

Loan Underwriting Guidelines for the Kim Wallace Adaptive Equipment Loan Program

I. Statement of Purpose

The founding intent and essential purpose of the Kim Wallace Adaptive Equipment Loan Program ("AELP") is to provide financing for people with disabilities within the State of Maine for the purchase of adaptive equipment or assistive technology that will help them live more independently. AELP is committed to working with people with disabilities who may not have access to commercial financing resources, such as banks or credit unions. At the outset, AELP directs potential loan applicants to available public and private funding sources that may provide grant monies or other resources that would obviate or reduce the need for financing. AELP also provides financial education before and throughout the application and loan process.

II. Procedures and Standards

Loan applications shall be processed according to the procedures and standards set forth in the Kim Wallace Adaptive Equipment Loan Program Rule, 94-178 Chapter 501, ("the Program Rule"), a copy of which is attached to these underwriting guidelines and the terms of which are incorporated herein. Where applicable, the definitions of terms contained in Section 1 of the Program Rule apply to the terms as they are used in these underwriting guidelines.

III. Loan Interest Rate

AELP's current interest rate of 3.75% is available to all applicants who qualify for a loan pursuant to the Act, the Program Rule, and these underwriting guidelines.

IV. Underwriting Guidelines

To the extent consistent with the Act and the Program Rule, the following underwriting guidelines shall supplement the Program Rule:

A. Loan Periods

The term of each loan shall be based on the applicant's circumstances and the useful life of the collateral.

Typical repayment periods for various types of loans are shown below:

- ❖ Computers and adaptive peripherals – 3 years
- ❖ Stand-alone reading and magnification devices – 5 years
- ❖ Hearing Aids – 4 years
- ❖ Wheelchairs or scooters – 5 years
- ❖ Building modifications – 10 years
- ❖ New vehicles that need adaptations (including when there is another funding source for the adaptations) – 7 years.
- ❖ Used vehicles that need adaptations (including when there is another funding source for the adaptations) – 6 years
- ❖ Lifts and elevators – 10-20 years
- ❖ Furniture, beds and mattresses – 7-10 years

If AELP has not established a loan period for a specific type of adaptive equipment or assistive technology, Financial Service Provider staff will consult with knowledgeable individuals to assess the expected useful life.

B. Collateral

Collateral will be required for all loans. AELP will take a security interest in the adaptive equipment or assistive technology purchased. For real estate loans of \$15,000 and greater, equipment loans of \$10,000 and greater, and all vehicle loans, the security instrument will be filed or recorded as necessary to perfect the security interest. For all real estate loans that will require a mortgage as security, AELP will first use the Tax Assessed Value. In some instances, an appraisal will be required. The accepted loan to value ratio for mortgages will be 90%.

C. Examples of Adaptive Equipment and Assistive Technology:

AELP will facilitate loans to purchase a broad array of adaptive equipment and assistive technology. Examples include, but are not limited to, the following:

- Wheelchairs and scooters
- Braille note takers
- Assistive listening devices
- Telecommunications devices
- Electronic aids to daily living
- Visual aids with voice output or magnifying features
- Computers, tablets and adaptive peripherals, applications
- Building modifications for accessibility including labor
- Motor vehicles that have been adapted or need adaptations
- Hearing aids
- Seat lift chairs
- Recreational equipment including adapted bicycles, Nintendo Wii

D. Loan Restrictions

AELP provides loans for the *purchase* of adaptive equipment or assistive technology devices and services. AELP will accept applications for the refinance of a purchase, however, if the application is submitted within 30 days of the item's purchase date. During the refinancing application process, the applicant will be required to submit suitable proof of purchase date.

E. Credit Worthiness and Capacity to Repay the Requested Loan

The criteria discussed below seek to produce a reasonable expectation that the applicant will repay the loan in full. The three most important criteria for an AELP loan are credit history, debt-to-income ratio, and capacity to repay. When the applicant has a history of credit problems, the applicant must be able to demonstrate that he or she has a workable plan to deal with those problems. A pattern of adverse credit actions that cannot be adequately explained and has not been adequately dealt with will result in a decision not to approve a loan.

Similarly, an applicant who does not have adequate cash available to pay for a new loan after taking care of other financial obligations will not be approved for a loan. If the applicant has experienced a bankruptcy, she / he must be cleared from discharge for a minimum of one year.

The following chart outlines the criteria that will be examined in underwriting the loan application:

| Standard | Acceptable Criteria |
|-------------------------------------|---|
| Proof of Income | An applicant will be required to provide proof of his/her current income. Acceptable documentation includes, but is not limited to, copies of IRS income tax return, a pay stub, W-2 form, child support, survivor benefits, an SSDI or SSI Award Letter. |
| Timely Payment of Residence Expense | If the applicant owns or rents his or her residence, he or she must demonstrate that payments to the mortgage lender or landlord have been made in a timely fashion for the previous 12 months. |

| | |
|-----------------------|--|
| <p>Credit History</p> | <p>Experian credit reports, as well as AELP's previous lending experience with the applicant, if any, are the primary sources for determining the applicant's repayment habits.</p> <p>Provided the additional criteria below are met, AELP will accept an Experian credit reporting score of 0 (no credit history) or 569 and higher. If there are co- applicants, AELP will use the higher of the credit scores to determine eligibility.</p> <p>If the applicant has experienced any of the credit problems described below within the 12 month period preceding the application, the applicant must demonstrate resolution of the credit problem to the satisfaction of the sound judgment and discretion of the Financial Service Provider (FSP) or the loan application will be denied.</p> <p><u>Credit Problems within the past Twelve Months</u></p> <p>--Delinquency with a creditor. If the applicant has been delinquent with a creditor within the past 12 months, the applicant must adequately explain the reason for the delinquency and provide satisfactory evidence that the delinquency has been cured.</p> <p>If any of the following items are on the credit report and designated as "not paid," the FSP will require evidence of full payment or a payment arrangement in place: tax liens, civil judgments, levies, or child support obligations (both payments and receipts). If any of these items are on the credit report, but designated as paid, the FSP need not require additional evidence of payment.</p> |
|-----------------------|--|

If the applicant indicates the child support payments are being paid, and there is nothing on the credit report or other available data to suggest otherwise, then the FSP need not require additional evidence.

--Collection Accounts

If a credit card collection account is less than 1 year from last activity, payment arrangements must be established.

If a utility collection account is less than 1 year old, payment arrangements must be established.

--Medical Collections

Medical collections if related to the applicant's disability are excluded from the credit evaluation, but in all events the applicant must still demonstrate a positive discretionary income as described above including the medical collection payments at issue.

--Education Loans

Applicant must provide evidence of payment arrangements or deferment, including when re-payment will begin; education loans are generally not forgiven or discharged in bankruptcy.

--Mortgages

If mortgage loans are being modified or refinanced, evidence from the lender must be provided.
Mortgage foreclosures must be explained in writing.

--Ability to Repay

After a careful examination of these credit issues, the AELP Financial Service Provider must be satisfied that the applicant has the capacity and credit worthiness to repay the requested loan in full.

An applicant who lacks acceptable credit may apply/reapply with a qualified co-applicant or may apply for a loan at a later time should his/her fiscal circumstances change.

| | |
|----------------------|--|
| Debt-to-income ratio | <p>AELP requires documented proof of all income and debts. Up to a year of the most recent bank statements may be required to show all recurring debts.</p> <ol style="list-style-type: none"> 1. In the first instance, AELP looks for a debt-to-income ratio of less than 50%. "Debt-to-income ratio" as used here means the relationship of an applicant's fixed monthly debt to his or her monthly income. 2. AELP will accept a 50% or higher debt-to-income ratio if, but only if, the applicant can adequately document sufficient cash flow to make loan payments after meeting all other outstanding obligations and expenses. That is, the applicant must document positive discretionary income after the requested loan payment. 3. The applicant's monthly AELP loan payment will be included in the debt-to-income ratio calculation. If a co-applicant is on the application, AELP will consider the combined debt-to-income ratio. |
| Discretionary Income | <p>"Positive Discretionary Income" means that the applicant has documented reliable income in excess of the applicant's monthly expenses, including all necessary and reasonable living expenses, all debt and expense obligations incurred, and the monthly payment obligations for the requested loan and any insurance that may be required for the equipment and/or device to be purchased. Applicants with a debt-to-income ratio of greater than or equal to 50% must demonstrate positive discretionary income of at least 50% of the applicant's proposed loan payment. In calculating discretionary income, the following will be included in evaluation of income and expenses:</p> <p>Expenses include, but are not limited to, groceries, medical bills, utilities (heat, sewer, water phone, etc.), rent/mortgage, real estate taxes, auto/transportation costs, clothing, insurance, education, credit card payments, child support or alimony, and other miscellaneous debts or expenses. AELP may require documentary proof for any or all of these expenses.</p> <p>Income includes, but is not limited to, all wages, salary, commissions, interest, pensions, and other sources of financial support such as employment-related disability benefits, Supplemental Security Income (SSI), Social Security Disability Income (SSDI), and Social Security retirement benefits.</p> |

| | |
|----------------|---|
| Credit reports | AELP will conduct its own credit checks on all applicants by using a recognized credit reporting agency, Microbilt. |
|----------------|---|

V. Additional Loan Procedures

A. Joint Check Issuance

AELP requires that loan proceeds be payable to the borrower and the supplier/vendor of the adaptive equipment or assistive technology device unless the vendor does not accept a two-party check, in which case the check will be made payable to the vendor.

B. Deadline for Loan Closures

Once approved for a loan, the applicant must close the loan with the participating lender within ninety (90) calendar days of the date of approval. Applicants who have not closed their loans within the ninety-day period will need to submit updated information or may have to reapply.

C. Deferred Payments

After a loan has been made, if the borrower encounters difficulty repaying his or her loan on time and requests a deferral, the FSP has the option of deferring up to three monthly payments, with the amount deferred to be added onto the full loan commitment at the end of the life of the loan.

Adopted by the AELP Board: November 12, 2019

