

COVID-19 Emergency Loan Program Credit Union FAQ

What is the Emergency Loan Program and why is it important?

The Northwest Credit Union Foundation (NWCUF) is partnering with private philanthropy to support credit unions in providing emergency loans to displaced workers impacted by COVID-19. Regional loan funds will be set up based on funder interest to provide the financial backstop for the deployment of 0% interest loans to Northwest residents, including our most vulnerable community members.

The economic fallout of COVID-19 is impacting people's ability to pay bills and put food on the table. Low income, traditionally disenfranchised, and undocumented workers face additional challenges, as they often work in industries hit hardest by COVID-19 and are less likely to qualify for or access unemployment and federal relief dollars. The support provided by these regional loan funds will provide a much-needed backstop for credit unions to lend to less traditional borrowers and help get capital into the hands of people who need it the most during this time.

How do I know what regions are currently participating? How can my credit union sign up for this program?

Most of the funding available for the loan program will be geographically restricted. Eligible credit unions with a strong presence in a geographic region will be contacted and invited to participate in the program once funding is identified in their respective region. However for up-to-date information on which regions are currently supported with an emergency loan fund or to submit your credit union's interest in participating in the program, please visit the NWCUF website at <https://nwcu.org/emergency-loan-fund/>.

What is required for our credit union to participate?

Each credit union will need to sign a grant agreement with NWCUF to participate in the Emergency Loan Program. Credit unions will commit to quickly processing the agreement and getting their internal teams ready to deploy the loan. Credit unions will be required to deploy the emergency loan product as outlined or revise a current loan product to match the loan details of the Loan Program.

Each credit union that participates in the Emergency Loan Program must agree to the following loan requirements:

- 0% interest
- Loan up to \$2,500 per household
- Loan period of 24 months
- Payment deferral 90 days
- 90-day delinquency window; no aggressive debt collection efforts
- Open to current and new members (within field of membership)
- Share basic borrower information with NWCUF (data will be kept confidential)
- Weekly reporting of deployed loans
- Quarterly updates on loan performance

What type of support does the Loan Program offer to my credit union?

What loan costs are covered?

NWCUF will supply the grant agreement, underwriting criteria guide, reporting templates, financial support for underwriting costs, and loan loss reserves. In partnership with the Northwest Credit Union Association, our team will work with your state regulators to make sure they are aware of the Loan Program and the loan loss coverage provided.

Underwriting Cost Subsidy

- The Loan Fund will cover \$125 per loan for the cost of processing the loan so credit unions can provide this product at 0% interest to borrowers.
- Credit unions will submit for subsidy reimbursement weekly based on loans deployed; NWCUF will send reimbursement checks to credit unions from the Loan Fund based on weekly reports.

Loan Loss Reserves

- NWCUF will hold loan loss funds for each participating credit union based on the qualified loans deployed through the Loan Program. There are two levels of coverage:
 - 75% for high-risk borrowers
 - 25% for standard borrowers
- NWCUF will hold the reserve funds for up to 30 months (24-month loan period, 90-day deferral, 90-day delinquency window).

What is the loan loss coverage for the Emergency Loan Program?

The Loan Fund will provide loan loss coverage for the emergency loans in two tiers – standard risk and high-risk. The loan loss ratios are high compared to industry standards, but since these are unprecedented times, funders are willing to support higher coverage to provide a backstop to credit unions willing to step up for their communities during this time. The tiers are categorized as the following:

- 25% for standard borrowers
 - Borrowers who do not meet the high-risk category
 - Credit scores 630 and above
 - DTI below 50%
- 75% for high-risk borrowers
 - Undocumented or ITIN borrower
 - Unbanked/underbanked

- Poor credit (629 and under)
- High DTI (over 50%)
- Income at or below 75% Area Median Income (AMI)

How can credit unions access loan loss reserves or underwriting cost subsidies from the Loan Fund?

Credit unions participating in the Loan Fund will receive a bi-weekly funding cap that includes funds for underwriting cost and loan loss. Each week, credit unions will submit a reimbursement request for the loans they made that week (up to their funding cap amounts) on the [NWCUF website](#). Since loan loss will not be incurred immediately, underwriting cost subsidies for each qualified loan will be reimbursed weekly based on submission to NWCUF. Loan loss relative to standard or high-risk borrowers will be calculated based on submitted loan reports and set aside for credit unions to access in case of delinquency throughout the life of the loan.

How will bi-weekly caps be determined for participating credit unions from the Loan Fund?

NWCUF will calculate funding caps to each participating credit union (PCU) based on funding available for each risk category (25% or 75%) and number of PCUs in the Loan Fund. Funding caps will include both underwriting subsidy and loan loss reserves for anticipated loans. Caps will be administered bi-weekly to the credit union to loan against. If there are any funds remaining after the first two weeks, NWCUF will disseminate new caps to the credit unions to deploy the remaining funds.

What information does my credit union need to provide to NWCUF to receive reimbursements from the Loan Fund?

- Total loan amount for each loan
- Loan origination date and end date
- Risk category of each loan (75% or 25%)
- The following borrower information:
 - Income (prior to COVID impact)
 - Area Median Income (AMI) percentage
 - SSN or ITIN borrower
 - DTI
 - Credit score
 - County
 - Age

What happens if we go over our credit union's allocated bi-weekly cap?

If a credit union loans out more than covered by the Loan Fund bi-weekly cap, the credit union will have to fully cover the cost of the additional loans, including the underwriting cost and the potential loan loss. Credit unions will still be asked to report to NWCUF on the loans deployed whether they are covered by the Loan Fund or not.

What happens if we see higher loan loss rates than 25% or 75%?

By participating in the Emergency Loan Program, credit unions will have to assume some risk of deploying these loans. The Loan Fund will cover participating credit unions up to the bi-weekly caps, including 25% for standard borrowers and 75% of high-risk borrowers. If a credit union experiences additional delinquency beyond stated loan loss coverage, the credit union will have to assume the remaining loss.

How do I submit my loan reports to NWCUF for reimbursement?

Every Friday, participating credit unions will go to the NWCUF website to submit their [weekly loan reports](#). After all loans are deployed in the regional loan fund, participating credit unions will submit [quarterly loan reports](#) on the NWCUF website starting 3 months after the first loan payments.

Do we have to open this to new members, or can we keep it for just our current members?

Due to the pervasive nature of the economic distress caused from COVID-19, the emergency loans will be offered to both new and current members. As long as the applicant resides in the credit union's field of membership and the designated Loan Fund area, there will be no restrictions on eligibility based on duration of membership.

What if my credit union already has a similar emergency loan program? Can we still participate?

If a credit union has already implemented an emergency loan or personal loan product associated with relieving the impacts of COVID-19, they are still eligible to join the Emergency Loan Program. The credit union will have to modify their current product to match the loan product outlined in the Loan Program and serve the designated region.

Who is supporting these regional Loan Funds?

NWCUF is working with local and regional donors, including private philanthropy, to fund multiple loan funds across the Northwest. Each region will have a different set of donors, some wish to remain anonymous and others will be listed on the NWCUF website. Regional credit unions are also stepping up and donating to their local loan fund, partnering with NWCUF to help their communities access affordable capital.

Can our credit union only participate in the standard risk pool (25%) and not the higher risk (75%) pool?

Credit unions will be expected to serve both high-risk and standard-risk borrowers. However, interested credit unions may participate only in the higher risk borrower pool if they have a history of serving the qualified populations or are MDIs, CDFIs, Juntos Avanzamos designated or specific SEG credit unions. Please reach out to NWCUF if you are interested in only serving higher-risk borrowers. Credit unions will not be able to only deploy loans to borrowers in the standard risk category.

What happens if a borrower pays off their loan early?

If a borrower is able to pay off their loan early, participating credit unions cannot charge any fees for early repayment. Since this is an emergency loan product with the purpose of quickly deploying capital to those who need it most during this time, we will not be penalizing borrowers for utilizing this resource as gap financing.

How do we determine if a borrower is unbanked or underbanked?

There are a couple of indicators you can look at to determine if a borrower is underbanked. First, you can directly ask applicants if they have any current depository or lending relationships with other institutions. Or you can look for a lack of credit history, a specific type of credit history (cash advances, title loans, etc.), or a lack of deposit history (ChexSystems, debit bureau reports). If you are unable to access this information, just put NA on the loan reporting form. Gathering this information is encouraged but not required to participate in the Loan Program.

Who do I contact if I have any questions about the program?

Please reach out to Program Director Claire Hendrix at chendrix@nwcua.org or 208.515.4476, if you have any questions or concerns about participating in the Emergency Loan Program.