<u>Portfolio Data</u>	
Total # EE Loans in Segment, prior Monthly Report	40
Total # New EE Loans Added, this Monthly Report:	8
Total # EE Loans as of this Monthly Report:	48
Total Original Loan Principal, all EE Loans in Segment, with prior Monthly Report:	\$ 200,000.00
Total Original Principal, all New EE Loans, this Monthly Report:	\$ 40,000.00
Total Original Principal, all EE Loans in Segment, this Monthly Report:	\$ 240,000.00
Total Outstanding Principal, all EE Loans in Segment, as of: 9/30/2011	\$ 235,000.00

Month End Date *Amount*

Transfer of Funds from Reserve Account to Reflow Account

Annex A
Form for Monthly Report - *Sample*
Page 5 of 5

Transfer of Funds from Reserve Account to Reflow Account

Funds Transferred from Reserve Account to Reflow Account, per all prior Monthly Reports:	\$	150.00
Funds Transferred from Reserve Account to Reflow Account, with this Monthly Report:	\$	100.00
Total Funds Transferred from Reserve Account to Reflow Account, as of this Monthly Report:	\$	250.00

Portfolio Quality

# EE Loans current:		39
Arrears 31-60 days:		0
Arrears 61-90 days:		0
Arrears More than 91 days:		1
Total Outstanding Principal, all EE Loans in Segment past due 90 days:	\$	5,000.00
Total Outstanding Principal of EE Loans in default:	\$	5,000.00

Annex B
Terms, Conditions, and Underwriting Criteria
EE Loans

Borrowers: EE Loan participants must be residents of County of Santa Barbara who qualify for CoastHills or Ventura membership and have no active collections or judgments.

Lender: CoastHills Credit Union or Ventura County Credit Union

Use of Proceeds & Eligible Projects: Pursuant to this Agreement, EE Loans must fund investment in energy and water conservation improvements in owner-occupied single family homes in the County of Santa Barbara that meet certain efficiency criteria (to be defined by Santa Barbara County), and/or in minor building modifications necessary to implement the energy efficiency improvements. Equipment, engineering and installation costs will be eligible.

The Program will target residential EE Loans. If Santa Barbara County chooses to expand the Program to multifamily or commercial projects, the Parties shall first notify and receive approval from the DOE Project Officer and execute an amendment to this Agreement; consent not to be unreasonably withheld.

Unsecured EE Loan:

Minimum EE Loan: \$1,000

Maximum EE Loan: \$25,000

EE Loan Tenors, Interest Rates, & Minimum Credit Scores:

Interest Rates - CoastHills has developed a Risk Based Pricing model with varying interest rates based on EE Loan size, borrower credit, security, mitigated risk (loan loss reserve), and other criteria. Rates will be fixed for each EE Loan at the time of EE Loan application approval.

EE Loan Tenors - EE Loan tenors will vary with the amount financed. Terms offered for loans up to \$5,000 will not exceed 5 years and EE Loans ranging between \$5,000.01 - to - \$25,000 will not exceed 15 years.

APR FOR EE Loans \$1,000 to \$5,000				
Average EE Loan Term: 60 months				
A+	A	B	C	D
760+	710-759	680-709	640-679	590-639
8.49%	12.99%	13.99%	14.99%	15.99%

APR FOR EE Loans \$5,001 to \$25,000				
Average EE Loan Term: 180 months				
A+	A	B	C	D
760+	710-759	680-709	640-679	590-639
5.90%	6.99%	8.49%	12.49%	14.49%

Security: UCC filings may be required on EE Loans where appropriate. EE Loans will also be indirectly secured by the pledge of loan loss reserve funds. For EE Loans in excess of \$25,000, CoastHills may secure the loan through recordation of a deed of trust against the property.

Payment Schedule: All payments will be subject to a mortgage-style amortization with level payments over the EE Loan term.

Origination Fees and Closing Costs: Loan fees are as set forth in of Section 3.02 (a).

Interest Calculation and Prepayment Option: Interest on CoastHills' loans is calculated on a simple interest basis and will not be subject to prepayment penalties.

EE Loan Disbursement: EE Loans will be disbursed via Cashier's Check made payable to the contractor. Each EE Loan disbursement on each project will be contingent upon prior written approval by borrower and contractor, based upon a signed Certificate of Completion, and upon certification of the County and/or CoastHills, verifying energy efficiency project completion and all reporting requirements.

EE Loan Repayment and Security: While it is intended that the majority of EE Loans will be unsecured transactions, CoastHills and Ventura County will offer secured EE loan products. Sources of security could include the following:

a) For secured EE Loans, a deed of trust may be required, with anticipated loan-to-value ratios of 80-85%. It is expected that a prudent portion of estimated energy cost-savings will be included in the calculation of eligibility and loan tenor. These loans will be treated outside the credit criteria and Loan processes as described elsewhere within this Agreement. CoastHills and Ventura County Credit Union reserve the right to sell any real estate loan generated via this program on the Secondary Market. All real estate secured loans will be underwritten to the Secondary Market's standards, guidelines and processes.

a) For EE Loans on eligible equipment, CoastHills may make a UCC-1 security filing.

b) Repayment will be expected to come from the borrower's monthly income. Borrowers will be fully obligated to repay the credit via the promissory note and any associated filing to perfect CoastHills' interests. First payment shall be due no later than 60 days from the date the EE Loan funds are disbursed.

Should the borrower default on repayment, the Loss Reserve Account will be drawn upon to cover a portion of the loss per this Agreement. Notwithstanding the above, CoastHills will follow its normal collections procedures for EE Loans in default.

Underwriting Criteria:

See Schedule 1 for CoastHills EE Loan Criteria.

EE Loan Origination Procedures & Schedule:

Borrower shall submit the following documents to CoastHills to apply for the EE Loan:

1. EE Loan application (provided by CoastHills and completed by borrower) (see attached)
2. Tax returns for last two years
3. Most current two months of Pay Stubs
4. Other additional documents or stipulations determined during underwriting process

Without exception, all applications received for processing up to 3:00 pm daily will be processed and decisions made that same day. Applications received after 3:00 pm will be processed, but the credit decision will be delivered to the borrower the following business day.

A decision will be made on most EE Loans within 5-to-15 minutes after the Borrower's data is entered into CoastHills' LoansPQ credit decision engine. Those loans taking a longer period represent EE Loan transactions that have been referred to a Consumer Credit Analyst for judgmental loan underwriting.

Loan approvals on EE Loans shall be effective for 90 days.

CoastHills' electronic loan processing capabilities provide CoastHills with the ability to receive a credit application and grant a credit decision within minutes of inputting the application into its automated loan decision system. Members are notified of a loan approval via the following methods:

Method of Application Submission	Notification Process
Home Banking (electronic, on-line access)	Automated electronic e-mail
In-Branch Submission	Member Service Officer notifies
e-mail, Fax	Automated electronic e-mail
CoastHills Call Center e-Branch	Member Service Officer notifies

Annex C

Project Eligibility Design Criteria Residential EE Loans

Borrowers: Eligible borrowers include individuals residing in Santa Barbara County.

Energy Efficiency: The project design includes measures designed to meet energy efficiency standards and local utility standards. The project design does not dedicate more than 25% of the project's total budget toward any non-energy efficiency design measures that are necessary to install energy efficiency measures.

Acceptable Measures: Acceptable energy efficiency design measures are any measures identified by Santa Barbara County or its contractors and partners. These measures include but are not limited to insulation, air sealing, duct sealing, furnace replacement, hot water tank replacement, window replacements, solar photovoltaic systems, and water conservation measures installed in coordination with energy efficiency projects.

Allowable expenditures for Loan funds will include equipment, equipment installation, labor costs for energy-efficient fixtures, renewable energy equipment, water conservation measures, and retrofits installed on property owned or leased by the Loan applicant. EmPowerSBC will utilize the State's Energy Upgrade California's (EUCA) structure to determine eligible projects and measures. EUCA allows the following tier of services:

- Basic Package – projects participating through this pathway must incorporate the prescriptive package of energy efficiency measures specified by the California Public Utilities Commission and may be eligible to include renewable energy installation measures, such as solar photovoltaic equipment.
- Advanced Package – projects participating through this path must meet 10% energy savings from baseline per project and may be eligible to include renewable energy installation measures, such as solar photovoltaic equipment.

Typical residential energy efficiency measures include but are not limited to:

- Air sealing
- Insulation of varying types
- Duct sealing
- Hot water heater
- New central heating and/or air conditioning systems
- Double-paned windows
- Low flow showerhead

A complete definition of “eligible energy efficiency projects” will be developed based on energy savings and other qualitative and economic criteria developed by the County in consultation with EUCA, local partners, equipment suppliers, consulting engineers, and utilities.

For Advanced Package projects, Energy Upgrade California will require pre- and post-completion energy assessments by home performance professionals holding Building

Performance Institute (BPI) and RESNET certifications, or another acceptable designation determined by the County. It is anticipated that standard contract provisions with contractors will be required to ensure that quality and efficiency standards will be met. The work will be performed by approved, *California licensed* contractors and will be completed in a manner consistent with the EUCA standards.

Acceptable Projects: Projects must consist of energy saving improvements to individually owned single family residences. Acceptable projects must be completed by *California licensed* contractors qualified and trained and/or approved by Santa Barbara County and must meet all program reporting and must submit to quality assurance inspection prior to job completion. Santa Barbara County shall ensure that all borrowers, energy contractors, and any subcontractors hired as a result of this Agreement are in compliance with all federal, state, and local laws, including compliance with all applicable requirements of the American Recovery & Reinvestment Act. Santa Barbara County shall ensure that the project complies with the National Environmental Policy Act and Section 106 of the National Historic Preservation Act.

Annex D

Project Eligibility Determination Procedure

1. All prospective residential projects must be evaluated by Santa Barbara County and CoastHills and meet Eligible Project criteria.
2. A prospective project will be deemed an “Eligible Project” if it meets the following criteria:
 - a. The applicant is an owner of a single family home in Santa Barbara County.
 - b. The prospective project meets energy efficiency design criteria and other funder requirements, as set forth in Annex C; and
 - c. The prospective project meets CoastHills’ underwriting criteria, as set forth in Annex B, and CoastHills has issued a Loan, with disbursement of funds conditioned only upon CoastHills receiving a Certificate of Completion of project.
 - d. The applicant uses a contractor off the “Approved Contractor List”, based on the applicable energy efficiency measure(s), as provided by Santa Barbara County and Energy Upgrade California.
 - e. The applicant has executed an assignment that provides that loan funds shall be paid directly to his or her contractor.
 - f. Both homeowners and contractor have executed County terms and conditions prior to loan execution.
3. As an Eligible Project, the project can proceed to construction.
4. When CoastHills receives the Certificate of Completion, it shall disburse Loan funds to contractor.

Annex E
Form Residential Project Eligibility Letter – Sample
Format for Loan Applicant Email Confirmation

Authorized to Proceed (PGE)

Dear <CONTRACTOR COMPANY>,

Congratulations! You are authorized to begin upgrade work for the following job:
<PREMISE ADDRESS>

DO NOT proceed with work for 72 hours following receipt of this notice. This delay allows CBPCA to schedule a pre-retrofit verification if this job is selected for quality assurance. Contractors who begin retrofit work prior to the authorized time jeopardize the rebate for that job and risk loss of participating contractor status.

Please click on the "Files" tab to download and review the authorized files. If there are review comments in the attached Job Reporting Template, please incorporate these revisions into your post-retrofit submission. These do not need to be corrected prior to proceeding with retrofit work.

The anticipated savings from the pre-retrofit energy simulation have not been confirmed by CBPCA; the final rebate value will be determined during the in-depth post-retrofit review. The existing home conditions listed in your pre-retrofit submission will be used with the approved post-retrofit data to determine the final rebate value. The reported existing conditions cannot be modified now that the job has been authorized to proceed.

NEXT STEPS:

- No-cost program mentoring is available on your first five jobs. If you request mentoring on the day you complete a post-retrofit home energy assessment, the mentoring can double as a verification. Verification is normally performed at cost to the contractor. Contact Kristin Elsmore at [510-788-0463](tel:510-788-0463) to schedule an appointment.
- After the retrofit work is complete, perform a post-retrofit home energy assessment and fill out the ADVANCED (post-retrofit) tab of the Job Reporting Template.
- Re-run the energy simulation model with the actual post-retrofit installed measures and home energy assessment numbers.
- **Upload your post-retrofit files to Vision and include a note on this job so we are notified when you have uploaded your revised documentation.**

Thank you,
CBPCA
Energy Upgrade California team

Annex F
Form Project Completion Letter - *Sample*

Rebate Approved (PGE)

Dear <CONTRACTOR COMPANY>,

Good news! The rebate for following has been approved:
<PREMISE ADDRESS>

Please click on the "Files" tab to download and review the final approved files. The approved energy savings percentage is listed in the approved post-retrofit Jobs Reporting Template.

CBPCA will submit the final job report to the utility provider, who will issue the rebate check to the homeowner. The estimated rebate check delivery time from this point is six to eight weeks.

NEXT STEPS:

If this job is selected for quality assurance verification, CBPCA staff will contact you so you can place a courtesy call to your client. CBPCA will then assign a job verifier, who will contact your client within one business day to schedule the verification visit. The verifier will complete a post-retrofit home energy assessment, and the results will be shared with you according to the CBPCA QA verification program policy.

Thank you,
CBPCA
Energy Upgrade California team

**Annex G
Default Letter**

December 16, 2011

Click here to enter text.

Click here to enter text.

Click here to enter text.

RE: Loan #Click here to enter text.

Dear Click here to enter text:

Because of your severe delinquency you are in default on the above referenced loan under a Promissory Note and Security Agreement you executed on Click here to enter text.. At this time your loan is past due for the payments scheduled for Click here to enter text., totaling \$Click here to enter text.. This includes late charges, and amounts only partially paid.

You have until Click here to enter text. to bring this loan current.

You may bring your loan current by paying us \$Click here to enter text. in cash or by cashier's check. This amount includes the full amount past due and owing. This amount must be received by CoastHills no later than the close of business on Click here to enter text..

If you do not bring your loan current, as provided above, then we may exercise our rights under the law by accelerating the sums due and owing under our Promissory Note and UCC-1 filing. Such actions may include foreclosing upon the collateral securing this loan and selling it.

Please contact our office as soon as possible. If you cannot make the payment now, contact me at **805-733-7600**, so that arrangements can be made to bring your account current. My office hours are Monday through Friday, 7:30 am to 4:00pm. You can also contact me by email at **info@coasthills.coop**.

Sincerely,

X _____
Collections Officer

Annex H

Methodology for Fund Transfers

1. Reserve Account Advance. The Reserve Account shall be advance-funded by an amount of \$20,000, which will be the reserve for the first \$400,000 in EE Loans upon funding of the Reserve Disbursement Account. This amount is intended to cover any loan defaults that occur before sufficient cash flow has accrued in the Reserve Account.
2. Reflow Income. The Reflow Account shall be funded on a monthly basis from the following sources:
 - (a) All balances held in the Reserve Account exceeding 5.0% of the outstanding principal on all loans in the portfolio, (1)
 - (b) All capitalized interest on all applicable County depository accounts,

(1) At no time will CoastHills transfer funds from the Reserve Account to the Reflow Reserve Disbursement Account if the balance of the Reserve Account is less than 5.0% of the total EE Loan portfolio as detailed under this Agreement.

All funds in the Reflow Account are considered program income of the County.

3. EE Loan Portfolios. The Loan portfolio shall be divided into segments as follows:
 - a. All EE Loans funded prior to or on December 31, 2011 shall be in Segment 1.
 - b. Subsequent segments, shall be determined similarly for each subsequent period (each defined as a "Portfolio Segment").
4. Evaluation of Loss Performance of Residential Loan Portfolio Segments. At the close of a Loan Portfolio Segment, that segment's "Percentage Average Annual Loan Losses" shall be calculated as per the method defined below. The close of Segment 1 shall be December 31, 2011.
5. Percentage Average Annual Loan Losses. The percentage average annual Loan losses are calculated by the following formula:
 - a. Derive the sum of the average principal balance amount (determined on a monthly basis) of all EE Loans in the Portfolio Segment, using the average of the month-end principal balances.
 - b. Derive the sum of all principal Loan losses on that Portfolio Segment for the same 3 month period ending with the evaluation date, less any recoveries (net of collection expense) to determine the "Average Annual Losses."
 - c. Express the ratio of (A) Average Annual Losses for that Portfolio Segment, divided by (B) the total average principal balance of all EE Loans in that Portfolio Segment as a percentage; this percentage shall be the Percentage Average Annual Loan Losses for that segment.
6. Resetting the Loss Reserve Percentage. During the final Quarterly Meeting of each year, the Parties will evaluate the prior year's Loan portfolio performance. If the calculated

Percentage Average Loan Losses for a specific Portfolio Segment is greater than 0.75%, then the Parties shall assess and renegotiate the underwriting guidelines. Upon evaluation of the Loan data collected per Annex A, if the Parties find that a particular underwriting criterion is most closely associated with the majority of the EE Loans contributing to the Percentage Average Annual Loan Losses, the Parties will negotiate to determine a possible revision of that (those) underwriting criterion (criteria) and amend the underwriting criteria in Annex B. Following such evaluation of underwriting guidelines, the Parties may also consider resetting the Loss Reserve Percentage in light of actual loss experience; in no event will the Loss Reserve Percentage be set higher than 10%.

Annex I Federal Regulations

Formal regulations concerning administrative procedures for USDOE grants appear in Title 10 of the Code of Federal Regulations. Grant program administrative regulations appear in Part 600. Other USDOE regulations also impact grant programs. The Subgrantee or Contractor is responsible for determining applicability and compliance. The following list contains regulations and Office of Management and Budget Circulars which may apply to the work performed under this Agreement.

2 CFR 176	Award Terms for Assistance Agreements that include funds under the American Recovery and Reinvestment Act of 2009, Public Law 111-5
2 CFR 901	Nonprocurement Debarment and Suspension
10 CFR 600; 10 CFR 600 Subpart D and Appendix B	Financial Assistance Regulations; Administrative Requirements for Grants and Cooperative Agreements with For-Profit Organizations; and Contract Provisions
10 CFR 601	New Restrictions on Lobbying
10 CFR 607	Government wide requirements for drug-free work place (financial assistance)
10 CFR 1039	Uniform relocation assistance and real property acquisition for federal and federally assisted programs
10 CFR 1040	Nondiscrimination in Federally Assisted Programs or Activities
10 CFR 1041	Enforcement of Nondiscrimination on the basis of handicap in programs or activities conducted by USDOE
10 CFR 1042	Nondiscrimination on the basis of sex in education programs or activities receiving federal financial assistance
<i>Other Federal Regulations</i>	
45 CFR Subtitle A – Appendix E to Part 74	<u>Principles for Determining Costs Applicable to Research and Development Under Grants and Contracts with Hospitals</u>
48 CFR 31	Contract Cost Principles and Procedures, or uniform cost accounting standards that comply with cost principles acceptable to the federal agency
Office of Management and Budget Circulars	
A-21	Cost Principles for Educational Institutions
A-87	Cost Principles for State, Local, and Indian Tribal Governments
A-102	Grants and Cooperative Agreements with State and Local Governments
A-110	Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations
A-122	Cost Principles for Non-Profit Organizations
A-133	Audit Requirements

Annex J

Federal Funding Contractor Provisions

Santa Barbara County (for Annexes I, J, and K only "Contractor") agrees to comply with all of the following provisions and require any and all subawards and contracts awarded by the Contractor, including small purchases, to contain the following provisions as applicable:

1. **Resolution of Conflicting Conditions** - Any apparent inconsistency between Federal statutes and regulations and the terms and conditions contained in this award must be referred to the Energy Division Program Manager for guidance.
2. **Federal, State and Municipal Requirements** - You must obtain any required permits and comply with applicable federal, state, and municipal laws, codes, and regulations for work performed under this award. All work to be performed under individual loans must be permitted.*
3. **Segregation of Costs** - Recipients must segregate the obligations and expenditures related to funding under the Recovery Act. Financial and accounting systems should be revised as necessary to segregate, track, and maintain these funds apart and separate from other revenue streams. No part of the funds from the Recovery Act shall be commingled with any other funds or used for a purpose other than that of making payments for costs allowable for Recovery Act projects. Reporting requirements contained in the Agreement are consistent with this requirement.
4. **Availability of Funds** - Any commitment of funds shall be contingent upon the receipt and availability of funds under the program for which this Agreement is made. Payments made by the Department under the terms of this Agreement shall not constitute final approval of documents submitted by the Contractor or of procedures used in formulating requests for payment to the Contractor. Funds appropriated under the Recovery Act and obligated to this award are available for reimbursement of costs until the end of the performance period set forth in the subgrant agreement. Funding under this Agreement is made contingent upon the availability of funds.
5. **Equal Employment Opportunity** - All contracts shall contain a provision requiring compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs; Equal Employment Opportunity, Department of Labor." The work to be performed under this Agreement is consistent with these requirements.
6. **Copeland "Anti-Kickback" Act (18 U.S.C. 874 and 40 U.S.C. 276c)** - All contracts and subgrants in excess of \$2,000 for construction or repair awarded by recipients and

subrecipients shall include a provision for compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874), as supplemented by Department of Labor regulations (29 CFR part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by EE Loans or Grants from the United States"). The Act provides that each contractor or subrecipient shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he is otherwise entitled. The recipient shall report all suspected or reported violations to the Federal awarding agency. The work to be performed under this Agreement is consistent with these requirements.

7. **Wage Rate Requirements** – Section 1606 of the Recovery Act (ARRA) requires that all laborers and mechanics employed by contractors and subcontractors on projects funded directly or assisted in whole or in part by and through the Federal Government pursuant to the ARRA shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code. This requirement is not applicable to projects undertaken as a result of the funding of a loan loss reserve to support private lending on energy efficiency improvements to owner occupied single family residences.

8. **Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7)** - When required by Federal program legislation, all construction contracts awarded by the recipients and subrecipients of more than \$2,000 shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) and as supplemented by Department of Labor regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). Under this Act, contractors shall be required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. The recipient shall place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. The recipient shall report all suspected or reported violations to the Federal awarding agency. Current wage determinations for the appropriate county can be found at <http://www.wdol.gov/dba.aspx#0>. This requirement is not applicable to projects undertaken as a result of the funding of a loan loss reserve to support private lending on energy efficiency improvements to owner occupied single family residences.

9. **Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333)** - Where applicable, all contracts awarded by recipients in excess of \$2000 for construction contracts and in excess of \$2,500 for other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with Sections 102 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor regulations (29 CFR part 5). Under Section 102 of

the Act, each contractor shall be required to compute the wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than 1 ½ times the basic rate of pay for all hours worked in excess of 40 hours in the work week. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence. This requirement is not applicable to projects undertaken as a result of the funding of a loan loss reserve to support private lending on energy efficiency improvements to owner occupied single family residences.

10. **Rights to Inventions Made Under a Contract or Agreement** - Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and the recipient in any resulting invention in accordance with 10 CFR part 600.325, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency. This provision is not applicable to this project.
11. **National Environmental Policy Act** - You are restricted from taking any action using federal funds for projects under this award that would have an adverse effect on the environment or limit the choice of reasonable alternatives prior to DOE providing a final NEPA determination regarding these projects. Only projects that are consistent with the environmental review that has already been undertaken.

Clean Air Act (42 U.S.C. 7401 et seq.), and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended - Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA). The work to be performed under this Agreement is consistent with these requirements.

12. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352)** - Contractors who apply or bid for an award of \$100,000 or more shall file the required certification. Each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Each tier shall also disclose any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award. Such

disclosures are forwarded from tier to tier up to the recipient. The work to be performed under this Agreement is consistent with these requirements.

13. **Lobbying Restrictions** - By accepting funds under this award, you agree that none of the funds obligated on the award shall be expended, directly or indirectly, to influence congressional action on any legislation or appropriation matters pending before Congress, other than to communicate to Members of Congress as described in 18 U.S.C. 1913. This restriction is in addition to those prescribed elsewhere in statute and regulation. The work to be performed under this Agreement is consistent with these requirements.

14. **Debarment and Suspension (E.O.s 12549 and 12689)** - No contract shall be made to parties listed on the General Services Administration's List of Parties Excluded from Federal Procurement or Nonprocurement Programs in accordance with E.O.s 12549 and 12689, "Debarment and Suspension." This list contains the names of parties debarred, suspended, or otherwise excluded by agencies, and contractors declared ineligible under statutory or regulatory authority other than E.O. 12549. Contractors with awards that exceed the small purchase threshold shall provide the required certification regarding its exclusion status and that of its principal employees. Contracting with CoastHills is consistent with this requirement.

15. **Section 508 of the Federal Water Pollution Control Act, as amended (33 U.S.C. 1368) and Section 1424(e) of the Safe Drinking Water Act, (42 U.S.C. 300h-3(e))** - Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to Section 508 of the Federal Water Pollution Control Act, as amended (33 U.S.C. 1368) and Section 1424(e) of the Safe Drinking Water Act, (42 U.S.C. 300h-3(e)). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA). The work to be performed under this Agreement is consistent with these requirements.

16. **Compliance with all Federal statutes relating to nondiscrimination.** These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of sex; (b) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 795), which prohibits discrimination on the basis of handicaps; (c) the Age Discrimination Act of 1975, as amended (42 U.S.C. 6101-6107), which prohibits discrimination on the basis of age; (d) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (e) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (f) Sections 523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. 290 dd-3 and 290 ee-3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (g) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3601 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (h) any other

nondiscrimination provisions in the specific statute(s) made; and, (i) the requirements of any other nondiscrimination statute(s) which may apply. The work to be performed under this Agreement is consistent with these requirements.

17. **Compliance with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646)** which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal or federally assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases. No relocation obligations will be triggered by the projects undertaken pursuant to this Agreement.
18. **Compliance with the provision of the Hatch Act (5 U.S.C. 1501 – 1508 and 7324 – 7328)** which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds. The work to be performed under this Agreement is consistent with these requirements.
19. **Comply, if applicable, with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234)** which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more. The work to be performed under this Agreement is consistent with these requirements.
20. **Compliance with environmental standards which may be prescribed to the following:** (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EP 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplain in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.); (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. 7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended, (P.L. 93-523); and (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205). The work to be performed under this Agreement is consistent with these requirements.
21. **Compliance with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. 1271 et seq.)** related to protecting components or potential components of the national wild and scenic rivers system. The work to be performed under this Agreement is consistent with these requirements.

22. **Compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. 469a-1 et seq.)** - Prior to the expenditure of Federal funds to alter any structure or site, the Recipient is required to comply with the requirements of Section 106 of the National Historic Preservation Act (NHPA), consistent with DOE's 2009 letter of delegation of authority regarding the NHPA. Santa Barbara County's screening of projects to be funded pursuant to this Agreement will ensure compliance with these requirements.
23. **Compliance with P.L. 93-348** regarding the protection of human subjects involved in research, development, and related activities supported by this award of assistance. The work to be performed under this Agreement is consistent with these requirements.
24. **Compliance with the Laboratory Animal Welfare Act of 1966 (P.L. 89-544, as amended, 7 U.S.C. 2131 et seq.)** pertaining to the care, handling, and treatment of warm blooded animals held for research, teaching, or other activities supported by this Agreement. These requirements will not be triggered by the work to be performed under this Agreement.
25. **Compliance with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4801 et seq.)** which prohibits the use of lead based paint in construction or rehabilitation of residence structures. This requirement will be incorporated into Santa Barbara County's agreements with Contractors.
26. **Compliance with the mandatory standards and policies relating to energy efficiency which are contained in the State energy plan issued in accordance with the Energy Policy and Conservation Act (Pub. L. 94-163, 89 Stat. 871).** The work to be performed under this Agreement is consistent with these requirements.
27. **Assist the Department in complying with the State Energy Program as described in the Code of Federal Regulations, Title 10, Parts 420 and guidance issued by the U.S. Department of Energy and subsequent guidance issued by the U.S. Department of Energy; and the Financial Assistance Rules described in Title 10, Part 600.** The work to be performed under this Agreement is consistent with these requirements.
28. **Compliance with the Buy American Act (41 U.S.C. 10a-10c)** By accepting funds under this Agreement, the Grantee agrees to comply with sections 2 through 4 of the Act of March 3, 1933, popularly known as the "Buy American Act." The Grantee should review the provisions of the Act to ensure that expenditures made under this Agreement are in accordance with it. It is the sense of the Congress that, to the greatest extent practicable, all equipment and products purchased with funds made available under this

Agreement should be American-made. The work to be performed under this Agreement is consistent with these requirements.

29. Compliance with Section 1605 of the American Recovery and Reinvestment Act of 2009. Use of American Iron, Steel and Manufactured Goods.

- a. None of the funds appropriated or otherwise made available by the Act may be used for a project for the construction, alteration, maintenance, or repair of a public building or public work unless the iron, steel and manufactured goods used in the project are produced in the United States.
- b. Subsection (a) shall not apply in any case or category of cases in which the head of the Federal department or agency involved finds that –
 1. Applying subsection (a) would be inconsistent with the public interest;
 2. iron, steel, and the relevant manufactured goods are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or
 3. inclusion of iron, steel, and manufactured goods produced in the United States will increase the cost of the overall project by more than 25 percent.
- c. If the head of the Federal department or agency determines that it is necessary to waive the application of subsection (a) based on a finding under subsection (b), the head of the department or agency shall publish in the Federal Register a detailed written justification as to why the provision is being waived.
- d. This section shall be applied in a manner consistent with United States obligations under international agreements. The work to be performed under this Agreement is consistent with these requirements.

30. Preservation of open competition and government neutrality towards contractors' labor relations on federally funded construction projects

- a. Unless in conflict with State or local laws, you must ensure that bid specifications, project agreement, or other controlling documents in construction contracts awarded pursuant to this agreement, or pursuant to a subaward to this agreement, do not:
 1. Require or prohibit bidders, offerors, contractors, or subcontractors to enter into or adhere to agreements with one or more labor organizations, on the same or other related construction project(s); or
 2. Otherwise discriminate against bidders, offerors, contractors, or subcontractors for becoming or refusing to become or remain signatories or otherwise to adhere to agreements with one or more

labor organizations, on the same or other related construction project(s).

- b. The term “construction contract” as used in this provision means any contract for the construction, rehabilitation, alteration, conversion, extension, or repair of buildings, highways, or other improvements to real property.
 - c. Nothing in this provision prohibits bidders, offerors, contractors, or subcontractors from voluntarily entering into agreements with labor organizations. This requirement is not triggered by the work to be performed under this Agreement.
32. **Compliance with the provision included in Title XV and Title XVI of Public Law 111-5, the American Recovery and Reinvestment Act of 2009.** The work to be performed under this Agreement is consistent with these requirements.
33. **False Claims Act** – Recipient and sub-recipients shall promptly refer to the DOE or other appropriate Inspector General any credible evidence that a principle, employee, agent, contractor, sub-grantee, subcontractor, or other person has submitted a false claim under the False Claims Act or has committed a criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity or similar misconduct involving those funds. The work to be performed under this Agreement is consistent with these requirements.
34. **Decontamination and/or Decommissioning (D&D) Costs** – Notwithstanding any other provisions of this Agreement, the federal or state government shall not be responsible for or have any obligation to the Contractor for (i) Decontamination and/or Decommissioning (D&D) of any of the Contractor’s facilities, or (ii) any costs which may be incurred by the Contractor in connection with the D&D of any of its facilities due to the performance of the work under this agreement, whether said work was performed prior to or subsequent to the effective date of the Agreement. The work to be performed under this Agreement is consistent with these requirements.
35. **Intellectual Property Provisions and Contact Information** - Nonprofit organizations are subject to the intellectual property requirements at 10 CFR 600.136(a), (c) and (d). All other organizations are subject to the intellectual property requirements at 10 CFR 600.136(a) and (c). A list of all intellectual property provisions may be found at http://www.gc.doe.gov/financial_assistance_awards.htm.

Questions regarding intellectual property matters should be referred to the Department Program Manager assigned to this project who will forward them to the DOE Award Administrator and the Patent Counsel designated as the service provider for the DOE office that issued the award. The IP Service Providers List is found at [http://www.gc.doe.gov/documents/Intellectual_Property_\(IP\)_Service_Providers_for_Acquisition.pdf](http://www.gc.doe.gov/documents/Intellectual_Property_(IP)_Service_Providers_for_Acquisition.pdf). The work to be performed under this Agreement is consistent with these requirements.

36. **Statement of Stewardship** – The ADECA Energy Division will exercise normal stewardship in overseeing the project activities performed under this award. Stewardship activities include, but are not limited to, conducting site visits; reviewing performance and financial reports; providing technical assistance and/or temporary intervention in unusual circumstances to correct deficiencies which develop during the project; assuring compliance with terms and conditions; and reviewing technical performance after project completion to ensure that the award objectives have been accomplished. The work to be performed under this Agreement is consistent with these requirements.
37. **Site Visits** - The Energy Division's authorized representatives have the right to make site visits at reasonable times to review project accomplishments and management control systems and to provide technical assistance, if required. You must provide, and must require your subawardees to provide, reasonable access to facilities, office space, resources, and assistance for the safety and convenience of the government representatives in the performance of their duties. All site visits and evaluations must be performed in a manner that does not unduly interfere with or delay the work. The work to be performed under this Agreement is consistent with these requirements.
38. **Reporting and Registration under ARRA Section 1512** - The reporting requirements for this award are identified in the Contract agreement. This award requires the recipient to complete projects or activities which are funded under the American Recovery and Reinvestment Act of 2009 (Recovery Act) and to report on use of Recovery Act funds provided through this award. Information in these reports will be provided to the public. Failure to comply with these reporting requirements is considered a material noncompliance with the terms of the award. Noncompliance may result in withholding of future payments, suspension, or termination of the current award, and withholding of future awards. A willful failure to perform, a history of failure to perform, or unsatisfactory performance of this and/or other financial assistance awards, may also result in a debarment action to preclude future awards by Federal agencies. The work to be performed under this Agreement is consistent with these requirements.
39. **Publications** – You are encouraged to publish or otherwise make publicly available the results of the work conducted under the award. An acknowledgment of Federal support and a disclaimer must appear in the publication of any material, whether copyrighted or not, based on or developed under this project.

An application may contain technical data and other data, including trade secrets and/or privileged or confidential information, which the applicant does not want disclosed to the public or used by the Government for any purpose other than the application. To protect such data, the applicant should specifically identify each page including each line or paragraph thereof containing the data to be protected and mark the cover sheet of the application. The work to be performed under this Agreement is consistent with these requirements.

40. Recovery Act Transactions –

- a. To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21 “Uniform Administrative Requirements for Grants and Agreements” and OMB Circular A-102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds.
- b. For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations,” recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133.
- c. Recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of Recovery Act funds. When a recipient awards Recovery Act funds for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental Recovery Act funds from regular subawards under the existing program.
- d. Recipients agree to require their subrecipients to include on their SEFA information to specifically identify Recovery Act funding similar to the requirements for the recipient SEFA described above. This information is needed to allow the recipient to properly monitor subrecipient expenditure of ARRA funds as well as oversight by the Federal awarding agencies, Offices of Inspector General and the Government Accountability Office. The work to be performed under this Agreement is consistent with these requirements.

41. Access to Records - With respect to each financial assistance agreement awarded utilizing at least some of the funds appropriated or otherwise made available by the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, any representative of an appropriate inspector general appointed under section 3 or 8G of the Inspector General Act of 1988 (5 U.S.C. App.) or of the Comptroller General is authorized – (1) to examine any records of the contractor or grantee, any of its subcontractors or subgrantees, or any State or local agency administering such contract that pertain to, and involve transactions relation to, the subcontract, subgrant, grant, or subgrant; and (2) to interview any officer or employee of the contractor, grantee, subgrantee, or agency regarding such transactions. The work to be performed under this Agreement is consistent with these requirements.

42. Certifications - With respect to funds made available to State or local governments for infrastructure investments under the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, the Governor, mayor, or other chief executive, as appropriate, certified by acceptance of this award that the infrastructure investment has received the full review and vetting required by law and that the chief executive accepts responsibility that the infrastructure investment is an appropriate use of taxpayer dollars. Contractor shall

provide an additional certification that includes a description of the investment, the estimated total cost, and the amount of Covered Funds to be used for posting on the Internet. A State or local agency may not receive infrastructure investment funding from funds made available by the Act unless this certification is made and posted. The work to be performed under this Agreement is consistent with these requirements.

43. **Prohibition on Use of Funds** - None of the funds provided under this agreement derived from the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, may be used by any State or local government, or any private entity, for any casino or other gambling establishment, aquarium, zoo, golf course, swimming pool or structure housing a swimming pool. The work to be performed under this Agreement is consistent with these requirements.

44. **Protecting Whistleblowers** - An employee of any non-Federal employer receiving covered funds under the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, may not be discharged, demoted, or otherwise discriminated against as a reprisal for disclosing, including a disclosure made in the ordinary course of an employee's duties, to the Accountability and Transparency Board, an inspector general, the Comptroller General, a member of Congress, a State or Federal regulatory or law enforcement agency, a person with supervisory authority over the employee (or other person working for the employer who has the authority to investigate, discover or terminate misconduct, a court or grant jury, the head of a Federal agency, or their representatives information that the employee believes is evidence of:
 - a. gross mismanagement of an agency contract or grant relating to covered funds;
 - b. a gross waste of covered funds
 - c. a substantial and specific danger to public health or safety related to the implementation or use of covered funds;
 - d. an abuse of authority related to the implementation or use of covered funds; or
 - e. as violation of law, rule, or regulation related to an agency contract (including the competition for or negotiation of a contract) or grant, awarded or issued relating to covered funds. The work to be performed under this Agreement is consistent with these requirements.

Annex K
Intellectual Property Provisions (NRD-1003)
Non-research and Development

Nonprofit organizations are subject to the intellectual property requirements at 10 CFR 600.136(a), (c) and (d). All other organizations are subject to the intellectual property requirements at 10 CFR 600.136(a) and (c). 10 CFR 600.325 applies to For-Profit entities. A list of all intellectual property provisions may be found at http://www.gc.doe.gov/financial_assistance_awards.htm.

Questions regarding intellectual property matters should be referred to the Department Program Manager assigned to this project who will forward them to the DOE Award Administrator and the Patent Counsel designated as the service provider for the DOE office that issued the award. The IP Service Providers List is found at [http://www.gc.doe.gov/documents/Intellectual_Property_\(IP\)_Service_Providers_for_Acquisition.pdf](http://www.gc.doe.gov/documents/Intellectual_Property_(IP)_Service_Providers_for_Acquisition.pdf).

600.136 Intangible property.

(a) Recipients may copyright any work that is subject to copyright and was developed, or for which ownership was purchased, under an award. DOE reserves a royalty-free, nonexclusive and irrevocable right to reproduce, publish or otherwise use the work for Federal purposes, and to authorize others to do so.

(b) DOE has the right to:

(1) Obtain, reproduce, publish or otherwise use the data first produced under an award; and

(2) Authorize others to receive, reproduce, publish, or otherwise use such data for Federal purposes.

(c) In addition, in response to a Freedom of Information Act (FOIA) request for research data relating to published research findings produced under an award that were used by the Federal Government in developing an agency action that has the force and effect of law, the DOE shall request, and the recipient shall provide, within a reasonable time, the research data so that they can be made available to the public through the procedures established under the FOIA. If the DOE obtains the research data solely in response to a FOIA request, the agency may charge the requester a reasonable fee equaling the full incremental cost of obtaining the research data. This fee should reflect the costs incurred by the agency, the recipient, and applicable subrecipients. This fee is in addition to any fees the agency may assess under the FOIA (5 U.S.C. 552(a)(4)(A)).

Annex L

Acknowledgment and Disclaimer Language

For any publications (written, visual, sound) but excluding press releases, newsletters, and issue analyses, issued by the Grantee describing programs or projects funded with ARRA, shall contain the following acknowledgement & disclaimer statements:

Acknowledgement: "This project was supported by Grant No. EE0000850 awarded by US Department of Energy. Points of view in this document are those of the author and do not necessarily represent the official position or policies of the US Department of Energy."

And (if a published report)

Disclaimer: "This report was prepared as an account of work sponsored by an agency of the United States Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed, or represents that its use would not infringe privately owned rights. Reference herein to any specific commercial product, process, or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply its endorsement, recommendation, or favoring by the United States Government or any agency thereof. The views and opinions of authors expressed herein do not necessarily state or reflect those of the United States Government or any agency thereof."

Annex M

Certificate of Liability Insurance - *Example*

Contract Number: 14606380
COI Number: 093143-000

CUMIS INSURANCE SOCIETY, INC. CERTIFICATE OF INSURANCE

This is to certify that such insurance policies as indicated below by policy number have been issued on forms in current use by the Society. Hazards covered are indicated by (X). This CERTIFICATE OF INSURANCE neither affirmatively nor negatively amends, extends, or alters the coverage afforded by these policies. The insurance afforded by the policies described herein is subject to all the terms, exclusions and conditions of such policies. Aggregate limits shown may have been reduced by paid claims. This certificate is issued as a matter of information only and confers no rights upon the certificate holder.

Name and Address of Certificate Holder
Snohomish County
Director of Operations & Finance
3000 Rockefeller Ave
Everett WA 98201 4046

Type of Insurance	Policy Number	Expiration Date	Limits of Liability
WORKERS' COMPENSATION EMPLOYERS' LIABILITY			Statutory
COMPREHENSIVE GENERAL LIABILITY (X) OCCURRENCE (X) Policy Aggregate Limit	046336	07/28/2011	\$300,000 Each Occurrence \$900,000 Policy Aggregate
AUTOMOBILE LIABILITY () Owned Automobiles () Hired Automobiles () Non-Owned Automobiles () Repossessed Automobiles			Combined Single Limit Each Occurrence
EXCESS LIABILITY (X) OCCURRENCE (X) Policy Aggregate Limit	046336	07/28/2011	\$3,000,000 Each Occurrence \$9,000,000 Policy Aggregate
Employee or Director Dishonesty	038589	07/28/2011	\$2,250,000

Should any of the described policies be cancelled before the expiration date noted, the Society will mail 45 days prior written notice of such cancellation to the above named Certificate Holder. The mailing of the notice shall be sufficient proof of notice.

Description and location of operations and/or automobiles and/or property covered:
This is proof of insurance for Puget Sound Cooperative Credit Union

Name and Address of insured:

Date: 05/03/2011

PUGET SOUND COOPERATIVE CREDIT UNION
PO Box 97034
Bellevue WA 98009 9734

By:



AUTHORIZED REPRESENTATIVE

Schedule 1

– CoastHills' Consumer Loan Branch Guidelines and Procedures

COASTHILLS FEDERAL CREDIT
UNION
CONSUMER LOAN BRANCH
GUIDELINES AND PROCEDURES

Overview

PURPOSE

The purpose of the Loan manual is to establish specific operating standards and underwriting parameters for the consumer lending function at CoastHills Federal Credit Union (CHFCU). The Guidelines documented adhere to Board Policy and support the credit union's goal of maintaining the highest quality credit standards.

REVIEW

Board and department policies, procedures and guidelines will be reviewed on an annual basis at a minimum. Review will be made by the department heads to ensure they are current and in accordance with the philosophy of CoastHills Federal Credit Union and in compliance with regulatory requirements.

SCOPE

The scope of these Guidelines covers all types of consumer loans offered, owned or serviced by the credit union, including secured and unsecured loans. These departmental Guidelines are intended to complement the general loan policies established by the Board of Directors by providing specific and detailed operating Guidelines to manage the consumer lending process. Any departmental Guideline that conflicts with a board policy should be considered null and void.

PHILOSOPHY

The Credit Union desires to maintain the highest quality credit standards in order to support the Credit Union's financial objectives and the communities in which it does business. The Credit Union provides credit opportunities to all members and will structure loans that meet the needs of the members, without undue risk to the Credit Union. Lending staff will be adequately trained to manage the credit processes of the organization. Lending personnel are expected to underwrite, structure and service loans based upon the Credit Union's desire to meet the needs of the member and maintain credit quality. Any deterioration in credit quality is to be identified in a timely manner by the Lending and Collection staff.

CONFIDENTIALITY AND PRIVACY

The confidentiality of our member's information is of utmost importance to the Credit Union. Loan files, including application, credit reports and other member information will always be maintained in a confidential manner.

All staff will be responsible for ensuring the safeguarding of member information.

The Consumer Loan Department will only collect the information necessary to establish an on-going relationship with members and joint accountholders. Information on an individual member may be collected from a variety of sources, including the member's signature card, loan application and credit bureaus and other personal records of the member. Furthermore, the Consumer Loan Department will take reasonable precautions to protect the accuracy and reliability of member information.

Staff will only be permitted to access member account information when necessary for business reasons. Finally, the Credit Union will establish appropriate security standards to protect against unauthorized access to member information.

DISPARATE TREATMENT

The Credit Union will not discriminate against any applicant with respect to race, color, religion, national origin, sex, marital status, familial status, handicap, age or the fact that all or part of an applicant's income derives from any public assistance program. Discrimination is prohibited if it is based on any of the factors enumerated above in relation to any individuals with whom an applicant is affiliated or associated with. For example, discrimination is not permitted against an applicant because of that person's personal or business dealings with members of a certain religion. The Credit Union will not discriminate against any applicant who has in good faith exercised any rights under the Consumer Credit Protection Act.

FRAUD AND ILLEGAL ACTIVITY

The credit union will not tolerate any attempt to defraud the credit union in applications for extensions of credit. Any person or entity suspected of submitting false applications, financial statements, tax returns, appraisals or other documents is to be immediately reported to the Vice President of Lending. Any other act by an applicant a borrower or employee that constitutes a potential act of fraud against the credit union must also be reported to the Vice President of Lending.

LOAN DELIVERY CHANNELS

CoastHills members are able to apply for a loan through a variety of means:

- Completing an application through a branch
- By phone, directly though CoastHills call center (E-Branch)
- By internet via the CoastHills website
- By Fax or Mail

Applications can be received through multiple delivery channels. The majority of loans received will be processed through the automated loan decision platform.

CREDIT ANALYST

If a decision cannot be made through the automated decision process, a Credit Analyst or Sr. Credit Analyst can decision the loan manually though the loan origination system. The Credit Analyst reviews the loan information online and makes a decision to approve, decline or counter offer the request. The Credit Analysts must consult with the Consumer Loan Manager prior to making a decision on a new loan application or advance request where the Credit Analyst deems there may be undue risk with an existing Credit Union loan. This includes loans that are:

- Bankruptcy candidates
- Where collateral is at risk
- Where there is a referral by the Collection Department

BORROWER LIMITS

The maximum aggregate amount of credit that may be granted to any one borrower by the credit union shall not exceed \$2,000,000 without approval by the Board of Directors. The maximum aggregate amount of unsecured consumer credit exposure that may be granted to any one borrower by the credit union shall not exceed \$25,000 without approval by the Board of Directors.

INTEREST RATES

The Board of Directors will determine interest rates for all credit union loan products based on the recommendations of the Asset & Liability Committee ("ALCO"). From time to time, the ALCO will offer promotional rates for a limited time, including Match the Deal programs.

APPROVAL AUTHORITY

The Board of Directors has established loan approval limits. Under no circumstances will staff members approve loans that exceed their established limit. The Vice President of Lending will be responsible for maintaining and keeping the loan officer listing accurate and current. Approval limits are as follows:

TITLE	SECURED CONSUMER LOANS	SIGNATURE, LINES OF CREDIT, AND VISA LOANS	REAL ESTATE LOANS
Consumer Loan Credit Analyst	\$75,000	\$25,000	\$100,000 HELOC
Real Estate Credit Analyst	\$75,000	\$25,000	Current Agency Conforming Limit
Senior Loan Officer	\$2,000,000	\$25,000	\$2,000,000

*Senior Loan Officers are defined as the President/CEO, SVP Chief Lending Officer, Business Services Manager, Consumer Loan Manager, Real Estate Loan Manager.

APPLICATION PROCESS

LOAN APPLICATIONS

Members must normally submit a credit application in order to be considered for a loan by the Credit Union. A new application is not required when the member is seeking an advance on an existing multi-featured open-end lending plan (MFOEL Plan or LoanLiner), but the existing personal, financial and collateral information must be updated if any information has changed since the last advance date. The borrower(s) and co-signer(s) must sign the open-end credit application before any loan funds may be disbursed. In the event the applicant submits an application that is not complete, he or she will be asked to complete it fully prior to further consideration for credit. If the member has difficulty in physically completing the application, the credit union will provide assistance in the completion of the application. Purpose of loan is always required. No member will ever be discouraged from applying for credit with the credit union.

- The Addendum (Truth-In-Lending) required at every application or advance request
- A Loan Advance Request does not require a new credit report and underwriting under the following conditions:
 - Secured loans
 - Requests for under \$2500 and credit reviewed within the last 12 months
 - Unsecured loans
 - Requests for under \$1000 and credit reviewed within the last 12 months
 -

Once a MFOEL Plan has been established the application evaluation should be based on information gathered from the time of plan opening forward.

Members can have multiple plans with different joint borrowers under one account.

APPLICANT CRITERIA

Individuals applying for a MFOEL Plan with CHFCU must be capable of entering into a legally binding contract. The applicant(s)/ member(s) must be of legal age (18 years or older). The primary borrower must be current member in good standing. Member in good standing is defined as a member

- Who is current on all CHFCU loans;
- Who has never caused CHFCU a loss;
- Who currently maintains the minimum required share balance of \$5.00;
- Who is not overdrawn on any checking accounts. A member who is overdrawn as a result of participation in the CHFCU Courtesy Pay program is still considered to be in good standing as long as they are in compliance with the financial and time limits of the Courtesy Pay program.

All applications/advance requests will be taken using CoastHills 5 step process. The process includes the following steps:

1. Get a payment commitment when the member applies for the loan.

- o "What is your maximum affordable payment range?"

1.5. Fully complete the application/advance request.

2. Get a second commitment on the package by quoting the fully protected payment. Asking: "How does that sound?"
3. Give the member the good news that the payment includes not only principal and interest but also (the specific products that were quoted) using the phrase "So what that means to you" Getting a second agreement to the package. Asking the member again "How does that sound?" The loan can be submitted to the Consumer Lending Department at this time for underwriting/advance verification.
4. Once the member agrees to the loan package, explain the details of the MFOEL Plan and other loan documents or the advance request. All documents are to be signed and advise the member that once the loan is approved it can be funded confirming how the member want the proceeds delivered to them.
5. Thank the member for their business. Consider handing the member a business card and asking for referral business.

CREDIT REPORTS

Most applications will require a credit review which consists of pulling a credit report. CoastHill's currently pulls credit from Experian for consumer loan applications. When a credit report is pulled by a Member Services Officer, a form called Credit Score Disclosure Exception for Consumer Loans is to be handed to each applicant. This document gives information regarding the members individual score, how to get a copy of a credit report, where their credit report falls in comparison to their peers and what to do if they feel there is an error in their credit report. There is a separate form called Credit Score Disclosure Exception (No Score) for applicant's who do not have a credit score.

LOAN PRODUCTS

LOAN PRODUCT GENERAL PROVISIONS

The Credit Union offers the following Loan products through their Consumer Lending Department under the MFOEL Plan:

- o New and Used Vehicle Loans
- o New and Used Motorcycle Loans
- o New and Used Boat, Off Road Vehicles and Recreational Vehicle Loans
- o Visa Credit Card Loans
- o Signature Loans
- o Personal Lines of Credit
- o Share and Certificate Secured Loans
- o Computer Loans
- o Business Loans for Sole Proprietorships

- o Emergency Loans
- o Guardian Loans
- o Workout Loans
- o Employee Loans

The Credit Union offers the following loan products through their Indirect Lending channels:

- o New and Used Dealership Vehicle Loans
- o New and Used Dealership Motorcycle Loans
- o Lifestyle Loans

CREDIT GRADES AND TERMS

The Credit Union will always attempt to provide the member a payment within their comfort range. We want our employees to learn to sell the payment. The payment the member selects must be in the best interest of the member and the Credit Union.

The pricing of the loan will be determined by the Credit Union FICO Tier of the member. Vehicle loans will be priced utilizing Experian's FICO Auto Score 2. Signature Loans, Lines of Credit and Visa loans will be priced utilizing Experian's FICO Version 2 score.

The following charts illustrate the **FICO** tiers:

FICO Score	Credit Grade
760+	A+ or 1
710-759	A or 2
680-709	B or 3
640-679	C or 4
590-639	D or 5
Below 590 or no score	E or 6

All loans are decisioned using a custom score known as FastStart. The FastStart score represents a combination of information from the Experian credit report and the loan application.

The loan origination system, LoansPQ, will Instant Approve based on the following criteria:

SECURED LOANS

- Fast Start Score equal to or greater than **560**
- Bankruptcy Watch Score equal to or greater than **500**
- No Negative Amortization Mortgage present on credit report
- The system will give a maximum loan dollar amount based on Tiers as defined by our Consumer Loan Policies and Procedures
- A maximum debt to income ratio equal to or lower than 60%

- Minimum months of credit history equal to or greater than 12 months

SIGNATURE, LINES OF CREDIT AND VISA LOANS

- Fast Start Score equal to or greater than 640
- Bankruptcy Watch Score equal to or greater than 600
- No Negative Amortization Mortgage present on credit report
- The system will give a maximum loan dollar amount based on Tiers as defined by our Consumer Loan Policies and Procedures
- A maximum debt to income ratio equal to or lower than 50%
- Minimum months of credit history equal to or greater than 12 months

A Credit Analyst will judgmentally underwrite all loans not Instant Approved where scores fall below the Fast Start or Bankruptcy Watch Score. Decisions will be made on a case-by-case basis. No applications will be instantly declined based on any scores.

SIGNATURE LOANS

The credit union may extend credit either through an installment, revolving line of credit or credit card loans as a signature loan.

The following charts illustrate the **FICO** tiers for signature loans:

FICO Score	Credit Grade
760+	A+
710-759	A
680-709	B
640-679	C
590-639	D
Below 590 or no score	E

All loans are decided using a custom score known as FastStart. The FastStart score represents a combination of information from the Experian credit report and the loan application. The loan origination system, LoansPQ, will Instant Approve based on the following criteria:

- Fast Start Score equal to or greater than 640
- Bankruptcy Watch Score equal to or greater than 600
- No Negative Amortization Mortgage present on credit report
- The system will have give a maximum loan dollar amount based on Tiers as defined by our Consumer Loan Policies and Procedures
- A maximum debt to income ratio equal to or lower than 50%.
- Minimum months of credit history equal to or greater than 12 months

A Credit Analyst will judgmentally underwrite all loans not Instant Approved where scores fall below the

Fast Start or Bankruptcy Watch Score. Decisions will be made on a case-by-case basis. No applications will be instantly declined based on any scores.

The following chart illustrates the maximum debt to income ratio's for unsecured products:

MAXIMUM UNSECURED DEBT TO INCOME RATIO	
TIER	MAX DTI
A+	60
A	50
B	50
C	35
D	30
E	30

The maximum unsecured credit limit listed in the following chart refers to the borrower's aggregate maximum unsecured credit limit with CoastHills:

Fast Start Score	Maximum Credit Limit
700+	4 X Mo. Income
660-699	3 X Mo. Income
520-659	2 X Mo. Income
400-519	1 X Mo. Income

Loan terms for unsecured closed end loans will be determined by the loan amount as follows:

Unsecured Loans	Unsecured Terms
Up to \$2500	24 month term
\$2,501 to \$4,000	36 month term
\$4,001 to 9,000	48 month term
\$9,001 to \$25,000	60 month term

General Guidelines

- Unsecured loans usually represent a greater underwriting risk than secured loans due to the lack of collateral to mitigate the risk. Therefore; the following additional underwriting guidelines have been established.
- A UCC-1 statement may be required by the loan Credit Analyst to secure such items as office equipment, computers and other personal items as an "abundance of caution." Typically this would impact loans greater than \$5,000.
- For all unsecured loan applicants, the maximum ratio of unsecured balances to annual income should not exceed 35%. The Credit Analyst may make exceptions to this guideline but the decision to override must be well documented in the loan notes.
- Members may not be granted more than \$25,000 in unsecured loans in the aggregate.

- The MSO must identify all unsecured debts the member has at CoastHills FCU and subtract from the new approved unsecured loan amount. For example, member earns \$3,000 a month and is a FastStart of 720. This member qualifies for \$12,000 total in credit union unsecured. Member also has a \$5,000 credit card. Member's new loan cannot exceed \$7,000 or the increase in the VISA cannot exceed \$12,000.
- Additional household income cannot be considered unless that income can be documented as being received or earned by the applicant/member.

SIGNATURE LOANS

The credit union may extend unsecured credit in the form of an installment or closed end loan.

- Minimum loan amount is \$500.
- Minimum monthly payment is \$25.
- Signature loans may be used for debt consolidation.

Revolving Lines of Credit

The credit union may extend unsecured credit in the form of a revolving line of credit.

- Minimum credit limit is \$500.
- Maximum credit limit is \$25,000.
- Minimum monthly payment is \$25.
- Revolving lines of credit are not to be used for debt consolidation.
- Revolving lines of credit can be used for credit card balance transfers.

APPLICATION PROCESS

Loan Interviews

- The employee taking the loan application is fully responsible for notifying the loan department when fraud or risk associated with the application is suspected.
- The Addendum is required each time a new MFOEL plan is opened for vehicle and personal loans. Addendum's for vehicle and personal loans are specific to their risk tier and are only required to be given to a member at the signing of their first transaction under their new MFOEL plan. For Visa accounts the Addendum has been redesigned and renamed the Credit Card Application and Solicitation Disclosure and will continue to be handed to a member at their application or advance request (if they have an existing plan). In addition, a new form called a Credit Card Account Opening Disclosure; which is risk tier specific, will be given to member upon approval and card opening.
- A comprehensive interview of all applicants for credit is a critical part of the loan underwriting process. In a centralized underwriting environment, the Credit Analyst must rely primarily on the information provided to them via their loan origination system. Since in most cases the Credit Analyst will not have the opportunity to speak directly with the applicants, they must rely on the MSO who is accepting the loan application to provide thorough and accurate information from

which to make a sound underwriting decision. The interview process supplements the information provided by the applicants on the LoanLiner Application and credit report.

Application Information

- New applications for credit with CHFCU should be carefully reviewed by the MSO for completeness and accuracy. Missing information should be obtained from the member. Obvious discrepancies in the information provided should be discussed with the member in order to clarify any questions. All pertinent information that will assist in the appropriate loan decision needs to be included in the internal comment screen of the comment section of LoansPQ.
- All area's are to be completed in Loans PQ. If there is a spot for an entry and it pertains it should be filled out. (I.e.; residence history, work history, dependants, marital status, etc.)
- A work phone number should be phone number for the personnel office or a desk where the employee sits. A work phone number should never be a personal cell number for a wage earner.
- If the member already has a LoanLiner Plan on file with CHFCU, another written application is not necessary but the MSO is still required to verify with the member the accuracy of all of the application information listed in LoansPQ. Any changes to the member's application information must be documented in LoansPQ.
- Loan applications may not be modified once a Credit Analyst has made a decision. If necessary to modify the application a new application must be submitted.
- New information regarding income or application information about the existing applicant(s) or co-signer can be documented in the internal loan comments and referred back to the approving Credit Analyst.
- Changes in the applicant(s) or co-signer requested will require that the old application be withdrawn and a new application input.
- Significant changes in the original application will require that the old application be withdrawn and a new application be input.

Credit Reports

Most applications will require a credit review which consists of pulling a credit report. CoastHill's currently pulls credit from Experian for consumer loan applications. When a credit report is pulled by a Member Services Officer, a form called Credit Score Disclosure Exception for Consumer Loans is to be handed to each applicant. This document gives information regarding the members individual score, how to get a copy of a credit report, where their credit report falls in comparison to their peers and what to do if they feel there is an error in their credit report. There is a separate form called Credit Score Disclosure Exception (No Score) for applicant's who do not have a credit score. For all loans requiring a credit report, a report ran within the last 60 days is still considered a valid credit report and may be used.

As required by the FACT Act, the MSO must review the credit report in order to identify potential red flags that can be clarified with the member. All information obtained should be thoroughly documented in the loan notes. Per the FACT Act, review of the credit report for potential red flags that should be noticed and discussed with the member include:

- Multiple Social Security Numbers – Obtain explanation from member as well as copy of Social Security Card and document.

- Social Security Number on credit application does not match SSN on credit report - Obtain explanation from member as well as copy of Social Security Card and document.
- Address on credit report does not match address on application – Obtain explanation from member and verify current address through review of driver's license or other documentation.
- Multiple vehicle loans on credit report – If member is applying for auto loan and credit report indicates more than two open auto trade lines and member is not trading in vehicle, verify who is currently driving vehicles and document.
- Fraud Alerts – Must be resolved with a personal call directly from a Credit Analyst.
- Military Alerts – Obtain explanation from member and document.

All pertinent information that would impact the loan underwriting decision should be thoroughly documented in the internal comments. Obtaining and documenting needed information and explanations during the interview process will result in faster and more accurate underwriting decisions for our members.

UNDERWRITING

The Vice President of Lending will be responsible for developing and promulgating comprehensive credit underwriting guidelines, consistent with safe and sound lending practices.

The credit union recognizes that underwriting guidelines must be dynamic and responsive to the marketplace, but will always manage the credit process with the objective of maintaining the safety and soundness of its loan portfolio and any other functions, such as overdraft management, which contain inherent credit risk.

Past credit history shall be used as a factor to determine creditworthiness. This includes past credit history with the credit union and credit information supplied by consumer reporting agencies. The applicant shall have the right to submit to the credit union a written explanation of any derogatory credit reported by an agency.

If the credit union determines that an applicant does not meet the standards of creditworthiness defined in the underwriting guidelines, the applicant may offer the personal liability of an additional party for consideration in the form of a co-signer or guarantor. The applicant's spouse may serve as the additional party but the credit union shall not require that the spouse be the additional party. In determining the creditworthiness of the additional party, the credit union shall use the same standards applied to the original applicant.

SYSTEM APPROVALS

Certain consumer loan applications may be approved automatically by the credit union's loan origination system based on defined decision criteria established by the Vice President of Lending.

- System approved loans do not normally require further underwriting review; however they will be looked at by a Credit Analyst.
 - Branch staff should refer for further review to Consumer Lending if they suspect risks or faulty information.

- Branch staff is tasked with recognizing the need for verification, even when a loan is automatically approved.
- DTI and PTI ratios are normally calculated for system approved loans and these loan approvals are subject to the DTI or PTI guidelines established.
- System approved loans are not normally subject to any loan stipulations other than eligibility for membership or membership in good standing.
- A Credit Analyst must review multiple auto purchases within a 12 month period.
- From time to time, due to different economic factor, applicants working within some industry will be subject to income documentation even when an instant approval is received.
- Branch Managers and Credit Analysts are granted the authority to increase the loan advance amount of system approved loan up to 10% without additional underwriting review. However, this increase must be thoroughly documented in the loan notes and must not exceed CoastHills Consumer Lending Underwriting guidelines.
- Negative trade on purchase orders need to be reviewed by a Credit Analyst.
- Unreasonable trade-ins must be referred to Consumer Lending. To determine an unreasonable trade-in, the MSO is required to run a Kelly Bluebook on the trade-in to validate the value.

After review of an application that has been System Approved for accuracy and compliance by a Credit Analyst, it may be necessary to withdraw or modify the approval. If an application is declined, the decline would be considered a High-Side Override.

- High-Side Overrides occur when an applicant's scores fall above the cut-off score but is declined.

The decline comments should be fully documented and an Adverse Action Letter is to be generated for the decline reasons.

High-side overrides are special situations and therefore CoastHills recommend that High-Side override be kept to approximately 10%. A High-Side Override report will be generated and reviewed on a monthly basis by the Consumer Loan Manager.

Declined Loans

The Consumer Loan Department will communicate any declined loan either by a Credit Analyst or an Instant Decline through the automated underwriting system to the branch within 20 minutes of the application receipt in the underwriting queue. The Consumer Loan Department will notify the member in the form of an ECOA notice (Adverse Action Letter) within the required adverse action period of 30 days. The MSO will verbally notify the member as well.

On a loan application that has been denied by a Credit Analyst, the member shall have the right to appeal a loan decision to the Consumer Loan Manager or the VP of Lending. Upon written receipt of a request for a loan decline review the Consumer Loan Manager or VP of Lending will review the application and render a decision.

Loan applications that have been instant declined through the loan origination system; the member shall have the right to appeal the loan decision to the Consumer Loan Manager or the SVP of Lending. The applicant will need to provide the following for a request to be consider:

- A letter requesting the review with an explanation of any decline issues.

- Documentation to validate any errors on the credit report or decline issues.
- The Branch Manager must review and signoff any information and documentation prior to a MSO sending the information for review.

When the decline is based on information obtained in whole or in part from a credit reporting agency, the member will receive the name and address of the credit bureau.

When a loan is incomplete and sufficient information is not within the loan to mail an adverse action letter to the applicant, the loan will be marked incomplete and declined on that basis but no adverse action letter will be sent.

It is the policy of the credit union that if the member is in a bankruptcy status or caused a loss to the credit union, they will not be considered or approved for a loan until their deficit balance has been satisfied.

When a Counter Offer is made to an applicant the following shall be done:

- The application is placed in an "Approved" or "Approved Pending" status
- On the Comments screen select "Yes" from the drop down and select the denial reasons beginning with the following: Counter Offer due to
- Print and Archive the adverse action letter. Counter Offer's do not print with the AutoDecline batch print process.

CONSUMER LOAN UNDERWRITING

Loans referred by the scorecard require judgmental/underwriting review by a Credit Analyst.

- Credit Analysts may never override the underwriting decisions of another Credit Analyst.
- Credit Analysts may not approve loans for themselves or their immediate family or friends.
- Credit Analysts may never fund a loan they have made a decision on.
- New credit reports are required if existing credit report is older than 60 days.
- Courtesy Pay up to \$320 limit is not an immediate denial of the loan request. However, abuse of Courtesy Pay can be grounds for denial.
- Rent or mortgage cannot be split, unless the member can prove they are not on the note or rent agreement.
- Income from social security, retirement or VA disability income can be grossed up by .25% to arrive at the gross monthly income.
- A Credit Analyst may request to see documentation on a loan. When the CA feels they need to review the documentation personally, they will place the loan into an "Approved Pending" status and hold for receipt and review of the documentation. After reviewing, the CA will notify the MSO of the decision. If declined, the appropriate decline procedures will be followed.
- Credit Analyst can factor in other household income for A+ and A borrowers whose debt to income ratios are 60% for vehicle loans only; however, the income from the other household income will not be considered for any greater than 200% of the applicant income. Additional household income will not be factor in on an unsecured loan application. The Credit Analyst need not ask for a signature if it is apparent that the member applying for the loan is of good credit quality. When this situation arises, the "durability" of the additional income is extremely important. The MSO will document additional income in the loan comments and forward to the Credit Analyst for review. The following information is required:

- Name of household member and relationship
 - Employer name and phone number
 - Length of employment
 - Job title
 - Salary information
- When calculating the debt to income ratio, the income and debt of joint borrowers should be aggregated if they live in the same household.
 - If one of the applicants is a co-signer, the debt ratio should be calculated individually for each applicant to determine the ability of both applicants, including the co-signer to repay the loan.
 - In situations where the amount of the monthly payment for an unsecured revolving loan is not reflected on the credit report, the CA or MSO should manually calculate the monthly payment amount by multiplying the credit limit by 2.5%.
 - In situations where the amount of the monthly payment for a Home Equity Line of Credit is not reflected on the credit report, the Credit Analyst should manually calculate the monthly payment amount by multiplying the credit limit by 1.25%.
 - If less than three month's income is shown or if an original pay stub is not available, the member must provide copies of the prior year's Form W-2 or Form 1099.
 - Self-employed borrowers must provide a complete copy of their previous year's signed tax returns or e-file verification, including all applicable schedules.
 - A reference letter from the member's employer is not normally acceptable proof of income.
 - Proof of employment must show a minimum of 1 year on the job. Can be documented by a phone call to employer or use of Verification of Employment form. Document.
 - Rental income verification is not required if the trade line is more than 24 months and shows no delinquencies.
 - There is no rent factor.

Applications will automatically be placed in the refer status if they do not meet the Fast Start or Bankruptcy Watch Scores. All applications in a "Refer" status will be reviewed and underwritten by a Credit Analyst for what is considered a "Low-Side" override.

- Low-Side Overrides occur when an applicant's scores fall below the cut-off score but is approved.

When a referred application is recommended for approval a Low-Side Override reason and code must be assigned in the LoansPQ application file under the Decision Comments on the comments screen. The most prominent overriding factor will be noted in the Decision Comment and the corresponding numeric code will be placed in the Rate Override Code for tracking purposes.

Low-Side overrides are special situations and therefore CoastHills recommend that Low-Side override be kept to approximately 5%. A Low-Side Override report will be generated and reviewed on a monthly basis by the Consumer Loan Manager.

In the event that a rate discount is offered due to a promotion (i.e. Match the Deal) an alpha code will be placed in the Tier Override Code for tracking purposes.

Low-Side Override and Rate Discount codes and reasons set in LoansPQ as of 7/1/2009 are as follows:

<u>Override Code</u>	<u>Description</u>
01	Applicant has Co-signer that meets CU policy requirements
02	BK Watch
03	CoastHills loan history paid as agreed
04	Dealer Relationship
05	Employee Loan/requires manual underwrite
06	Establish New Credit (Low Approval Amount)
07	First Time Borrower Program
08	HELOC/VISA Promotion
09	Insured Product
10	High Discretionary Income
11	Large Down Payment.
12	Loan to Value 50% or less of Retail/MSRP
13	Long Term Relationship with CoastHills
14	Previous good experience on same loan type
15	Re-established credit after bankruptcy/short sale
16	Re-write/Workout account
17	Secured Loan Type
18	Strong Scores
19	Non credit qualifying loan (share, certificate, etc.)
20	APRIL 09 DLR SALE SPECIAL RATE
<i>Discount Codes</i>	<i>Description</i>
A	LTV UNDER 70% (1 CREDIT GRADE)
B	LTV UNDER 60% (2 CREDIT GRADE)
C	MATCH THE DEAL
D	LOVE MY CREDIT UNION/INVEST IN AMERICA DISCOUNT
E	RATE BUYDOWN/DEALER PAID

Inaccurate FICO Scores

On occasion, the credit score assigned to a member does not appear to accurately reflect the member's credit history. For example, errors may appear on the credit bureau report or prior trade lines may not have been reported to the credit reporting agency used by the credit union. In these situations, the member may present documented evidence of the errors or omissions to the credit union. After review of the documentation, the Consumer Lending Manager or the Vice President of Lending may improve the initial credit grade by a maximum of one grade if merited. Any changes to a member's initial credit grade must be documented in the rate exception log maintained by the Consumer Loan Manager.

Calculating Debt to Income Ratio's

DTI ratios are to be calculated in accordance with the following guidelines. When not sure of how to calculate, the MSO must send to Consumer Lending for verification.

Proof of income for most borrowers is defined as a current original pay stub (dated within the last month) that verifies the applicant's stated income per the credit application. Other acceptable documents are W2s and tax returns and, on an exception basis, a letter from the employer on letterhead.

The debt ratio is determined by the sum of all fixed monthly obligations (on application and on credit report), including the proposed loan, divided by the gross monthly income of all applicants.

Income calculation can be done in a variety of way as follows:

Hourly Wage Earnings:

Hourly rate multiplied by 2080 hours divided by 12.
 (\$10.00 x 2080 ÷ 12 = \$1733.33)

Salary Wage Earnings:

Weekly rate multiplied by 52 weeks divided by 12
 Or Weekly rate multiplied by 4.33
 (\$1000 x 52 ÷ 12 = \$4333.33)
 (\$1000 x 4.33 = \$4330.00)
 Bi-weekly rate multiplied by 26 weeks divided by 12
 (\$2000 x 26 ÷ 12 = \$4333.33)

Year-to-Date (YTD) Earnings:

Use the YTD figure and divide by the period.
 Pay stub Date 3/17 and paid thru 3/15
 (\$14,000 ÷ 3.5 = \$4000.00)

When calculating the income pay attention to overtime, bonus and commission pay. This can be seasonal income and should be reviewed carefully to insure of continuation of the income.

Self employed applicants who are asked for income documentation will be required to provide Federal Tax returns including all schedules (in particular, Schedule C and Rent Schedules). If the schedules are not provided an accurate analysis of income cannot be made and generally will result in lower income calculations.

Simplified income calculations are as follows:

Calculating Self Employment Income		
Schedule Title	Action	Figure
Net Profit		\$15,000
Depreciation	Add	3,500
Depletion	Subtract	500
½ of Meals & Entertainment	Add	250
Business Use of Home	Add	300
Amortization/Casualty Loss	Add	.00
	Subtotal	\$18,550
Equals Monthly Income	Divide by 12 months	\$ 1,545.83

Loan to Value

The Loan to Value ratio helps us to determine the amount of risk the credit union is taking when approving a secured loan.

- Loan to Value can be determined by dividing the loan amount by the value as determined by the retail value quoted in the Kelly Bluebook.
- Line 1 of the purchase order is considered the value for New Vehicles.
- Used vehicle with purchase order, run a credit union Kelly Bluebook value and compare to line 1.

Down Payments

- Down Payments that are greater than \$5,000 or are deferred (as seen on the purchase order) should be referred to the Credit Analyst and can be stipulated for proof.
- Proof is normally provided by a cancelled check.
- Down payments that seem unreasonable when compared to the income should be stipulated by the MSO and/or referred to a Credit Analyst if member cannot provide proof of the down payment.
- VISA advances used for the down payment should be referred back to the Credit Analyst for further review.

Joint Credit

- Joint applicants usually live in the same household.
- Joint applicants share in the proceeds of the loan.
- All joint applicants under the open-end plan with CHFCU must complete and sign the Acknowledgement of Application for Joint Credit, which certifies that they are applying for joint credit.
- The Acknowledgement must be signed when the applicants first apply jointly for credit but does not have to subsequently be signed each time the applicants apply for additional funds under an existing joint LoanLiner Plan.

Co-Signers

- Co-signers do not share in the proceeds of the loan.
- Co-signers are not used to help an applicant with derogatory credit or to cure derogatory credit.
- Co-signers usually do not live in the same household.
- Co-signers and guarantors assume full responsibility for repayment of the loan in the event the borrower fails to repay the loan.
- Co-signers must complete a separate loan application and are not considered part of the borrower's LoanLiner Plan.
- The co-signer must sign the LoanLiner Combined Guaranty Agreement & Notice to Co-signer.
- Applicants living in separate households are treated as borrower and co-signer.

Authorized Users

- Authorized users are not responsible for repayment of the loan.

- Minors may be authorized users on credit cards where the borrower is over the age of 21.
- Minors are authorized to access the line of credit.
- Authorized Users can be added to plan by completing a new LoanLiner Plan Agreement.

Credit Union Losses

The credit union will make every effort to recover any losses it has suffered from a member that is legally collectible. The credit union will not attempt to collect a loss from a bankruptcy that involved a loss to the credit union. Members causing a loss to the credit union due to bankruptcy and approved for another credit union loan will pay the rate consistent with their credit score.

Minimum FICO Score	760+	710	680	640	590	>590
Minimum Trade Lines	4	4	5	5	5	N/A
Minimum Years Credit History	2	2	3	3	3	N/A
Maximum Like Credit	150%	150%	140%	140%	125%	N/A
Loan to Value Ratio (Cash out max 100%LTV)						
New Auto - Max Gross LTV	135%	125%	115%	100%	90%	75%
Used Auto – Max Gross LTV	135%	125%	115%	100%	90%	75%
Other Secured – Max Gross LTV	90%	90%	90%	80%	70%	N/A
Loan Advances						
New Autos - Max \$ Financed	\$75,000	\$75,000	\$60,000	\$50,000	\$25,000	\$15,000
Used Autos - Max \$ Financed	\$75,000	\$75,000	\$60,000	\$40,000	\$25,000	\$15,000
Other Secured - Max \$ Financed	\$50,000	\$50,000	\$40,000	\$25,000	\$15,000	\$15,000
Unsecured – Max \$ Financed	\$25,000	\$25,000	\$20,000	\$10,000	\$5,000	\$1,000
Maximum Limits – Unsecured (Multiple X GMI)	4X	3X	2X	1X	1X	1X
Max Loan Terms						
Secured Loans (\$25,000+)	84 Mos.	84 Mos.	84 Mos.	72 Mos.	60 Mos.	60 Mos.
Secured Loans (\$15,000+)	72 Mos.	72 Mos.	72 Mos.	72 Mos.	60 Mos.	36 Mos.
Secured Loans (<\$15,000)	60 Mos.	60 Mos.	60 Mos.	60 Mos.	60 Mos.	36 Mos.
Signature Loans	60 Mos.	60 Mos.	48 Mos.	48 Mos.	36 Mos.	12 Mos.
Share Secured Loans	12 months to 60 months depending on loan amount					
Certificate Secured Loans (90%)	Maturity	Maturity	Maturity	Maturity	Maturity	Maturity
Recommended Disposable Income						
Secured	\$1000	\$1000	\$1000	\$1000	\$1000	\$1000
Unsecured	\$1000	\$1000	\$1000	\$1000	\$1000	\$1000
Miscellaneous Guidelines						

<i>Minimum Gross Monthly Income</i>	N/A	N/A	N/A	\$1,000	\$1,000	\$1,800
<i>Proof of Income (W2s plus current pay stub)</i>	N/A	N/A	N/A	Optional	Required	Required
<i>References</i>	N/A	N/A	1	2	4	4
<i>Stability</i>						
<i>Minimum Years Current Residence</i>	N/A	N/A	N/A	1	1	1
<i>Minimum Years Current Employment</i>	N/A	N/A	N/A	1	1	1
<i>Derogatory Credit</i>	Applies to all credit grades					
<i>Repossessions and Foreclosures</i>	None					
<i>Bankruptcies</i>	Discharge with 24 months re-established perfect credit					

CONSUMER LOAN UNDERWRITING GUIDELINES
REVISED 2/6/2010

The above chart establishes the current underwriting guidelines for consumer loans:

STIPULATIONS

The Credit Analyst will generally not request stipulations in addition to the required credit union stipulations unless they believe that the information provided requires verification. The risk factor will determine the level of stipulations required.

The credit union required stipulations for each credit grade are listed below:

Tier A+ or 1

- o No credit union mandatory stipulations; however, the Credit Analyst may require some form of stipulations.

Tier A or 2

- o No credit union mandatory stipulations; however, the Credit Analyst may require some form of stipulations.

Tier B or 3

- o One (1) personal reference to include name, address, phone and relationship to member(s).

Tier C or 4

- o Proof of income unless Consumer Lending waives condition (must be notated in loan comments/stipulations).
- o Two (2) personal references (1 family member, 1 friend) to include name, address, phone and relationship to member.

Tier D or 5

- o Proof of Income; most recent pay stubs for wage earner and most recent Federal tax returns for self employed individuals. In some cases prior year's W-2 will be requested.
- o Four (4) personal references (2 family members, 2 friends) to include name, address, phone and relationship to member(s).
- o Mandatory letter of explanation for any late or derogatory credit on credit report. Letter should include reasonable explanations, with time frames and circumstances for delinquencies. In some cases, documentation of the facts will be required.

Tier E or 6

- o Proof of Income; most recent pay stubs for wage earner and most recent Federal tax returns for self employed individuals. In some cases prior year's W-2 will be requested.
- o Four (4) personal references (2 family members, 2 friends) to include name, address, phone and relationship to member(s).
- o Mandatory letter of explanation for any late or derogatory credit on credit report. Letter should include reasonable explanations, with time frames and circumstances for delinquencies. In some cases, documentation of the facts will be required.

First Time Buyer

- o Current pay stubs and Prior years W-2/tax returns
- o Current phone bill with address and phone number matching application information
- o 75% Loan to Value Retail/MSRP Maximum out the door.
- o 10% Cash Down of High Book value.
- o Proof of monies down.
- o Four (4) references (2 family members, 2 friends) to include name, address, phone and relationship to member(s).

At a minimum, the credit union will verify all E or First Time Buyer, date of hire or length of time with current employer.

Stipulation may be requested in addition to the above on any tiers at the discretion of the Credit Analyst.

Credit Analyst Approval/Denial Comments

All pertinent underwriting decisions, actions and information must be thoroughly documented by the employee in the applicable loan origination system.

- o The override reason for all loan decisions must be documented in the loan notes.
- o The reasons for denial decisions must also be documented even though an Adverse Action Letter is being generated.
- o Documentation for denial should address the reason(s) the loan was referred.
- o Any red flags noted by the loan MSO during the interview process should be addressed in the loan comments.
- o Loan approval stipulations must be clearly documented in the loan stipulation section and/or supporting documents scanned into the loan file.
- o Abbreviations should only be used when they are widely understood by any MSO or CLO who could end up reviewing the notes.

LOAN PROCESSING AFTER APPROVAL

The MSO inputting the loan application cannot also fund the loan. It is acknowledged that staffing limitations may make this requirement difficult. In the rare event, staffing requires the same MSO performs both functions; the loan file will need to be documented by the branch manager that the loan was fully audited and all is in order.

Approval Authority

- o Loans may not be booked that have not been properly approved in writing by an authorized Credit Analyst with authority to approve that loan. System approved loans do not require separate Credit Analyst approval.
- o A Credit Analyst with authority to approve the change must properly approve loan modifications in writing. Credit Analysts may not approve loan modifications for themselves or their immediate family.
- o Branch Managers and dealers on the CUDL program have a 10% override over the Credit Analyst approved amount assuming the loan amount was not stipulated a maximum amount and the LTV falls under the max requirements by Tier. This is to allow for the addition of tax, tags, title, GAP, MBI, Loan Protection, and some after market products.

- Branch Manager's must fully document any overrides in loan internal comments.
- Any amount exceeding the maximum amount allowed must be referred back to the original approving Credit Analyst for the additional monies.
- A Credit Analyst may not book a loan that he or she originally approved.

Task Lists

- Member must be in good standing as defined in Application Section.
- Prior to funding a loan, the appropriate loan funding task list must be completed by the MSO who is preparing to fund the loan. All requested information on the task list must be completed.
- The funding task list must be reviewed for quality control purposes by another MSO prior to funding the loan. The MSO who performed the QC review must include a loan comment that the loan was QC'd.

Documents

- LoanLiner must be on file for all loans generated at the branch.
- LoanLiner Agreement must be signed prior to funding.
- Acknowledge of Intent to file for joint credit is required.

LoanLiner

- The credit union utilizes an open-end credit plan known as LoanLiner where members may take additional approved loan advances without the need to sign new loan documents.
- All applicants, including joint applicants, for a loan with CHFCU must sign and complete the LoanLiner Open-End Application and Plan.
- The only exceptions to this policy are closed-end loan contracts acquired through the CUDL indirect loan channel.
- All information requested on the LoanLiner Open-End Application must be provided by the applicants in order for the application to be deemed complete.
- Once a member has provided CHFCU with a signed and completed LoanLiner Open-End Application and Plan, they no longer need to sign and complete applications for subsequent loan requests. However, each time a member applies for a loan, the following must occur:
- Provide updated application information
- The most current version of the LoanLiner Addendum, which contains the credit union's most current rates as well as the required Truth in Lending disclosures.

Branch staff is required to verify the information as stipulated by the Credit Analyst prior to funding the loan on any loan placed in the "Approved" status in LoansPQ.

- All paperwork or information provided must be scanned into the loan file.
- Any discrepancy of information provided must be submitted to Consumer Lending to determine if the approval stands.
- In order to mitigate some of the perceived risk of a particular loan, a Credit Analyst may include certain stipulations or conditions on the loan approval.
- It is the responsibility of the MSO to ensure that these stipulations are satisfied prior to funding the loan.

- o These stipulations, once verified, must be clearly documented in the loan notes.
- o An MSO who is uncertain that a stipulation has been satisfied should contact a Credit Analyst prior to funding the loan.

Branch staff is required to scan the information as stipulated by the Credit Analyst on any loan placed in the "Approved Pending" status in Loans PQ prior to the final approval. Notify the original Credit Analyst requesting the information advising the information has been scanned. After review the loan will be placed into "Approved", "Declined" or "Counter Offered" status for the MSO to relay the information back to the member.

LOAN FUNDING

- o The MSO who input the loan application may not also fund the loan.
- o The MSO who is funding the loan is responsible for ensuring that all required documentation and forms have been obtained and verified prior to funding the loan.
- o The MSO is responsible for verifying that all stipulations have been met.
- o The MSO should also verify that the loan was set up correctly prior to funding.
- o If the MSO is uncertain of the validity of any loan documentation or explanations received, they should contact a Credit Analyst immediately for clarification.

Loan Protection

Loan protection is available on all consumer loan products. It is voluntary, and it is not required for the member to obtain credit. Loan protection is not a factor in making a credit decision. A Loan protection code is required on the loan.

For Consumer Loans four options are available: (costs are per \$1,000 of monthly outstanding balance)

- ❖ Option A:
 - o Loss of life
 - o Disability
 - o Interest Cancellation Involuntary unemployment
 - o Family leave
- ❖ Option B:
 - o Loss of life
 - o Disability
- ❖ Option C:
 - o Disability
- ❖ Option D:
 - o Loss of Life

For Credit Cards one options is available: (costs are per \$1000 of the monthly outstanding loan balance)

- ❖ Option A:
 - o Loss of Life
 - o Disability

- o Interest Cancellation Involuntary Unemployment
- o Family Leave

GAP

We offer the members the opportunity to purchase GAP protection, which is designed to cover the difference between the insurance company's settlement and the amount owed to the lender as of the loss date, in the event of a total loss due to theft or collision.

- o GAP can be added 60 days from the loan origination date. The GAP premium can be financed into the loan if approved by a Credit Analyst or the member may choose to pay cash for the premium.
- o GAP is not offered by the credit union when the purchase order shows that the member has already purchased GAP through the dealership.
- o Member must sign GAP forms to either waive or purchase GAP protection.
- o Vehicles with less than 80% LTV do not usually need GAP protection.
- o Maximum LTV covered is 125%. (MMP can be sold on loans over 125% but maximum coverage amount is 125%)

QUALITY CONTROL

To support timely identification of individual or systemic problems, the credit union supports internal and independent audit and credit review functions. Part of the credit review function consists of a loan quality control process performed at both the branch level and by the Consumer Loan Department.

Branch Quality Control

- o A quality control review will be performed by the MSO prior to funding the loan.
- o The Task List on LoansPQ will be used to quality control the loan prior to funding.
- o Any issues or discrepancies noted during the QC review must be corrected prior to funding.
- o The MSO performing the QC review will check the QC button on the loan task list as evidence of the review.

Consumer Loan Quality Control

Branch Audit

- o The Branch Manager and/or a designated employee will audit 5% of the loan applications received at the branch monthly.
- o Loan files will be selected through LoansPQ as follows:
 - Run report identifying loans input for prior month.
 - All Types
 - All Loan Summary
 - Processor Loan Summary
 - Select Branch
 - Date range
 - Export to Excel

- Show Report
- Create Comment Column
- Select 5% of loans on this report
- Use Audit Checklist as a guide to evaluate
- Insert comments/findings in Comment Column
- Print report and file.
- Any errors, concerns, omissions should be addressed with the original MSO and the MSO who funded the loan. Document discussion on report.
- Major errors, concerns or omissions should be escalated to Regional Manager for possible further action.

Consumer Loan Audit

- A Credit Analyst not involved in the processing functions will perform a comprehensive post-funding audit each week consisting of a random sample of 5% of the loans funded at the branches. A Credit Analyst cannot perform a post-funding audit on loans they have underwritten. Any findings noted during this audit will be shared with the appropriate branch manager as well as the Consumer Loan Manager.
- A (CA) will perform a comprehensive post-funding audit each week consisting of a random sample of 5% of the indirect loans funded by the Consumer Loan Department during a given week. A Credit Analyst cannot perform a post-funding audit on loans they have underwritten. Any issues or discrepancies noted during this audit will be shared with the Consumer Loan Manager. Audits findings and staff discussions will be documented on the report.
- Any Credit Analyst who performs the post-funding audit functions described in the above paragraph will not have authority to perform any form of file maintenance on member accounts. All file maintenance will be performed by Consumer Loan Processors who have not had processing, underwriting or audit functions associated with the referenced member loan accounts.
- On a periodic basis, an audit will be performed to verify that underwriting standards are being met. Audits will be documented in the loan internal comments. Underwriting guidelines and adherence to regulatory requirements will be the focus of audits.
 - A designated loan employee will audit 5% of the loan applications received at all branches monthly.
 - Loan files will be selected through LoansPQ as follows:
 - Run report identifying loans input for prior month.
 - All Types
 - All Loan Summary
 - Processor Loan Summary
 - Select ALL
 - Date range
 - Export to Excel
 - Show Report
- Create Comment Column
- Select 5% of loans on this report
- Use Audit Checklist as a guide to evaluate
- Insert comments/findings in Comment Column
- Print report and forward to Consumer Loan Manager

- Any errors, concerns, omissions should be addressed with the Branch Manager and CLO. Document discussion on report.
- Major errors, concerns or omissions should be escalated to Regional Manager and/or VP Lending for possible further action.

CHANGE FORMS

Extensions

In order to assist members suffering from unexpected financial hardship, the credit union may from time to time grant payment extensions on consumer loans. Extensions will only be granted in situations where the member's financial hardship is temporary in nature.

When the member is currently delinquent and/or referred by the Collection Department, the extension may be considered as long as the member has made 6 scheduled payments. This is in accordance with Trouble Debt Restructure guidelines. The ability to repay the debt as determined primarily by the debt ratio will be an overriding reason to approve the extension.

Troubled debt restructuring results when the lender grants concessions to the member that would not ordinarily be granted in light of the members' financial condition. Restructuring often involves a reduced interest rate, payment or principal amount, or increased collateral requirements. Routine changes in debt terms and loan deferrals are not considered troubled debt restructurings.

Whatever the form of concession granted, the objective is to increase the probability of recovering the loan. In this regard, the credit committee and Credit Analyst should fully understand the members' needs and financial condition before approving actions to modify loan terms.

Options considered for these requests include:

- Reduction/waiver of interest due
- Extension of maturity period
- Skipping of payments
- Or any combination of the above

Loan extension requests will be underwritten as follows:

- Updated employer and address information is required prior to Credit Analyst review.
- The Credit Analyst as part of the underwriting process pulls credit reports.
- Underwriting process will include calculation of loan ratios and review of credit report.
- All requests for loan extensions must be submitted in the form of a written request on a Loan Change Form or a letter signed and dated by the member(s).
- In the case of a LoanLiner Plan, only one of the borrowers must sign the request.
- In the case of a closed-end contract (CUDL) with multiple borrowers, all borrowers must sign the request.
- The request must contain a clear reason for the extension and demonstrate that the financial hardship is short-term and temporary in nature. Examples of hardships are medical emergency and death in family or temporary unemployment.

- A Credit Analyst may grant a one month extension.
- A loan may be extended up to 6 months with written approval of the Consumer Loan Manager, AVP Collections, Collection Manager, Mortgage Manager, Sr. Vice President of Lending/Collections, or VP Business Services.
- If the loan extension is granted, no payment will be due but interest will continue to accrue.

Skip A Pays

Occasionally, ALCO will approve a Holiday Skip-A-Pay program designed to give the member the option to skip their monthly payment during the holidays. Members will typically be offered this option. In order to process the request the following is required:

- Member must complete and sign a Skip-A-Payment Agreement.
 - In the case of a LoanLiner Plan, only one of the borrowers must sign the request.
 - In the case of a closed-end contract (CUDL) with multiple borrowers, all borrowers must sign the request.
- Run RG (can be done before or after member signs agreement): SAP, which will:
 - Checks account and history to see if member is eligible
 - Ensures 4 consecutive payments with no late fees taken
 - Loan can not be a mortgage or mobile home loan
 - We will allow a skip a pay on promotional loans but not on existing Summer or Holiday loans that are still on the books
 - New loans (less than 4 payments) will not be eligible
 - If CoastHills refinance, review history on both loans to see if eligible
 - Check for late payments during last 4 months.
 - Skip-a-Pay are not available on Lines of Credit, Visa's or mortgage loans.
- If qualified for the Skip-A-Pay, employee initials bottom of request
 - Notifies member of decision
 - Collects fee - Deposit to GL "SKIP.00 or SKIP.
- If denied for the Skip-A-Pay,
 - Notify member of decision
 - Send to Lending for denial
 - Lending generates an Adverse Action Letter
- If request is for a credit card, send to Lending.
- Forward Skip-A-Pay paperwork to Lending for filing.

Additional information:

- Mobile home, real estate and promotional loans are excluded.
- Each loan is charged a separate fee.
- Warning flags show on file maintenance (part of RG)
 - Warning flag 64 = loan skip was approved

- Warning flag 60 = loan skip was denied
- A Pending Skip-a-Pay comment will be displayed
- Credit cards have a fixed due date on the 25th of each month. This cannot be changed.
- If payment coming from another financial institution, advise member that funds **may** transfer to CoastHills Share Account. The RG will prompt you to contact eServices to stop monies from being transferred from the other financial institution.

Due Date Changes

- Member must have made a payment in the past 30 days.
- Member cannot change due date that will result in a new date more than 51 days into the future.

Remove or add a joint/co-signer/authorized user

- Member wanting to keep the loan must reapply and qualify for the refinanced loan.
- An application and credit report must be pulled for the new applicant and reviewed by a Credit Analyst.
- Authorized user is not responsible for the loan and can be added without Credit Analyst review.

Requests to release and/or change the collateral

- Credit Analyst review required
- New Bluebook value(s) must accompany Change Form
- New credit report must be pulled to release the collateral

Lower/Increase monthly payments

- Collection department review is required to lower the payment
- New debt to income ratio must be calculated
- Verification of income may be required
- Consumer Lending can only approve members requesting to lower their monthly payment because of a large payment with a re-amortization of the loan for the remaining period.
- Members must submit an application to refinance their loan in order to lower their monthly payments where a large payment is not made.

SUBSEQUENT ACTION FORM

The Subsequent Action form is used when making changes to the LoanLiner Plan:

- Release borrower from the plan, but not the loans. Member must complete a new LoanLiner Plan
- Release of collateral (see Change Form)
- Modification Agreement (See Change Form)

- o Subsequent election of Loan Protection
- o Subsequent waiver of Loan Protection

RESEARCH AND ADJUSTMENTS

Billing Rights

According to the Billing Rights, the member must notify us no later than 60 days from the date of the first statement that the error or problem appeared.

- Verbal request to research is acceptable.
- If the error or problem is complex, encourage the member to write a statement or letter detailing the problem.
- If request by phone or at the branch, complete RepGen LoanResearch.
 - o Name and Account Number.
 - o Dollar amount of error.
 - o Date of error.
 - o Description of error.
 - o Reason member believes there was an error.
- The credit Union must acknowledge the receipt of the request within 30 days of receipt (efforts will always be to correct within 2 business days).
- Within 90 days the Credit Union is required to correct or explain why we believe the statement was correct.
- The Credit Union cannot collect on the amount in dispute during the investigation period. Nor can we report a delinquency of this amount.

Branch

When the primary borrower or co-borrower(s) walks into the Branch, complete the following:

- Complete RepGen. If complex ask member to complete a letter of explanation and forward to Lending.
- Forward to printer 91.
- Inform member that usual turn around time is 2 business days.
- Inform member that member will be contacted within 2 business days.

Lending

Upon receipt of Research form and/or letter, lending will:

- Pull a history of loan being questioned.
- Pull a history of file maintenance.
- Attach above to Research Request and forward to VP, Lending or Asset Protection Manager for review.
- Upon completion of transaction to correct, Lending will email originating MSO to contact member.
- Upon denial, Lending will email originating MSO with reasons for denial so that the MSO can contact member.

Exceptions

Any exceptions to this procedure must be reviewed and approved by Management.

RED FLAG PROCEDURES

PURPOSE

The purpose of this procedure is to detect, prevent and mitigate identity theft within the loan processing and underwriting process as outlined in the Fair Credit Reporting Act (FCRA) dated January 2008 for regulatory compliance. The categories addressed in this procedure are:

- (1) Alerts and warnings received from consumer reporting agencies.
- (2) Presentation of suspicious documents during the loan process.
- (3) Presentation of suspicious personal identifying information during the loan process.
- (4) Suspicious activity relating to information obtained through member requests after a loan has been opened.

ALERTS AND WARNINGS RECEIVED FROM CONSUMER REPORTING AGENCIES

In the course of business a consumer credit report may be obtained for the purpose of a consumer loan decision. The consumer credit reporting agency furnishes within their credit reports alerts and warnings regarding name, address, and social security number discrepancies. They also provide consumers the opportunities to flag their own credit reports with request for contact due to fraud or possible fraud preventions. If the following issues cannot be resolved for any reason the loan cannot be underwritten and a Fraud Alert must be input under the account (s) the member (s) are applying under. The alert is RG: RFENTRY The Consumer Loan Department has established the following procedures to deal with each of these issues.

- **Name Discrepancies**

- a. When the name last name is different than the credit report the following will be reviewed:
 1. Compare the information with any existing account (s) the member has with CoastHills to see if the middle name and last name have been interchanged. If interchanged; notate in the comment section of LoansPQ the findings.
 2. If the name cannot be confirmed or verified through an existing membership account or other information then current documentation to verify the name should be obtained from the member/applicant. If the name cannot be verified using acceptable documentation a Fraud Alert needs to be input under the account (s) the member applied under. Log into Symitar and type in RG:RFENTRY. Follow the steps as prompted. All attempts to verify and resolve this should be notated in the application and account notes in Symitar.

- **Address Discrepancies**

- a. When a flag on a credit report advises that there is an address discrepancy the following will be reviewed:

1. If applicant is a current member compare the information on the share account to see if an address has been updated within the last 6 months under the File Maintenance history.
2. If the applicant is a non-member, review the application for a new address and if a new mortgage is on the credit report, document with notes in the LoansPQ comments and have applicant supply documentation to verify their current address (i.e. utility bill, rental agreement, etc.).
3. Whenever an address cannot be properly documented a recent utility or phone bill shall be obtained to verify the information. If the address cannot be verified you must input a fraud alert onto the account in Symitar that the member (s) applied under. Log into Symitar and type in RG:RFENTRY. Follow the steps as prompted. All attempts to verify and resolve this should be notated in the application and account notes in Symitar.

- **Social Security Number Discrepancies**

- a. When a flag on a credit report advises of a social security number discrepancy the following will be reviewed:
 1. Compare the social security number from the account in Symitar making sure there is not a transposition or a digit(s) that are off. If the SSN cannot be verified off of the member's current account and there was no obvious input error a copy of the Social Security card will need to be requested.
 2. If the social security number is flagged as not an issued number, request a letter from the Social Security Administration notating the SSN issued to the applicant.
 3. If the social security number has been issued as "Valid for Work Purposes Only" a copy of the applicants Permanent Resident Alien card must be reviewed to insure residency through the term of the loan.
 4. If the social security number of an applicant is flagged as "deceased " the applicant must furnish a copy of their social security card. If the number matches the credit report and application the applicant must provide a letter from the Social Security Administration verifying that the social security number was issued to the applicant. A Fraud Alert must be input into Symitar under the account the member (s) applied under. Log into Symitar and type in RG:RFENTRY. Follow the steps as prompted. All attempts to verify and resolve this should be notated in the application and under the account notes in Symitar.

- **Consumer Statement**

- a. All consumer credit reporting agencies allow consumers to place "consumer statements" regarding fraud on their credit report. These statements generally contain a statement with a phone number to use to contact the consumer. The content of the statement generally requests contact prior to extending the credit. The following is to be done prior to completing the underwriting process of the application:
 1. Call the phone number the consumer has requested to be called at, introducing yourself and advise the consumer of the "consumer statement"

they have placed on their credit report. (This is the only number that the attempt should be made through)

2. Request the consumer answer some questions to verify that they actually submitted the credit request. Identify the consumer information by asking private sensitive information such as:

- ❖ The last 5 of their social security number.
- ❖ The applicant's date of birth.
- ❖ Verify their current address and phone number.
- ❖ Ask questions related to previous addresses show on the credit report (the consumer should give you the address from the credit report not ask if they ever lived there)
- ❖ Ask questions regarding closed and open account to see if the consumer can identify companies and payments they have.

Remember that the questions should be phrased to insure that the consumer is actually the person applying for the loan. Feeding information to the consumer is not appropriate and may not catch a fraudulent application.

- b. If the information verifies, resolve the fraud warning and document your findings under the loan notes in Symitar, proceed with the loan underwriting.
- c. If the information does not verify and fraud is suspected the application should be noted as "Fraud" for status and notes put in the comment screen of LoansPQ. Notes should include why the fraud is suspected (i.e., consumer not able to answer sensitive information from credit report). A Fraud Alert must be input into Symitar under the account the member (s) applied under. Log into Symitar and type in RG:RFENTRY. Follow the steps as prompted. All attempts to verify and resolve this should be notated in the application and under account notes in Symitar.

SUSPICIOUS DOCUMENTATION AND IDENTIFICATION PRESENTED DURING THE LOAN PROCESS

- During the process of underwriting or funding a loan if; any of the following documentation appears suspicious, the documentation must be verified by an additional source.
 - a. Pay Stubs
 - b. W-2's
 - c. Bank Statements
 - d. Social Security Cards
 - e. Driver's Licenses
 1. Appropriate forms of alternate verification might include letters of documentation from government offices on government letterhead (i.e. Letter of Advise of issuance of a social security number). Driver's Licenses may be authenticated through CVR.
 2. If the documentation cannot be verified by an additional source the loan must be declined because the information cannot be verified.

SUSPICIOUS ACTIVITY OR DOCUMENTATION RECEIVED AFTER A LOAN HAS BEEN FUNDED

- After the Consumer Loan Department or a Branch has funded a loan, information may be obtained that would have conflicted with CoastHills lending guidelines. This type of information may include the following:
 - a. Straw purchase of vehicles. The following process must be followed in this case:
 - 1. File an Unusual Activity Report with Branch Operations and attach any documentation obtained.
 - 2. Place a note in the account making a note of the Straw Purchase and if know who is the driver of the vehicle and location.
 - 3. Inform Collections of this so they can notate in Akcelerant who has possession of the vehicle and the location in the event of future default and the vehicle needs to be repossessed.
 - b. Loan funds not being used for the purposes approved for.
 - 1. If the consent of the Consumer Loan Department was not obtained prior to using the funds for a different purpose, make a note in the account that funds were not used for purposes intended and if known, what they were used for.
 - c. Application information intentionally submitted falsely. Examples of this may include: Incorrect employment information and inflated income information.
 - 1. An account note needs to be placed in the loan advising of incorrect information.
 - 2. If the account is delinquent, the Collection Department should be notified.

SERVICE-MEMBERS CIVIL RELIEF ACT

Background: The SSCRA was signed into law on December 19, 2003, amending and replacing the Soldiers' and Sailors' Civil Relief Act of 1940, and is codified at 50 U.S.C. App. 501 *et seq.* It was further amended December 10, 2004, by the Veterans Benefits Improvement Act of 2004. The law protects members of the Army, Navy, Air Force, Marine Corps and Coast Guard, including members of the National Guard, as they enter military service (active duty¹), as well as commissioned officers of the Public Health Service and the National Oceanic and Atmospheric Administration engaged in active service. Some of the benefits accorded to service members by the SCRA also extend to service members' spouses, dependents and other persons subject to the obligations of service members. The Housing and Economic Recovery Act of 2008 (HERA) recently amended several sections of this law, extending the time period for certain activities. Major relief provisions of the SSCRA include the following:

Maximum Rate of Interest on Loans, Including Mortgages

- Upon receiving a written request for relief and a copy of the service member's military orders, CoastHills must, for the duration of the service member's military service, reduce the interest rate on debts incurred by the service member, or a service member and spouse jointly, prior to entry into military service to no more than 6 percent per year. (This applies to the individual service member's debt or joint debt with a spouse.)
- CoastHills must maintain the interest rate reduction for the period of military service, except in the case of a mortgage, trust deed, or other security in the nature of a mortgage, where the interest rate reduction extends for one year after the end of the service member's military service.⁴
- CoastHills will reduce the interest rate on the obligations of a service member and must forgive interest in excess of 6 percent. No late charges will be accessed during this time period.
- The reduced interest rate provision applies unless a court finds the ability of the service member to pay interest on the debt at a higher interest rate is not materially affected by his or her military service. In such cases, the court may grant a creditor relief from the interest rate limitations of the Act.

Residential and Motor Vehicle Purchases and Leases

- Contracts for the purchase of real or personal property, for which the service member has paid a deposit or made a payment before the service member enters military service, may not be rescinded or terminated after the service member's entry into military service for a breach of the terms of the contract occurring before or during their military service, or the property repossessed because of the breach without a court order.
- Termination of certain residential or motor vehicle leases may be made at the option of the lessee service member if the service member provides to the lessor or the lessor's agent written notice of the request for termination along with a copy of the military orders.
- Automobiles leased for personal or business use by the service member or their dependent may be terminated if the service member, after the lease is executed, enters military service for a period of 180 days or more.
- Additionally, an automobile lease entered into while the service member is on active duty may be terminated if the service member receives military orders for a permanent change of station (PCS) outside of the continental United States (this would include a PCS to Hawaii or Alaska) or deployment for a period of 180 days or more.
- Termination of an automobile lease also includes the return of the automobile to the lessor within 15 days after delivery of the written notice of termination.
- Termination is permitted of pre-service "residential, professional, agricultural or similar" leases occupied or intended to be occupied by a service member or a dependent as well as those leases executed during military service where the service member subsequently receives orders for a PCS or a deployment for a period of 90 days or more.

Foreclosure, Eviction from Bank-Owned Property

- Real or personal property owned by a service member before the service member's military service that secures a mortgage, trust deed, or similar security interest cannot be sold, foreclosed upon, or seized based on a breach of such a secured obligation during the period of military service or 9 months thereafter without a court order. Additionally, in an action filed during or within 9 months after a service member's military service, a court may, after a hearing on its own, or shall, upon application by a service member, stay a proceeding to enforce an obligation as described above or adjust the debt, when the member's ability to comply with the obligation is materially affected by reason of the member's military service.
- A landlord may not evict a service member or the dependent of a service member from premises that are occupied or intended to be occupied as a primary residence during a period of military service except by court order.

Life Insurance Assigned as Security

- If a life insurance policy on the life of a service member is assigned before military service to secure the payment of an obligation, the assignee of the policy (except the insurer in connection with a policy loan), may not exercise, during the period of the service member's military service or within one year thereafter, any right or option obtained under the assignment, absent compliance with a court order or other specified requirement.

Adverse Action

- The fact that a service member applies for or receives a stay, postponement, or suspension of his or her obligations or liabilities pursuant to the SSCRA may not in itself provide the basis for the following:
 - a determination by a lender or other person that the service member is unable to pay the obligation or liability in accordance with its terms;
 - a creditor's denial or revocation of credit, change in terms of an existing credit arrangement, or refusal to grant credit to the service member in substantially the amount or on substantially the terms requested;
 - an adverse report relating to the creditworthiness of the service member by or to a consumer reporting agency;
 - a refusal by an insurer to insure the service member;
 - an annotation in a service member's record by a creditor or a person engaged in the practice of assembling or evaluating consumer credit information identifying the service member as a member of the National Guard or a reserve component; or,
 - a change in the terms offered or conditions required for the issuance of insurance.

Relief for Other Obligors

- Whenever a court grants a stay, postponement, or suspension to a service member on an obligation, it may likewise grant a person primarily or secondarily liable such a stay, postponement or suspension.

Branch and Lending Procedures

Members requesting relief under this act will need to provide evidence of his or her active duty status. The best way to verify active duty status is to request a copy of the members orders to report for active duty. The orders will show the date that the member's active duty began and when it is expected to end. Under the Act, as soon as an individual goes on active duty, or receives orders to report for active, that person may begin paying 6% interest on obligations incurred prior to active duty. Skipping payments is also covered. This extends to lines of credit, credit cards mortgages, car loans, share secured and signature loans. This rate does not extend to advances made after active duty has begun i.e. credit card charges made after active duty has begun will not be covered under the 6% rule. Only those made prior to active duty status. This act does not relieve borrowers on active duty from the responsibility of making their *scheduled* loan payments.

To help members who will be called, we at CHFUCU will do everything possible to smooth their transition to active duty. If the member says they are going to be called up to active duty, please obtain the following listed below:

- Copy of orders showing date active duty begins and ends
- Letter from member in writing requesting assistance from SSCRA
- Verify eligibility – see attached checklist. If you have any questions in regards to eligibility please contact Consumer Loans **Prior** to submitting the request.
- Complete LOAN.CHANGE in Symitar under the loan ID requesting SSCRA.
- Forward to Consumer Loans with all the required documents listed above.

An underwriter will review the request providing all the required documentation has been provided. It is the underwriter's responsibility to contact the service member to inform them of the outcome of their request. All exceptions will be reviewed by the Consumer Loan Manager.

Processing the loan rate change in Symitar:

- Place Warning Code 5 – SSCRA - on Account Level to expire 30 days from active duty end date as notated on orders.
- Process the interest rate change
- Place Warning Code 5 – SSCRA – on Loan Record to expire 30 days from active duty end date as notated on orders.
- ***If member is requesting to skip loan payments:***
 - If Auto Transfer, change to Cash Pay
 - Advance due date one month at a time
 - Suspense to maintain monthly
 - Due dates too far in advance appear on roster reviewed by Loan Manager, Internal Auditor and Federal Examiners
- ***Some Loan Types require extra steps with rate change:***
 - ***CREDIT CARDS – Loan Types 83 or 84***
 - Interest Type to 66 (SSCRA)
 - Failure to do this will result in the interest calculating at the original rate and the interest rate on the statement to be incorrect.
 - ***VARIABLE RATE LOANS – 54,55,64,92,94***

- Change Loan Type to a Fixed (example 55 to 53)
- Interest Type to zero (0)
- **HELOC's - Loan Type 79 or 89**

Consumer Loans will maintain a tickler system to determine when or if an interest rate should be returned to the original contract rate. A letter will be generated and mailed to the service member 30 days prior to this rate change. At this time if the member's active duty status has been extended it is the responsibility of the service member to provide CHFCU with documentation reflecting this or the rate will be returned to the original contract date as scheduled.

Revising the account at the end of active duty:

- If Credit Card, return Interest Type to prior status
- Remove SSCRA Flag from Account Level and Loan Level
- Change payments back if it had been reduced previously.
- Insure that the letter was mailed and a copy was attached to file maintenance paperwork.
- Print loan barcode attach to all file maintenance paperwork and forward to Ops for imaging.

INTEREST TYPES

- 0 - Daily 365 Interest
- 1 - Monthly 360 day Interest
- 66 - SSCRA 6.00%
- 82 - Mastercard
- 83 - Visa 14.9%
- 84 - Visa Gold 14.9%
- 85 - Lost/Stolen (No Interest)
- 88 - Visa 12.9% (New rate as of Feb 1, 1994)
- 89 - Visa Gold 12.9% (New rate as of Feb 1, 1994)
- 91 - Employee Visa rate 10.9
- 92 - Employee Visa Platinum Rate 8.9

VERIFICATION OF QUALIFICATIONS

Y or N	Facts to Analyze Qualifications
	Is loan open date after orders date
	Was the Reservist Status Active Duty upon receipt of orders
	Was member Active Duty when loan originated

Any of the questions above answered yes, review with Consumer Loans.

LINE OF CREDIT REVIEW PROCESS

The Credit Union schedules a Line of Credit review on a quarterly basis. The Card Act of 2009 requires all financial institutions to establish a policy for the review of all credit cards.

The process of the line of credit review will include all consumer revolving loan types. This includes all Visa's and Personal Lines of Credit.

The credit union has Experian prepare a Quest Report for the loan portfolio. The MIS department sends member database information for all members with any type of open loan with CoastHills. Experian returns a file that contains at a minimum the following:

- o FICO score at the time of the run (a soft pull inquiry is done and does not affect any future scores)
- o An Experian Bankruptcy Watch score
- o Factors contributing to each of these scores

The credit union will request, as management deems necessary, information regarding mortgage balances, negative amortized mortgage and other mortgage information for assistance with reviews performed on the mortgage portfolio.

Once the Quest Run information is provided, MIS will place the new score information at the account level in a Tracking 55: FICO History record. A sample of the Tracking screen is below:

Tracking Type:	<input type="text" value="55"/>	User ID:	918
Tracking Code:	0		
Creation Date:	02/10/2009	Last FM Date:	__/__/
Creation Time:	10:37 AM	Record Change Date:	01/17/2010
		Expiration Date:	__/__/
Custom Fields:			
FICO Slot 1:	0		
FICO Slot 2:	715		
FICO Slot 3:	727		
FICO Slot 4:	694		
FICO Slot 5:	0		
FICO Slot 6:	0		
FICO Slot 7:	0		
FICO Slot 8:	0		
FICO Slot 9:	0		
FICO Slot 10:	0		
FICO Slot 11:	0		
FICO Slot 12:	0		
FICO Slot 13:	0		
FICO Slot 14:	0		
FICO Slot 15:	0		
FICO Slot 16:	0		
FICO Slot 17:	0		
FICO Slot 18:	0		
FICO Slot 19:	0		
FICO Slot 20:	0		

The Consumer Loan Department will request information from MIS for the Line of Credit review. A sample of the information requested may include:

- o Accounts below a specific FICO and BK Watch Score cutoff

- Accounts not reviewed in the most previous Line of Credit Review
- Accounts opened since the last review

Lines of Credit that to be excluded from the review may include:

- Accounts with aggregate deposit balances of more than \$100,000
- Volunteer and employee accounts
- Accounts above the specific FICO and BK Watch Score cutoff

REVIEW PROCESS

Once the information is received from MIS, it will be sorted by FICO and BK Score. The report will have a tracking (Tracking 55 FICO History) of the scores over the last few reports.

It is recommended to review each account individually for the following whenever possible-

- The pattern of the FICO and BK score history.
- FICO factors provided in the Quest report
- Payment history
- Courtesy payment history
- Over limit history
- Account advance history

Accounts are only to be reviewed by a credit union employee with the title of Credit Analyst or higher. In a rare instance, a Consumer Loan Processor with credit analyst experience may review accounts.

It is not recommended limits be removed completely unless account abuse is obvious. When an account is deemed to need a limit adjustment it is recommended the limit be taken down to \$1000 below the existing balance. This will give members an opportunity to improve their credit scores and possibly have credit available for future use.

The following steps are to be taken when it is necessary to adjust a limit:

- A Notice of Credit Limit Change letter will be sent to the member advising the reason for the change using the Experian score factors and the amount of the limit change.
- The Notice of Credit Limit Change is to be accompanied with a letter of explanation advising member options for improving their scores.
- The limit is changed in accordance with instructions on Symitar procedures for periodic review on Line of Credit or Visa.
-

Member Inquiries on

On occasion, a member will not understand the reasons for their reduction or want to have their reduction reconsidered. The reduction can only be reconsidered through the applications process. Advise a member how they can apply for a loan stating the reason as "Reconsideration of Line of Credit Review" or "Reinstate Limit".

Limits are not usually reinstated without a credit application review. The Consumer Loan Manager or

above can approve a limit reinstatement without a credit application after a credit report has been reviewed.

A reconsideration request application will be processed as any other credit application following all processes.

REPORTS

Monthly Loan Totals by Branch

- o Location: J-Drive> Loan_apps> PROCEDURES> Monthly Loans by Branch
- o Information Derived From:
 - o Request information from Meridian Link for Month End Reports (Vehicle, Credit Card, and Personal). They will email the Excel spreadsheets.
 - o Application Approved Unfunded (used for ILA loans)
 - o Modify Excel spreadsheet for loan type month end to fit on one page. (delete columns, hide rows, etc for each branch and loan type)
 - o Calculate total of Approved, Denied, Funded, and Unfunded count and dollar amounts for each branch and loan type.
 - o Plug in figures from month end spreadsheet from Meridian Link to Monthly Loan Totals by Branch Report excel spreadsheet.
 - o Take totals from month and input into correct month under second box.

Each month this report is added to until you reach the end of the year. This report maintains the quantity of loans each branch accumulates and funds each month.

Contingent Liability

- o Location: J-Drive> Loan_apps> PROCEDURES> Contingent Liability
- o Information Derived From:
 - o Monthly report prints to loan department "LOAN TYPE 79 CREDIT LIMIT"
 - o Monthly report prints to loan department "LOAN TYPE 89 CREDIT LIMIT"
 - o Monthly report prints to loan department "LOAN TYPE 80 CREDIT LIMIT"
 - o Monthly report prints to loan department "LNTYPE 82-84 CREDIT LIMIT"
 - o Take balance and limits from reports and enter figures into Contingent Liability Excel spreadsheet. (Totals will calculate w/formulas)
 - o Revise date for month end
 - o Copy box into email to Linda Van Dyke for Board of Directors Package

This report is used in the Board of Directors miscellaneous financial disclosure (10-C) package for their monthly meeting.

New Money Report

- o Location: J-Drive> Loan_apps> PROCEDURES> New Money Reports
- o Information Derived From:
 - o Monthly report prints to loan department "New Money Rpt by Coll Code" (prior months report date reflects 1st of following month)
 - o Mortgage GL's 703100-001. through 703100-011 (Use dates to correspond with month. Example 01/01/2007 – 01/31/2007)

- o Plug in New Loan and Advances (count and dollar amount) figures corresponding with type and purpose.
- o Plug in Average New Rate (if not available use Average Add Rate).
- o Use all mortgage GL's to locate the debits w/rates and dollar amounts
- o Input mortgage figures into spreadsheet located on J-Drive> Loan_apps> PROCEDURES> CALC AWR (this will calculate the average balance and rate for mortgages)
- o Take mortgage totals from CALC AWR and input under "MIDWEST MORTG" on New Money Report Excel spreadsheet.

This report calculates the totals of all new money each month. New Money includes all new loans and advances.

DEFINITIONS

- A. Amount Financed – The total dollar amount financed by the member including the loan amount along with taxes, fees and approved back-end products.
- B. Annual Percentage Rate (APR) - The annualized cost of credit expressed as a percentage in a finance agreement
- C. AutoCheck – A vehicle history report provided by Experian that tells you if a specific vehicle has been salvaged; stolen; flood or hail damaged; been in an accident or fire; had an odometer rollback; or been used as a police car, rental car or taxi cab.
- D. Auto-Enhanced Credit Score – A credit score model that gives additional weight to the applicant's previous credit history related to automobile financing.
- E. Back-End Products – Products related to a vehicle sale that are often financed as part of the loan, including GAP policies, credit life & disability policies, pre-paid maintenance plans, payment protection plans and extended service plans.
- F. Bankruptcy Watch Score – Risk model developed by Experian that predicts the statistical propensity that a particular applicant will declare bankruptcy within the next 12 months.
- G. Branded Title - A title which bears a notation such as reconditioned, reconstructed, rebuilt, salvage, flood damaged, etc.
- H. Buyer's Guide - The Federal Trade Commission's (FTC) Used Car Rule requires dealers to post a Buyers Guide in every used car they offer for sale. The purchaser must be given a copy of the Buyer's Guide. The Guide must reflect any negotiated changes in warranty coverage. It also

becomes part of the sales contract and overrides any contrary provisions. For example, if the Buyers Guide says the car comes with a warranty and the contract says the car is sold "as is," the dealer must give the purchaser the warranty described in the Guide.

- I. Chapter 7 Bankruptcy – The chapter of the Bankruptcy Code that provides for court-administered liquidation of the assets of a financially troubled individual or business. Also called "straight bankruptcy."
- J. Chapter 13 Bankruptcy - The chapter of the U.S. Bankruptcy Code in which debtors repay debts according to a plan accepted by the debtor, the creditors, and the court.
- K. Closed-End Loan – A loan for a specified amount of money with a specified repayment schedule. The borrower does not have the ability to add to the loan except for Loan Protection, GAP and MBI. CUDL contracts are examples of closed-end loans.
- L. Co-Borrower – A joint applicant who is equally obligated to repay a loan with the borrower and who shares ownership and use of the collateral. Usually live in same household.
- M. Co-Signer – A joint applicant who is obligated to repay a loan should the borrower default but who does not share ownership or use of the collateral. Sometimes known as a co-maker. Usually do not live in the same household.
- N. Credit Score - A numerical value based on the analysis of a credit report that is used by creditors to predict how likely an individual is to repay a new loan. The credit union uses this score to price its loan products based on the perceived risk associated with the score.
- O. CUDL – Acronym for Credit Union Direct Lending program, which allows members to receive credit union financing at local auto dealerships through an automated credit decisioning system. The program is administered by CU Direct Corporation, a credit union service organization (CUSO) owned by participating credit unions.
- P. Debt to Income Ratio (DTI) – The dollar amount of total recurring monthly obligations divided by the dollar amount of gross monthly income.
- Q. Disposable Income – The monthly net income available to an applicant after deducting taxes and monthly recurring obligations from the monthly gross income.
- R. Equity - The difference between the market value of the vehicle and the loan payoff amount.
- S. Fast Start – An empirically derived credit-scoring model based on both credit bureau data and credit application data. The credit union uses this score to auto-decision loan requests.
- T. FICO – A FICO score is a credit score developed by Fair Isaac & Co. There are really three FICO scores computed by data provided by each of the three bureaus: Experian, Trans Union and Equifax. The credit union has selected the FICO score from Experian to use in pricing its loan products.
- U. GAP (Guaranteed Asset Protection) - A plan that provides a borrower with financial protection in case the financed vehicle is stolen or totaled in an accident. GAP covers the difference between the loan payoff amount and the amount for which the collateral vehicle is insured. The borrower remains responsible for the insurance deductible.
- V. Gross Loan to Value Ratio (Gross LTV) – The amount financed divided by the value of the underlying collateral.
- W. Loan Amount – The unpaid principal balance remaining on the cash sales price of the vehicle after all down payments and rebates have been applied. It does not include taxes, tag, title, doc stamps, fees or back-end products.
- X. LOANLINER – An open-end credit plan where members may take additional approved loan advances without the need to sign new loan documents.
- Y. Monroney Label – New automobiles are required by law to carry manufacturer suggested retail price stickers. This sticker, also called a Monroney label, is attached to a window of the vehicle. It shows the base price of that model, including all standard equipment; manufacturer-installed options and their retail prices; transportation or freight charges (also known as destination or

- delivery charges); and the total manufacturer's suggested retail price.
- Z. National Financing Statement (Form UCC-1) – A document provided for in the Uniform Commercial Code (UCC) that is filed with the California Secretary of State's Office to perfect a security interest in named collateral and establish priority in case of debtor default or bankruptcy.
 - AA. Negative Equity – Situation where the amount owed on a vehicle is greater than the vehicle's worth. Also known as being "under water" or "upside down".
 - BB. Net Loan to Value (Net LTV) – The loan amount divided by the value of the underlying collateral.
 - CC. New Credit – A member with limited or no credit history who consequently does not generate a FICO score. The definition also includes members with limited credit that do generate a FICO score but who have not yet established sufficient credit history for the score to be deemed reliable.
 - DD. Payment to Income Ratio (PTI) – The dollar amount of the proposed loan payment divided by the dollar amount of gross monthly income.
 - EE. Proof of Income (POI) – A current original pay stub (dated within the last month) that verifies the applicant's stated income per the credit application.
 - FF. Service Contract (Mechanical Breakdown Protection or Extended Warranty) - A contract purchased by the member to cover expenses such as the repair or replacement of vehicle components and that may pay for related services such as towing or replacement rental cars. In most cases, service contracts do not cover routine maintenance
 - GG. Straw Purchase – Any purchase where the purchaser is knowingly purchasing an item or service for another individual, who is not signing on or legally bound to the transaction.
 - HH. Trade Line – Any credit or charge account reported to a consumer credit reporting agency with the exception of deferred student loans, disputed accounts and collection accounts.
 - II. Value – For new vehicles, value is defined as the MSRP, including destination charges, per the dealer invoice or Monroney label. For used vehicles, value is defined as the Kelley Blue Book Retail Value, adjusted for equipment and mileage.
 - JJ. Verification of Employment (VOE) – A form or letter from the applicant's current employer that verifies the length and type of employment stated by the applicant in the credit application. This form or letter must be signed and dated by an authorized representative of the employer.
 - KK. Vehicle Identification Number (VIN) – An individual serial number assigned by the manufacturer to a motor vehicle. The alphanumeric number consists of seventeen (17) digits and is located on the vehicle's dashboard, visible through the windshield.

Schedule 2
– Monthly Reports –

[It is intended that each Monthly Report be annexed to and become part of this Agreement]

Schedule 3
– List of Account Numbers –

1. Reserve Disbursement Account: _____

2. Reserve Account: _____

3. Reflow Reserve Disbursement Account: _____

