

Loan Underwriting Guidelines for the AELP II 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 a disability within the State of Maine for the purchase of adaptive equipment or assistive technology that will help them live more independently. Per program rule, a segment of the loan portfolio can be loaned out for the purpose of assisting Mainers with a disability to purchase used vehicles without adaptations necessary to obtain or retain employment or employment training, subject to limitations. The board or any entity with which the board is contracted to provide financial support services may award loans based on the following program guidelines.

II. Procedures and Standards

Loan applications shall be processed and program eligibility will be determined 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

The interest rate for AELP II is **3.75%** and 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:

- ❖ Used vehicles without adaptations – up to 5 years

B. Collateral

Collateral will be required for all loans. AELP II will take a security interest in the vehicle being purchased. The value of the vehicle to be purchased will be determined using the official National Automobile Dealers Association (NADA) used car guide. If the purchase price of the vehicle does not meet the NADA value, then the loan will be denied.

Under the AELP II program, borrowers must use the purchased vehicle for the purpose of obtaining and retaining employment or employment training, subject to Section 7 of the program rule. Any misuse of the collateral will result in a default.

C. Loan Restrictions

AELP II provides loans for the *purchase* of a vehicle for consumers with a disability who demonstrate a need for a vehicle subject to the program rule. Under the AELP-II program, a co-applicant is not allowed.

A vehicle purchased through AELP II may be no more than 8 years old at the time of purchase.

D. Loan Limit

The amount of a loan under AELP II shall not exceed the amount necessary to purchase the vehicle minus \$1,900.

The amount necessary to purchase the vehicle may include sales tax and, in the case of a purchase from or through a car dealer, the dealer's associated fees.

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 II 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, he or she 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, up to 3 pay stubs, 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.
Credit History	<p>Experian credit reports, as well as AELP and AELP II'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 II will accept an Experian credit reporting score of 0 (No score) or 610 and higher.</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 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," evidence of full payment or a payment arrangement in place will be required: 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 applicant need not provide additional evidence of payment.</p>

	<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 applicant need not provide additional evidence.</p> <p>--Collection Accounts Collection Accounts that are non-medical in nature are not permissible through the AELP II program unless the borrower can provide evidence that the account has been successfully disputed or cleared.</p> <p>--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 outstanding medical collections.</p> <p>--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.</p> <p>--Mortgages If mortgage loans are being modified or refinanced, evidence from the lender must be provided. Mortgage foreclosures within 7 years of the application date are subject to review.</p> <p>--Ability to Repay After a careful examination of these credit issues, the AELP II program must be satisfied that the applicant has the capacity and credit worthiness to repay the requested loan in full.</p> <p>An applicant who lacks acceptable credit may reapply for a loan at a later time should his/her fiscal circumstances change.</p>
Debt-to-Income Ratio	<p>AELP II 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 II 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 II 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

	<p>positive discretionary income after the requested loan payment.</p> <p>3. The applicant's monthly AELP II loan payment will be included in the debt-to-income ratio calculation.</p>
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 II 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.</p>
Credit reports	<p>Credit checks will be conducted on all applicants by using a recognized credit reporting agency.</p>

V. Additional Loan Procedures

A. Joint Check Issuance

AELP II requires that loan proceeds be payable to the borrower and the dealership/seller of the vehicle unless the seller does not accept a two-party check, in which case the check will be made payable to the seller.

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 they may request up to three monthly payments of deferred payments. The amount deferred will be added onto the full loan commitment at the end of the life of the loan.

Adopted by the AELP Board: _____ 2020