

Model 1: StretchPay

A Credit Union Salary Advance Alternative

Wright-Patt Credit Union

2455 Executive Park Blvd.

Fairborn, OH 45324

www.wpcu.coop

Assets: \$1.5 billion

Members: 172,822

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StretchPay is a turnkey salary advance product of Credit Union Outreach Solutions, Inc. (CUOSI) – a non-profit corporation formed in June 2006 to assist credit union outreach and community commitment initiatives. StretchPay is offered through 46 credit unions in six states and the District of Columbia. See more about CUOSI and membership information below in “About CUOSI.”

Loan Features:

- Open-end line-of-credit (LOC)
- Two LOC options: \$250 or \$500
- \$35 annual fee for \$250 LOC; \$70 annual fee for \$500 LOC
- 18% APR
- Must be repaid in full in 30-days
- No additional advances until paid in full
- Members start with \$250 limit for six months before going to \$500 limit

Note: A new two-month payment schedule for the \$500 limit was launched October 1, 2008 by Wright-Patt Credit Union (Wright-Patt CU) to experiment with and report back to CUOSI. Wright-Patt CU’s management noticed members with a \$500 limit were more apt to become delinquent than those with the smaller \$250 limit, so it wanted to test a longer payment period.

Underwriting Criteria:

- Must be at least 18 years old
- Must be a credit union member for at least 60 days
- Cannot be delinquent on an existing loan or have negative shares
- Cannot have caused credit union a loss
- Must have verified income
- Minimum net income of \$1,300 per month (only for the new \$500 limit with two-month payment schedule)
- \$50 of first \$500 advance is deposited into the member’s share account and frozen until the expiration date of the loan in 12 months; dividends are earned on the deposit

Procedures:

- Internal written procedures follow (see Exhibit 1).

Results for January through October 2008:

- 4,817 active StretchPay loans
- 44,101 advances for period
- \$13,555,123 total advances for period
- Members tend to use the StretchPay Loan an average of seven times a year
- Average StretchPay loan is \$500
- Through 10 months, the credit union has collected \$174,410 in StretchPay annual fees – which is paid to CUOSI
- Over same period, StretchPay losses were \$235,127 or 1.7% of total advances (prior to reimbursement from CUOSI)
- Interest earned on this portfolio of loans over same period: Not tracked
- StretchPay delinquency as of October 2008:
 - 30 days – 1.76%
 - 60 days – 4.71%
 - 90 days & over – 2.70%

Note: Losses for 2008 were high because of loans over 90 days delinquent that had not been previously charged off.

Collection Activity Procedures:

- An automated pre-call is made seven days before the due date to remind the member of the due date and payment amount.
- When the loan is 16 days past due, the first collection call is made.
- There are normally three to six calls made on the loan prior to charge-off.
- StretchPay loans are recommended for charge-off after 60 – 90 days delinquent.

Risk Advice:

- Collect some type of annual fee to help offset your losses.
- Get proof of income on these loans.
- Do a hard close.
- Be more aggressive with early delinquencies.
- Closely monitor the activity of this portfolio of loans so that you can make changes if necessary.
- Pull a credit report to use as a tool to counsel the member.

Sample Forms Included:

- Wright-Patt CU's Internal Procedures for StretchPay Loan (Exhibit 1)
- Wright-Patt CU's Open-End Credit Agreement (Exhibit 2)
- StretchPay Creditorial (Exhibit 3)

About CUOSI:

Credit unions can offer StretchPay through a not-for-profit organization called Credit Union Outreach Solutions, Inc. (CUOSI), headquartered in Ohio. The annual fees collected from members are forwarded to CUOSI. In return, CUOSI helps offset credit union losses under the program up to 90% of the loan balance.

StretchPay is offered at 137 branches through 46 credit unions located in Ohio, Michigan, Colorado, Wisconsin, North Carolina and Washington, DC. Credit unions pay \$25 per \$1,000 in assets up to a maximum of \$15,000 to join CUOSI. Marketing materials are offered through a start-up kit.

For more information about StretchPay or CUOSI, go to

<http://www.ohiocreditunions.org/StretchPay/CUInfo.htm> or contact Becky Hart at the Ohio Credit Union League at (800) 486-2917 or rhart@ohiocul.org.

Exhibit 1: Wright-Patt Credit Union's Internal Procedures for StretchPay Line-of-Credit

The Stretch Pay Line-of-Credit (LOC) is a Credit Union Salary Advance Alternative. This loan is designed to help members whose credit histories preclude them from qualifying for loans under current Wright-Patt Credit Union (WPCU) criteria. This product would serve to reduce member dependency on "Payday Loans" or other predatory lending practices.

Members applying for a StretchPay LOC for the first time must start with a \$250.00 credit limit. After six months with payments as agreed, the member can apply for the \$500.00 limit. After a 12-month payment history on the \$500.00 credit limit, the member may apply for a traditional line-of-credit.

Member Qualifications

1. Must be at least 18 years of age.
2. Account must be open for a minimum of 60 days.
3. Must have verifiable income. *An example of verifiable income would be, but is not limited, copies of current pay stubs (within 1-2 pay cycles) with the member's current address.*
4. Must be a Member in Good Standing at the time of loan application and/or at the time each advance is made. Refer to Management Policy 3003: Member in Good Standing for details.

Loan Details

1. Loan deferments/amendments will not be granted on these loans.
2. Must not be in the process of filing for bankruptcy under any chapter of the bankruptcy code.
3. Not eligible for Skip-A-Pay.
4. Not eligible for credit life and accidental health coverage.
5. Not eligible for advances via home banking or Call-24.

Underwriting

- ◆ The "approval" of these loans will not be based upon credit history or credit score. A credit report will be pulled on each applicant in an effort to counsel them on their current financial status and provide guidance for future financial requests.
- ◆ The member must provide full information on 2 references when applying for a StretchPay Line-of-Credit:
 - ✓ References should be family or close family friend.
 - ✓ Information required includes name, address and phone number for each reference.
 - ✓ Reference information provided must be different from the member and different from other references.
- ◆ A collection and/or civil judgment with a check cashing lender within last 24 months are reasons for denial.
- ◆ More than one inquiry from a check cashing lender within the last 60 days is reason for denial.
- ◆ Must not have had a SPLOC closed by the credit union in the last six months.

Repayment

\$250 Credit Limit

The balance of the \$250 StretchPay Line-of-Credit must be paid within 30 days of the date of the most recent advance. Payments may be made at any member center, through the mail, or by automatic payment such as direct deposit. *Subsequent advances are not permitted until previous advances are repaid.*

\$253.70 payment required for a \$250.00 credit limit

The payment is based on 30 days interest. If the member pays the loan off before the 30 days, the payoff amount will be less.

\$500 Credit Limit

Issued on or after October 1, 2008. The balance of the \$500 StretchPay Line-of-Credit has a 2-month repayment term. A payment of \$255.63 is required within 30 days of the date of the most recent advance, with the balance being paid on or before the 60th day. Payments may be made at any member center, through the mail, or by automatic payment such as direct deposit. *Subsequent advances are not permitted until previous advances are repaid.*

Stretch Pay's with the \$500 credit limit **issued prior to October 1, 2008**; still have a 1-month repayment period.

Interest Rate

The interest rate on StretchPay loans is 18.0% fixed which is set by Management, and is subject to change at any time after proper notice is provided.

\$500 Credit Limit - \$50 Hold

The \$500 credit limit SPLOC must be advanced at disbursement and \$50 of the advance must be frozen in the regular share account. This \$50 must remain frozen throughout the life of the SPLOC.

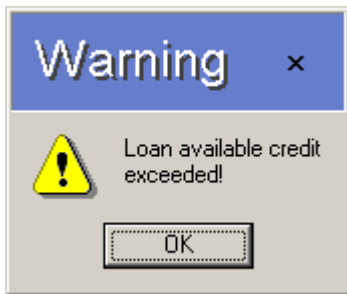
Annual Participation Fee

An annual participation fee is collected when the loan is initially disbursed and each year thereafter on the anniversary date (date in the Credit Limit Expiration field in the loan record).

- ◆ Loans with a \$250 credit limit will have a \$35.00 annual participation fee.
- ◆ Loans with a \$500 credit limit will have a \$70.00 annual participation fee

If a member moves from a \$250 limit to a \$500 limit before the Credit Limit Expiration date is met, they must pay the \$70 annual participation fee. There will not be any refund given on the participation fee already paid for the year on the \$250 StretchPay Line of Credit.

If an advance on a StretchPay Line-of-Credit (SPLOC) prompts the following warning message, this may indicate that the annual participation fee is due.



NOTE: Effective 12/1/08, all existing \$500 SPLOC's that have reached their Credit Limit Expiration Date will not be renewed under the old \$500 SPLOC guidelines. This product is no longer available. The Credit Limit Expiration Date must remain expired, the Credit Limit removed and the Close Date set once the loan has been paid in full. A new application must be keyed into Velocity based on the new guidelines for \$500 SPLOCs that went into effect on 10/1/08.

For all SPLOCs, go to Account Manager and click on the StretchPay loan record and review the **Credit Limit Expiration** date. If the date has past, a review of the loan will need to be done prior to changing the date in this field.

Account 0001583387 Loan 38	
Description:	BRIDGE LOC
Loan Type:	04 BRIDGE LOC
Loan ID:	0038
Loan Code:	2 Line of credit
Activity Date:	01/28/2005
Check Digits:	
Reference:	380/138/051
Branch:	9
Loan Purpose:	138
Coupon Code:	0 Normal
VIN #:	
Loan Balance:	0.00
Original Balance:	250.00
Credit Limit:	250.00
Available Credit:	0.00
Credit Limit Expiration:	03/15/2005
Available Credit Calculation:	0 Revolving
Credit Limit Group:	0
Note Number:	231932
Amount Advanced:	250.00
Last Advance Date:	12/31/2004

Reviewing the Loan

Every 12-months StretchPay LOCs must be reviewed to determine whether the member is still eligible for this product. If the member has abused privileges we will close the loan.

1. The member must not have a negative balance in any of their sub-accounts.
2. No other loan should be delinquent.

3. Payments should have been made as agreed. Review the loan record for the StretchPay LOC to determine how many times the loan has been more than 10 days past due.

Payments:	
Payment Calc Type:	0
Payment Skips:	0
Payment Skip Start Day:	0
Payment Count:	1
Payments Made:	2
11- 30 Days DQ:	2
31- 60 Days DQ:	0
61- 90 Days DQ:	0
91-120 Days DQ:	0
121 and up Days DQ:	0

Note: These figures are for the entire life of the loan. If these are excessive, further investigation may be necessary

In this example, the loan was over 10 days delinquent twice.

Changing the Credit Limit Expiration

If the member qualifies to continue using this product, manually advance the Credit Limit Expiration date to **one year from the date you collect the fee**. Continue to collect the fee using the procedure below.

Collecting the Fee

If the member qualifies for another 12 months, you will need to collect the fee. To collect the fee, follow the steps below:

1. With the account pulled up in Teller Transactions, enter **SW SC GL** at the Transaction Codes prompt. *This must be done as a separate transaction from the loan advance.*
2. If necessary, select a Share ID from which the money will be withdrawn.
3. At the **Withdrawal** prompt, enter the amount of the StretchPay LOC annual participation fee (\$35.00 for \$250 credit limit or \$70.00 for \$500 credit limit).
4. At the **Comment** prompt, select comment #60 from the drop-down list (*or type "60" at the prompt, then press Enter*).
 - ✓ Make sure to link the comment to the last transaction.
5. At the **Select GL Account** box, enter "**BLOC.**" (*make sure to include the decimal at the end*).
6. Accept the default of **Credit** at the Selection prompt.
7. Complete and post the transaction.

General Hold Record

If the SPLOC was opened on or after October 1, 2008 with a \$500 credit limit, you will also need to change the Expiration Date in the General Hold record (with Reference 1 = SPLOC \$50) under Share ID 00 to reflect the same date as the Credit Limit Expiration in the loan record.

Closing/Canceling the Loan

If you believe that the member does not qualify for this product any longer, consult with your supervisor who will make the determination on whether the SPLOC should be renewed or closed. *If it is determined that it will be cancelled by us, a 'Notice of Adverse Action' letter must be generated and sent to the member. This is done by creating an application in Velocity and then denying it.*



CREDIT LINE ACCOUNT AGREEMENT AND DISCLOSURE

"Your Community Financial Cooperative"

P.O. Box 286, Fairborn, Ohio 45324

Local (937) 912-7000 Wats: (800) 762-0047

TDD (937) 912-7001

THIS IS YOUR CREDIT LINE ACCOUNT AGREEMENT AND IT INCLUDES NECESSARY FEDERAL TRUTH-IN-LENDING DISCLOSURE STATEMENTS, FIRST TIME USER/STUDENT VISA, VISA PLATINUM, SHARE SECURED VISA, FIRST TIME USER/STUDENT MASTERCARD, MASTERCARD PLATINUM AND SHARE SECURED MASTERCARD AGREEMENTS, AND ANY SPECIAL INSTRUCTIONS REGARDING THE USE OF YOUR FIRST TIME USER/STUDENT VISA, VISA PLATINUM, SHARE SECURED VISA, FIRST TIME USER/STUDENT MASTERCARD, MASTERCARD PLATINUM AND SHARE SECURED MASTERCARD CREDIT CARDS, AND/OR ANY OTHER ACCOUNT ACCESS DEVICE. PLEASE BE CERTAIN TO READ THIS AGREEMENT CAREFULLY AND NOTIFY US AT ONCE IF ANY PARTS ARE UNCLEAR.

In this Agreement, the reference to "We", "Us", "Our" and "Credit Union" mean WRIGHT-PATT CREDIT UNION, INC. The words "You" and "Your" mean each person accepting this Agreement. If this is a joint Account, read singular pronouns in the plural. The words "Card" and "Credit Card" mean any First Time User/Student VISA, VISA Platinum, Share Secured VISA, First Time User/Student MasterCard, MasterCard Platinum or Share Secured MasterCard Credit Card issued to You by Us and any duplicates or renewals. Convenience Checks mean the special Account access devices that We may provide for Your use from time to time.

You, as the Borrower, under a Credit Line Account ("Account"), understand that the following Federal Disclosure Statement and the terms and conditions found herein constitute Our Agreement with You. Your Account may be accessible through a variety of means which could include advance request forms, vouchers, checks, charge slips, Convenience Checks, Credit Cards and the like. Regardless of the access means, You promise to pay Us all amounts charged to Your Account by You or by any user who has access to Your Account, with actual, apparent or implied authority for use of Your Account, including Finance Charges and other fees or charges described herein.

FEATURE CATEGORIES. Your Account has Feature Categories which may include Signature, ReadyLine (including Overdraft Protection), Stretch Pay Line of Credit, Personal Property Secured (a label to reference certain Feature Categories secured by personal property described on a separate sheet of paper labeled "Additional Disclosure - Federal Truth-In-Lending Act" and/or "Credit Line Account Advance Request and Security Agreement"), Share Secured-Standard, Share Certificate Secured, First Time User/Student VISA, VISA Platinum, Share Secured VISA, First Time User/Student MasterCard, MasterCard Platinum and Share Secured MasterCard.

ADVANCES. Whenever You request a transaction, We may require You to prove Your identity. If You request an advance by telephone, We will deposit the amount requested in Your Share Account or Your Share Draft Account and You authorize Us to do this, or We may draw a draft or check made payable to You and mail it to You. When the amount advanced appears on a subsequent statement, that will be conclusive evidence of Your telephone request. You understand that all advances are subject to Our prior approval and, in particular, whether or not any specific secured advance request is approved may be, in part, determined by how much equity You have or will have in the shares and/or collateral offered as security.

For advances under Your Stretch Pay Line of Credit Feature Category, all advances must be equal to Your approved Credit Limit.

SECURITY. As permitted by law, to secure all transactions under this Agreement in either joint or individual Accounts, We have the right to impress and enforce a statutory lien against Your shares on deposit with Us (other than those deposits established under a governmental approved tax deferral plan such as an IRA or Keogh Account), and any dividends due or to become due to You from Us to the extent that You owe on any unpaid balance on Your Account and We may enforce Our right to do so without further notice to You. Additionally, You agree that We may set-off any mutual indebtedness.

Whether additional security will be required depends on the type of advance You request. If You request an advance under a Feature Category which describes personal property, that property, including the proceeds of the sale of such property, must also be given as collateral. For example, a Feature Category called "New Car Advances" means the security will be a new car. The fact that we are acquiring a security interest in certain Property or Shares will be disclosed in the Credit Line Account Advance Request and Security Agreement form related to any initial secured advance. You will be provided a copy of that form at the time You receive the initial advance for any secured Feature Category.

Except for Our security interest, any Collateral pledged as security for Your Account is owned free and clear from any liens, adverse claims, security interests or encumbrances. Without Our express written consent, no other liens, security interests or encumbrances will be allowed to attach to the Collateral. You agree to inform Us immediately if the Collateral is to be moved from the address We have on file for You or at such other address at which You have informed the Credit Union the Collateral is now located. The Collateral will not be sold or otherwise transferred and at all times the Collateral will be kept in good repair. The Collateral shall not be used for any unlawful purpose. We shall receive Your full cooperation in obtaining everything that We require to place and/or maintain Our security interest and/or lien in the Collateral. We may examine and inspect the Collateral at any time, wherever located. All taxes or assessments on the Collateral shall be paid as they come due; if not paid, We may pay them and will be entitled to reimbursement or alternatively, charge that amount to Your Account, under the related Feature Category.

You acknowledge that You own any shares and/or collateral pledged as security and that there are no other liens against them other than Ours. You agree to perform all acts which are necessary to make Our security interest in the shares and/or collateral being pledged enforceable.

All certificates which are pledged as Collateral must be renewed until Your outstanding balance is paid in full. Failure to renew any certificates securing any advance will cause Your entire outstanding Account balance to become immediately due and payable.

OTHER SECURITY. Collateral (other than household goods or any dwelling) given as security under this Agreement or for any other loan You may have with Us will secure all amounts You owe Us now and in the future if that status is reflected in the "Truth-in-Lending Disclosure" in any particular Agreement evidencing such debt.

LIEN ON SHARES. If You have been issued a Credit Card, You grant and consent to a lien on Your shares with Us (except for IRA and Keogh Accounts) and any dividends due or to become due to You from Us to the extent You owe on any unpaid Credit Card balance.

ACCOUNT RESTRICTIONS. In order to receive and maintain a Share Secured-Standard, Share Certificate Secured, Share Secured VISA or Share

Secured MasterCard Feature Category, You agree to give Us a specific pledge of shares which will equal Your Credit Limit. In the event that You default on Your Account, We may apply these shares toward the repayment of any amount owed on Your Share Secured-Standard, Share Secured Certificate, Share Secured VISA or Share Secured MasterCard Feature Category. You may cancel Your Share Secured-Standard, Share Certificate Secured, Share Secured VISA or Share Secured MasterCard Account at any time by paying any amounts owed on Your Share Secured-Standard, Share Certificate Secured, Share Secured VISA or Share Secured MasterCard Feature Category. To be certain that Your entire balance and all advances on Your Account are paid, any shares pledged may not be available to You for 30 days after You have cancelled and any outstanding balance is paid in full.

LINE OF CREDIT LIMITS. You will be notified of each specific Credit Limit for each Feature Category for which You are approved. Unless You are in default, any Credit Limits established for You will generally be self-replenishing as You make payments.

You will keep Your unpaid balance within Your Credit Limit set by Us, and You will pay any amount over Your Credit Limit on Our demand whether or not We authorize the advances which caused You to exceed Your Credit Limit. Even if Your unpaid balance is less than Your Credit Limit, You will have no credit available during any time that any aspect of Your Account is in default.

JOINT ACCOUNTS. Each Borrower will be responsible, jointly and severally, for the repayment of any amounts owed. If any Account access device, such as a Personal Identification Number (PIN) is requested and approved, You understand that any such Account access device(s) will be mailed only to the primary Borrower at the address that We have on file for You. We may refuse to follow any instructions which run counter to this provision.

MINIMUM MONTHLY PAYMENTS (PAYMENT SCHEDULE). Though You need only pay the Minimum Monthly Payments, You understand that You have the right to repay at any time without penalty. You also understand that You will only be charged periodic Finance Charges to the date You repay Your entire balance. You may make larger payments without penalty. Any partial payment or prepayment will not delay Your next scheduled payment. All payments to Us must be in lawful money of the United States. We may apply each payment to whichever Feature Category We wish. For all Feature Categories (except VISA and MasterCard), payments will be applied first to any Late Charges owing, then to the Finance Charge due, then to the outstanding principal balance. As permitted by law, the order in which We may apply VISA and MasterCard payments is at Our discretion. Any unpaid portion of the Finance Charge will be paid by subsequent payments and will not be added to Your principal balance. You understand that any delay in the repayment of Your unpaid balance will increase Your periodic Finance Charges and any acceleration in the repayment of Your unpaid balance will decrease Your periodic Finance Charges.

ReadyLine Minimum Payments will be an amount equal to 3.00% of Your new unpaid ReadyLine balance at the end of each billing cycle, subject to the lesser of \$20.00 or Your balance, plus any portion of the Minimum Payments shown on prior statement(s) which remains unpaid, plus any amount that exceeds Your approved Credit Limit.

Stretch Pay Line of Credit Minimum Payments will be an amount equal to all outstanding principal together with accrued but unpaid Finance Charges at the end of each billing cycle.

Personal Property Secured, Share Secured-Standard, Share Certificate Secured, and Signature Minimum Monthly Payments will be disclosed to You at the time of each advance on a separate page titled "Credit Line Account Advance Request and Security Agreement".

First Time User/Student VISA, VISA Platinum, Share Secured VISA, First Time User/Student MasterCard, MasterCard Platinum and Share Secured MasterCard Minimum Payments will be an amount equal to 3.00% of Your new unpaid First Time User/Student VISA, VISA Platinum, Share Secured VISA, First Time User/Student MasterCard, MasterCard Platinum or Share Secured MasterCard balance at the end of each billing cycle, subject to the lesser of \$25.00 or Your balance, plus any portion of the Minimum Payments shown on prior statement(s) which remains unpaid, plus any amount that exceeds Your approved Credit Limit.

You may, by separate agreement, authorize Us to charge Your payment directly to Your Share or Share Draft Account.

LATE CHARGE (EXCEPT FOR VISA AND MASTERCARD). If Your payment is 10 or more days late, You will be charged 5.00% of the payment due.

OTHER FEES AND CHARGES (EXCEPT FOR VISA AND MASTERCARD). For all Feature Categories (except VISA and MasterCard), You will be charged a \$75 **FINANCE CHARGE** each time You request and We agree to lower the periodic rate and corresponding Annual Percentage Rate applicable to such Feature Category.

READYLINE LATE PAYMENT ANNUAL PERCENTAGE RATE. If Your ReadyLine Feature Category is ever 30 or more days past due twice in any six-consecutive-month period, the Daily Periodic Rate applicable to Your entire balance existing at that time and in the future will immediately increase to 0.049315% (corresponding **ANNUAL PERCENTAGE RATE** 18.00%).

STRETCH PAY LINE OF CREDIT ANNUAL MEMBERSHIP FEE. Stretch Pay Line of Credit Accountholders with approved Credit Limits of \$250.00 will be charged a \$35 Annual Membership Fee for continued participation in the Stretch Pay Line of Credit program. Stretch Pay Line of Credit Accountholders with approved Credit Limits of \$500.00 will be charged a \$70 Annual Membership Fee for continued participation in the Stretch Pay Line of Credit program. This fee is required each year to continue credit availability whether or not You use Your Account throughout the year.

FINANCE CHARGES (EXCEPT FOR VISA AND MASTERCARD). A Finance Charge will be assessed on any unpaid principal balance for each Feature Category of Your Account for the period such balance is outstanding. Balances change each time advances are made, payments are made or credits given under any Feature Category. The Finance Charge begins to accrue on the date of each advance and there is no grace period.

HOW TO DETERMINE THE FINANCE CHARGE (EXCEPT FOR VISA AND MASTERCARD). For all Feature Categories (Except for VISA and MasterCard), the Finance Charge is determined by multiplying Your unpaid balance at the close of each day in the billing cycle being accounted for by the applicable Daily Periodic Rate. The unpaid balance is the balance each day after payments, credits, and unpaid Finance Charges to that balance have been subtracted and any new advances, insurance premiums or other charges have been added to Your unpaid balance. These daily Finance Charges are then added together and the sum is the amount of the Finance Charge owed for the Feature Category being accounted for. The total Finance Charge You owe on Your Account for each billing cycle is the sum of all the Finance Charges due for all applicable Feature Categories.

VISA AND MASTERCARD FINANCE CHARGES. In the case of any transactions under Your First Time User/Student VISA, VISA Platinum, Share Secured VISA, First Time User/Student MasterCard, MasterCard Platinum or Share Secured MasterCard Feature Categories, the balances subject to the periodic Finance Charge are the average daily transactions balances outstanding during the month (new and previous). To get the average daily balance, We take the beginning balance of Your Account each day, add any new purchases, cash advances, insurance premiums, debit adjustments or other charges and subtract any payments, credits and unpaid Finance Charges. This gives Us the daily balance. Then, We add up all the daily balances for the billing cycle and divide them by the number of days in the billing cycle. The Finance Charge for a billing cycle is computed by multiplying the average daily balance subject to a Finance Charge by the Monthly Periodic Rate.

You can avoid Finance Charges on purchases by paying the full amount of the entire balance owed each month within 25 days of Your statement closing date. Otherwise, the new balance of purchases, and subsequent purchases from the date they are posted to Your Account, will be subject to a Finance Charge. Cash advances are always subject to a Finance Charge from the later of the date they are posted to Your Account or from the first day of the billing cycle in which the cash advance is posted to Your Account.

VARIABLE RATE (EXCEPT SHARE SECURED-STANDARD). If Your Feature Category is subject to a Variable Rate, advances are subject to a Variable Rate which is based on the highest 26-Week United States Treasury Bill Rate as published in the Money Rates section of The Wall Street Journal in effect on the day that any introductory rate period expires, and subsequently, on the last day of each calendar quarter of each year, rounded to the nearest .10% ("Index") plus Our Margin. The Index plus the Margin equals the Interest Rate. Changes in the Index will cause changes in the Interest Rate on the day that any introductory rate period expires, and subsequently, on the first day of the month immediately following any such change in the index. Increases or decreases in the Interest Rate will cause like increases or decreases in the Finance Charge and will affect the number of Your regularly scheduled payments. Other than the maximum and minimum Interest Rates that can apply at any time, Your Interest Rate will never increase or decrease by more than 2.00 percentage points on any change date nor more than 8.00 percentage points during any twelve consecutive month period. Your Interest Rate will never be greater than the lesser of 25.00% or the Margin plus 16.00%, nor less than the greater of 5.00% or the Margin plus 5.00%, and will apply to Your remaining principal balance.

SHARE SECURED STANDARD - VARIABLE RATE. Share Secured Standard advances are subject to a Variable Rate which is based on the highest Dividend Rate being paid at the credit union in effect on the the last day of each month ("Index") plus Our Margin. The Index plus the Margin equals the Interest Rate. Changes in the Index will cause changes in the Interest Rate on the first day of the month immediately following any such change in the Index. Increases or decreases in the Interest Rate will cause like increases or decreases in the Finance Charge and will affect the number of Your regularly scheduled payments. Your Interest Rate will never be greater than 25.00% nor less than 3.00% and will apply to Your remaining principal balance.

For the applicable Index, Margin, Daily or Monthly Periodic Rates and corresponding Annual Percentage Rates for all Feature Categories, refer to the separate page titled Additional Disclosure - Federal Truth-In-Lending Act" and/or "Credit Line Account

Advance Request And Security Agreement" which We have included with and made a part of this Agreement.

OVERDRAFT PROTECTION. We may transfer funds in the amount necessary (or in such increments as We may from time to time determine) to Your Share Draft Account by an advance on ReadyLine Feature Category, subject to this provision, to clear any overdraft on Your Share Draft Account. Whether or not such transfers occur will be controlled by this Agreement. In any event, You hold Us harmless for any and all liability which might otherwise arise if the transfer does not occur. Overdraft Protection automatically ceases if this Agreement is ever cancelled or terminated or Your Account is in default.

PERIODIC STATEMENTS. On a regular basis, You will receive a statement showing all transactions on Your Account including amounts paid and borrowed since Your last statement. If We have issued You a Credit Card, We will mail You a statement each month in which there is a debit or credit balance or when a Finance Charge is imposed. We need not send You a statement if We feel Your Account is uncollectible or if We have started collection proceedings against You because You defaulted. Each statement is deemed to be a correct statement of account unless You establish a billing error pursuant to the Federal Truth-In-Lending Act.

OUR RESPONSIBILITIES TO HONOR CONVENIENCE CHECKS. We are under no obligation to honor Your Convenience Checks if: (1) by paying a Convenience Check, You would exceed Your Credit Limit; (2) Your Cards or Convenience Checks have been reported lost or stolen; (3) Your Account has been cancelled or has expired. If a postdated Convenience Check is paid and, as a result, any other Convenience Check is returned unpaid, We are not responsible for any resulting loss or liability.

DEFAULT. You will be in default if:

- You do not make any payment or perform any obligation under this Agreement, or any other agreement that You may have with Us; or
- You should die, become involved in any insolvency, receivership or custodial proceeding brought by or against You; or
- You have made a false or misleading statement in Your credit application and/or in Your representations to Us while You owe money on Your Account; or
- A judgment or tax lien should be filed against You or any attachment or garnishment should be issued against any of Your property or rights, specifically including anyone starting an action or proceeding to seize any of Your funds on deposit with Us; and/or
- We should, in good faith, believe Your ability to repay Your indebtedness hereunder is or soon will be impaired, time being of the very essence.

Upon any occurrence of default, We may, to the extent permitted by law, cancel Your rights under this Agreement, require the return of all access devices and declare the entire balance of every Feature Category of Your Account immediately due and payable, without prior notice or demand. If Your entire Account balance is not then paid immediately upon default, and if permitted by law, the collateral shall be voluntarily surrendered to the Credit Union at a time and place acceptable to it. If this is not done, to the extent permitted by law, the Credit Union may enter the premises where the collateral is located and take possession of it and the Credit Union may assert the defense of a superior right of possession as the holder of a security interest to any offense of alleged wrongful taking and conversion. The Credit Union may sell or dispose of the collateral in any manner permitted by law, and any resulting deficiency on Your Account shall be immediately paid to the Credit Union.

COLLECTION COSTS. In the event collection efforts are required to obtain payment on this Account, to the extent permitted by law, You agree to pay all court costs, private process server fees, investigation fees or other costs incurred in collection and reasonable attorney fees incurred in the course of collecting any amounts owed under this Agreement or in the recovery of any collateral.

ENFORCEMENT. We do not lose Our rights under this or any related agreement if We delay enforcing them. We can accept late payments, partial payments or any other payments, even if they are marked "paid in full" without losing any of Our rights under this Agreement. If any provision of this or any related agreement is determined to be unenforceable or invalid, all other provisions remain in full force and effect.

NOTIFICATION OF ADDRESS CHANGE. You will notify Us promptly if You move or otherwise have a change of address.

CHANGE IN TERMS. We may change the terms of this Agreement by mailing or delivering to You written notice of the changes as prescribed by the Federal Truth-In-Lending Act. To the extent permitted by law, the right to change the terms of this Agreement includes, but is not limited to, the right to change the periodic rate applicable to Your unpaid balance and/or future advances.

PROPERTY INSURANCE. You agree to insure the collateral described in any Credit Line Account Advance Request and Security Agreement against fire and other hazards, with a policy as specified by Us, in the amount and for the period required by Us, with Us named as loss payee for Our protection. You may purchase the insurance from any insurer You want, but We have the right not to accept the insurer for reasonable cause. You agree to deliver satisfactory evidence of the insurance policy to Us within any time period specified in any notice from Us or on Our behalf.

Unless You provide evidence of the insurance coverage required by Your Agreement with Us, We may purchase insurance at Your expense to protect Our interests in the collateral. If We do purchase insurance, You understand that We may obtain 100% coverage with no deductible. This insurance may, but need not, protect Your interests. The coverage that We purchase may not pay any claim that You make or any claim that is made against You in connection with the collateral. You may later cancel any insurance purchased by Us, but only after providing evidence that You have obtained insurance as required by this Agreement. If We purchase insurance for the collateral, You will be responsible

for the costs of that insurance, including the insurance premiums, interest and other charges We may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to Your total outstanding balance or obligation. The costs of the insurance may be more than the cost of insurance You may be able to obtain on Your own. In any case, We have the authority to obtain, adjust, settle or cancel insurance and may endorse any party's name on any draft.

If we obtain any necessary insurance, Your payment may be increased and/or We may demand that You pay the cost in a single lump sum.

CREDIT INSURANCE. Credit insurance is not required for any extension of credit under this Agreement. However, You may purchase any credit insurance available through Us and have the premiums added to Your outstanding balance. If You elect to do so, You will be given the necessary disclosures and documents separately.

INTEGRATED DOCUMENTS. Any separate sheet of paper labeled "Additional Disclosure - Federal Truth-in-Lending Act", "Additional Disclosure" and/or "Credit Line Account Advance Request and Security Agreement" which is delivered together with this Agreement or at a later date becomes an integrated part of this Agreement and Disclosure.

CONSENT TO AGREEMENT. You acknowledge receipt of a copy of this Agreement. By signing the application; or by using Your Account or any Account access device; or by authorizing another to use Your Account, You agree to and accept its terms.

UPDATING AND DISCLOSING FINANCIAL INFORMATION. You will provide facts to update information contained in Your original Account application or other financial information related to You, at Our request. You also agree that We may, from time to time, as We deem necessary, make inquiries pertaining to Your employment, credit standing and financial responsibility in accordance with applicable laws and regulations. You further agree that We may give information about the status and payment history of Your Account to consumer credit reporting agencies, a prospective employer or insurer, or a state or federal licensing agency having any apparent legitimate business need for such information.

TERMINATION. Either You or We may cancel Your Account or any particular Feature Category of Your Account, at any time, whether or not You are in default. You will, in any case, remain liable to pay any unpaid balances according to the terms of Your Account.

GOVERNING LAW. This Agreement is controlled and governed by the laws of the State of Ohio except to the extent that such laws are inconsistent with controlling federal law.

**SPECIFIC TERMS APPLICABLE TO YOUR FIRST TIME USER/STUDENT
VISA, VISA PLATINUM, SHARE SECURED VISA, FIRST TIME
USER/STUDENT MASTERCARD, MASTERCARD PLATINUM
AND SHARE SECURED MASTERCARD CREDIT CARDS**

USE OF YOUR CARD. You may use Your Card to buy goods and services in any place that it is honored and to get cash advances at participating financial institutions. You agree not to use Your Card for illegal transactions including, but not limited to, advances made for the purpose of gambling and/or wagering where such practices are in violation of applicable state and/or federal law.

EFFECT OF AGREEMENT. Even though the sales, cash advance, credit or other slips You may sign or receive when using Your Card contain terms, this Agreement is the contract which solely applies to all transactions involving the Card.

UNAUTHORIZED USE. You may be liable for the unauthorized use of Your Card. You will not be liable for the unauthorized use that occurs after You notify Us of the loss, theft, or possible unauthorized use by calling Us at the telephone number shown in this Agreement or by writing to Us at the address shown in this Agreement. In any case, Your liability will not exceed \$50.

REFUSAL TO HONOR CARDS OR CONVENIENCE CHECKS. We are not liable for the refusal or inability of merchants, financial institutions and others to accept the Cards or Convenience Checks, or electronic terminals to honor the Cards or complete a Card withdrawal, or for their retention of the Cards or Convenience Checks.

FOREIGN TRANSACTIONS. For transactions initiated in foreign currencies, the exchange rate between the transaction currency and the billing currency (U.S. dollars) will be: (a) a rate selected by VISA and/or MasterCard, as is applicable, from the range of rates available in wholesale currency markets for the applicable central processing date, which rate may vary from the rate VISA or MasterCard itself receives; or (b) the government-mandated rate in effect for the applicable central processing date.

For transactions involving Your VISA Card, You will be charged 1.00% calculated on the final settlement amount. For transactions involving Your MasterCard Card, You will be charged 8/10th of 1.00% calculated on the final settlement amount for transactions that are initiated in foreign countries, and if Your transaction is also initiated in a foreign currency You will be charged an additional 2/10th of 1.00% calculated on the final converted settlement amount.

TRANSACTION SLIPS. Your monthly statement will identify that merchant, electronic terminal or financial institution at which transactions were made, but sales, cash advances, credit or other slips cannot be returned with the statement.

LATE CHARGE. If Your payment is five or more days late, You will be charged \$20.

OTHER FEES AND CHARGES. You will be charged the following fees associated with the use of Your Card: (a) \$25 for any check (or other negotiable instrument used for payment) which is returned unpaid; and (b) \$20 for each billing cycle during which You exceed Your Credit Limit.

LATE PAYMENT ANNUAL PERCENTAGE RATE. If Your VISA or MasterCard Feature Category is ever 30 or more days past due twice in any six consecutive month period, the Monthly Periodic Rate applicable to Your entire balance existing at that time and in the future will immediately increase to 1.50% (corresponding **ANNUAL PERCENTAGE RATE 18.00%**).

LOST CARDS OR CONVENIENCE CHECKS. To report lost or stolen Credit Cards or Convenience Checks, You will immediately call Us at or write to Us at the address shown in this Agreement.

CREDITS. If a merchant who honors Your Card gives You credit for returns or adjustments, they will do so by sending Us a slip which will be posted to Your Account. If Your credits and payments exceed what You owe Us, We will hold and apply this credit against future purchases and cash advances, or if it is \$1.00 or more refund it on Your written request or automatically deposit it to Your Share Account after six months.

**YOUR BILLING RIGHTS
KEEP THIS NOTICE FOR FUTURE USE**

This notice contains important information about Your rights and Our responsibilities under the Fair Credit Billing Act.

**NOTIFY US IN CASE OF ERRORS
OR QUESTIONS ABOUT YOUR STATEMENT**

If You think Your statement is wrong, or if You need more information about a transaction on Your statement, write Us on a separate sheet, at Our address shown in this Agreement. Write to Us as soon as possible. We must hear from You no later than 60 days after We sent You the first statement on which the error or problem appeared. You can telephone Us, but doing so will not preserve Your rights.

In Your letter, give Us the following information:

- Your Name and Account number.
- Dollar amount of the suspected error.
- Describe the error and explain, if You can, why You believe there is an error. If You need more information, describe the item You are not sure about.

If You have authorized Us to pay Your bill automatically from Your Share or Share Draft Account, You can stop the payment on any amount You think is wrong. To stop the payment, Your letter must reach Us three business days before the automatic payment is scheduled to occur.

**YOUR RIGHTS AND OUR RESPONSIBILITIES
AFTER WE RECEIVE YOUR WRITTEN NOTICE**

We must acknowledge Your letter within 30 days, unless We have corrected the error by then. Within 90 days, We must either correct the error or explain why We believe the statement is correct.

After We receive Your letter, We cannot try to collect any amount You question, or report You as delinquent. We can continue to bill You for the amount You question, including Finance Charges, and We can apply any unpaid amount against Your Credit Limit. You do not have to pay any questioned amount while We are investigating, but You are still obligated to pay the parts of Your statement that are not in question.

If We find that We made a mistake on Your statement, You will not have to pay any Finance Charges related to any questioned amount. If We didn't make a mistake, You may have to pay Finance Charges, and You will have to make up any missed payments on the questioned amount. In either case, We will send You a statement of the amount You owe and the date that it is due.

If You fail to pay the amount that We think You owe, We may report You as delinquent. However, if Our explanation does not satisfy You and You write to Us within 10 days telling Us that You still refuse to pay, We must tell anyone We reported You to that You have a question about Your statement and, We must tell You the name of anyone We reported You to. We must tell anyone We reported You to that the matter has been settled between Us when it finally is.

If We don't follow these rules, We can't collect the first \$50 of the questioned amount, even if Your statement is correct.

SPECIAL RULE FOR CREDIT CARD PURCHASES

If You have a problem with the quality of property or services that You purchased with a Credit Card, and You have tried in good faith to correct the problem with the merchant, You may have the right not to pay the remaining amount due on the property or services. There are two limitations on this right:

- a. You must have made the purchase in Your home state, or, if not within Your home state, within 100 miles of Your current mailing address; and
- b. The purchase price must have been more than \$50.

These limitations do not apply if We own or operate the merchant, or if We mailed You the advertisement for the property or services.

A Creditorial

February 2008



OHIO CREDIT
UNION LEAGUE

StretchPay Program Saved Ohioans Millions in 2007

A Proven Alternative to Payday Lending

The credit union alternative to traditional payday lending, StretchPay, saved members of thirty-one credit unions more than \$3 million in 2007. Twenty-seven of the credit unions that offer StretchPay are located in Ohio. Ohio credit unions understand the need for short-term lending exists, and they are providing their members with a consumer friendly, cost-effective solution.

Collectively, credit unions offering StretchPay made 64,400 salary advance loans last year totaling nearly \$25 million. They collected \$476,000 in fees and \$187,000 in interest, at an annual percentage rate (APR) of 18%. If credit union members had borrowed the same amount of money at traditional payday lenders — where consumers are generally charged \$15 per \$100 borrowed and up to 391% APR by payday lenders licensed in Ohio — they would have paid more than \$3.7 million in interest and fees.

StretchPay is a lower-cost alternative for credit union members in need of small cash advances for short terms. A credit union charges an interest rate of 18% APR, along with an annual fee of \$35, for a \$250 StretchPay loan. The entire balance must be repaid by the borrower within 30 days before the member can take a new advance. Some credit unions also offer \$500 StretchPay loans at 18% APR, with an annual fee of \$70.

Education is the Key

What further separates StretchPay from traditional payday lending is the financial education component. In addition to the loan, members receive financial education and counseling from their credit union to help them make wise, long-term financial decisions and break free of the payday lending debt treadmill. Credit unions also report loan payments to the credit bureaus, allowing StretchPay members to build upon their credit standing.

Credit union members have already used the financial education offered to help them achieve their dreams and get on a stable fi-

Ohio Payday Lending Snapshot

- The average borrower takes out 12.6 loans per year.
- Average amount loaned to payday lending consumers is \$328.
- The average APR offered by traditional lenders is 391%.
- Borrowers pay more than \$318 million in fees annually.

Source: Ohio Coalition for Responsible Lending



StretchPay

a credit union salary advance alternative

Paulette Strolia-Davis was feeling the financial pinch and her next paycheck was still days away. Instead of resorting to expensive payday lenders that charge triple-digit loan rates, she turned to Day Air Credit Union in Kettering for a StretchPay loan. The “affordable and reasonable” credit union salary advance alternative helped her family pay a flurry of bills coming due.

ancial path. A long-time teacher and StretchPay borrower who had never owned a home, worked one-on-one with a financial counselor at her credit union and attended home-buying seminars offered by the credit union. In just 20 months she became a homeowner. Another credit union member who wanted to pay off her credit cards began using StretchPay loans to help offset her debt.

StretchPay saves credit union members more than \$3 million in 2007.

- 31 credit unions made 64,400 StretchPay loans totaling \$25 million.
- Ohio is home to 27 of the 31 credit unions offering StretchPay loans.
- StretchPay offers loans at an 18% APR.
- Members would have paid \$3.7 million in fees at traditional payday lenders.

She was taught by her credit union how to limit her expenses, create a monthly budget, and is now breaking free of the payday lending cycle of debt thanks to StretchPay and financial education from her credit union.

Who can Join?

Most Ohioans are eligible for membership in at least one credit union. While not all credit unions offer StretchPay, similar short-term lending programs are available at credit unions throughout the state. Credit unions exist to serve their more than 2.6 million members in Ohio and continue to work to find affordable and accessible solutions to member's financial needs.

For more information about the credit union StretchPay program, please contact the Ohio Credit Union League's John Florian, Vice President of Government Affairs, or John Kozlowski, General Counsel, at 614-336-2894 or 800-486-2917.

The purpose of A Creditorial is to inform public officials about financial issues of importance to Ohioans today.