

## ARTICLE XII

### Loans

- Section 1.** Loans may be made only to members except as specifically otherwise provided in the Act. Loans shall be made in accordance with applicable laws and regulations, the provisions contained in these bylaws and any further limitations imposed by the board of directors pursuant to such authority.
- Section 2.** Applications and Disbursements No loan or line of credit, renewal of a loan or line of credit, extension agreement, deferral of payments, or releases or substitutions of security on a loan shall be considered except upon application submitted by a member to the credit committee or the board of directors if there is no credit committee, or to a loan officer, if the request is within the authority of the loan officer.
- Applications shall be signed by the member, provided, however, that unsigned requests for advances under an open-end revolving credit plan may be honored as provided by contract or policy adopted by the board of directors. Unsigned requests for advances under a pre-approved line of credit plan may also be honored as provided by contract or policy adopted by the board of directors.
- An application for any class of loan, except a request for an advance under a pre-approved open-end revolving credit or line of credit plan shall contain sufficient data to allow the credit committee, or the board of directors if there is no credit committee, or a loan officer to carefully analyze the character and financial condition of each loan applicant and, if required, the comaker or guarantor to ascertain their ability to repay fully and promptly.
- Section 3.** Approval No loan or line of credit, renewal of a loan or line of credit, extension agreement, deferral of payments, or releases or substitution of security on a loan shall be made except upon approval, in writing on the application, by a majority of the members of the credit committee, the board of directors if there is no credit committee, or a loan officer to whom such authority has been properly delegated.
- Section 4.** Filing of Applications All applications for loans or lines of credit shall be filed and become a part of the records of the credit union until disposition is authorized by the board of directors. In no case shall disposition be made in less than twenty-five (25) months after the date of the application, the date the loan is repaid in full, or the date the line of credit is closed, whichever is later.

**Section 5.**  
Purpose

The purpose for a loan, renewal of a loan, extension agreement, deferral of payments or release or substitution of security on a loan shall be indicated on the application submitted by the member.

**Section 6.**  
Loans to  
Officials

Loans to officials shall be made in the same manner as are loans to other members with the following exceptions:

- a. An applicant shall not pass on his/her own loan.
- b. A loan officer may only be delegated the authority to approve the following classes of loans to officials:
  - (1) Loans not in excess of the applicant's share and deposit holdings.
  - (2) Loans under an existing open-end revolving credit agreement providing a specific amount has been pre-approved by the credit committee or the board of directors if there is no credit committee.
- c. In the event a loan made to or cosigned or endorsed by any official becomes three (3) months delinquent, his/her status as an official shall automatically cease and the office shall be declared vacant and filled in the manner prescribed in the Act.
- d. No official shall be permitted to act as comaker or endorser for borrowers, except as permitted by law.
- e. All loans outstanding to officials shall be shown as a separate item in the balance sheet of the credit union and in all reports rendered by the credit union.

**Section 7.**  
Promissory  
Note

Each loan or other extension of credit shall be evidenced by a promissory note or an agreement signed by the borrower. All disbursements thereunder shall be as directed by the borrower and evidenced by a proper voucher, receipt, check or draft. Disbursements under a pre-approved line of credit agreement may be honored by remote means if the vehicle used to effect a remote disbursement establishes the borrower's identity, in which event the credit union is discharged for the amount paid.

**Section 8.**  
Loan Limits

- a. The aggregate indebtedness of a member, including loans secured or unsecured, liability as comaker, endorser, guarantor or otherwise, shall not exceed an amount fixed by the board of directors, provided, however, that no loan may be made to any member if, upon the making of such loan, the member would be indebted to the credit union upon all loans in an aggregate amount which would exceed the greater of \$20,000 or 20% of the sum of all reserves and undivided earnings, excluding the allowance for loan losses, of the credit union as determined at the most recent year end. Loans fully secured by a pledge of shares or deposits, and loans where the principal amount is insured or guaranteed at least 90% by the United States Government or this State or an agency of either the United States Government or this State are not included in this loan limit.

Real Estate  
Loans

- b. A loan secured by a lien on real estate may be made up to a maximum amount as fixed by the board of directors, provided the aggregate amount of loans thereon does not exceed 80% of the appraised valuation of the real estate as certified, in writing, by a qualified appraiser who has no interest in the real estate or loan and is actively engaged in the appraising of real estate. In addition, real estate loans shall be subject to the following conditions.
- (1) The limitation imposed on junior liens on real estate shall be determined by documenting the current balance on the existing liens; determine 80% of the appraised value and reduce this amount by the current balance owed.
  - (2) Loans secured by first liens on real estate shall be payable in installment payments, not less often than monthly, amortized for a period not to exceed thirty (30) years.
  - (3) Loans secured by junior liens on real estate shall be payable in installment payments, not less often than monthly, amortized for a period not to exceed twenty (20) years.
  - (4) All loans secured by a lien on real estate shall be evidenced by an approved application, promissory note, recorded mortgage, a written attorney's opinion of an abstract showing a marketable title or by a mortgage title insurance policy protecting the credit union and hazard insurance in sufficient amount to protect amounts due to the credit union. In the case of a real estate secured line of credit plan, the credit union shall either (1) secure a title insurance policy covering future advances, or (2) secure a title insurance policy coverage update when the sum of all amounts advanced to the borrower during any 90 day period exceeds \$10,000.

- (5) Real estate loans insured or guaranteed as to principal repayment shall be exempt from the requirements as to appraised valuation to the extent the amount in excess of 80% of the appraised value is insured or guaranteed. Insured or guaranteed loans secured by junior liens on real estate shall also be exempt from amortization requirements. Insured or guaranteed home improvement loans secured by real estate shall be exempt from the provisions of this section to the extent that such provisions are not required by the agency or organization insuring or guaranteeing the loan.
- (6) Non-purchase money loans secured by real estate which are made for an original amount not greater than \$40,000 and which are otherwise within the limits of this section, may be evidenced by the following instead of the qualified appraisal required by this section.
  - (a) A statement in the member's credit file documenting the use of state equalized value in determining the value of real estate securing such loans. The maximum value so determined for such real estate shall not exceed 200% of the state equalized value of such real estate.
  - (b) A statement in the member's credit file documenting the performance and results of an on-site inspection of the real estate securing such loans by a person or persons specifically designated by the board of directors to perform such inspections.

**Section 9.** Should security be required as a condition of granting a loan, the maximum amount of the loan shall not exceed the fair market value of the security in addition to the unsecured limit fixed by the board of directors, but shall in no case exceed the maximum loan limit fixed in Section 8 of this Article.

**Section 10.** A member may repay a loan in whole or in part on any day the office of the credit union is open for business.

**Section 11.** A member whose installment payment is one (1) month delinquent may be assessed a fine of not more than 20% of the interest due unless such fine is excused, for cause, by the board of directors. In any event, the minimum fine shall not be less than twenty-five (25) cents.