

Model 6: Payday Alternative Loan (PAL)

Veridian Credit Union

1827 Ansborough Ave.
Waterloo, IA 50701

www.veridiancu.org

Assets: \$1.4 billion

Members: 150,873

Contact: Kara Van Wert, Manager of Consumer Lending
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Veridian Credit Union (Veridian CU) began offering its Payday Alternative Loan (PAL) on March 1, 2007.

Loan Features:

- Closed-end
- Minimum amount: \$400; Maximum loan amount: \$1,000
- ½ of loan amount is deposited into savings account until loan paid in full
- 6-month term with periodic payments; minimum payment of \$20
- Rate: 19% with automatic payment; 21% without automatic payment
- Application fee: \$20
- Only one loan at a time
- Amount on deposit earns the Member Equity Savings Rate, currently .75%

Underwriting Criteria:

- Must be at least 18 years of age
- Must have direct deposit of payroll or other income, such as Social Security, pension, child support, etc.
- Even with direct deposit, member can choose cash payment, but then rate is 21%
- Member in good standing
- Cannot be delinquent more than 10 days on other Veridian CU loans
- Teletrack report is pulled – applicants cannot have paid/unpaid charged-off loans with payday lenders or a pending bankruptcy

Procedures:

- Application can be by phone, online, or at any branch location seven days a week
- Regular loan application is used. Name, address, income, length of employment, debts, etc. are recorded.

- No debt ratio or length of employment is used to determine approval.
- ½ of loan amount is deposited into a separate savings account under the member's account number and is placed on a restrictive hold until the loan is paid in full.
- Application process takes approximately 15 minutes.

Results for January through October 2008:

- Total number of advances for period: 2,752
- Average outstanding balances per month: \$693,000
- Total loans advanced during period: \$2,504,780
- Average PAL amount: \$910
- Interest income (through 10 months): \$98,096
- Fee income (through nine months): \$50,574
- Note: The application fee was implemented on February 1, 2008.
- Late fee income (through 10 months): \$7,020
- PAL losses (through 10 months): \$44,432 (1.8% of total loans advanced)
- PAL delinquency as of October (November) 2008:
 - 10 – 29 days 52 loans
 - 30 + days 63 loans
 - Average delinquent loan balance: \$557

Collection Activity Procedures:

- 10 day notice sent; at 30 days a cure notice is sent
- A telephone contact is made by a collector at 30 days
- After 30 days the PAL is charged off; however collectors may hold loans longer if there is a willingness by the member to make payment arrangements.

Marketing the Product:

The credit union includes a description of the PAL product on its Web site with a set of frequently asked questions. Other than that, the loan has not been marketed. It has been very successful through word of mouth.

Sample Forms Included:

- Veridian CU's loan application (Exhibit 1), noting the \$20 fee disclosure
- The credit union uses its regular Closed End Note LOANLINER® document for the PAL product, which follows (Exhibit 2), but with these differences:
 - PAL application fee disclosed at the top left
 - Late charge wording
 - In the security section the amount held in savings is noted
 - On page two, it is noted that \$980 is given to the member, with \$500 to be deposited to the restrictive savings account. Twenty dollars (\$20) is the PAL fee.
- Veridian CU's Web site content comparing its PAL to traditional payday lenders (Exhibit 3)
- Information regarding PAL from Veridian CU's training manual (Exhibit 4)

Exhibit 2: Veridian Credit Union Loan and Security Agreement

LOAN AND SECURITY AGREEMENTS AND DISCLOSURE STATEMENT

PAL Application Fee \$20.00

<input checked="" type="checkbox"/> FIXED RATE	LOAN DATE	LOAN NUMBER	ACCOUNT NUMBER	GROUP POLICY NUMBER	MATURITY DATE
<input type="checkbox"/> VARIABLE RATE	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	4-10-2009
BORROWER 1			BORROWER 2		
NAME AND ADDRESS			NAME (AND ADDRESS IF DIFFERENT FROM BORROWER 1)		
XXXXXXXXXXXX					
XXXXXXXXXXXX					

TRUTH IN LENDING DISCLOSURE 'e' means an estimate				
ANNUAL PERCENTAGE RATE	FINANCE CHARGE	Amount Financed	Total of Payments	Total Sale Price
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you.	The amount of credit provided to you or on your behalf.	The amount you will have paid after you have made all payments as scheduled.	The total cost of your purchase on credit is \$
19.000 %	\$ 45.86	\$ 1000.00	\$ 1051.31	which includes your downpayment of \$
Your Payment Schedule Will Be:			Prepayment: If you pay off early you will not have to pay a penalty.	
Number of Payments	Amount of Payments	When Payments Are Due	Required Deposit: The Annual Percentage Rate does not take into account your required deposit, if any. <input type="checkbox"/> Assumption: Someone buying your mobile home cannot assume the remainder of the loan on the original terms. Demand: <input type="checkbox"/> This obligation has a demand feature. <input type="checkbox"/> All disclosures are based on an assumed maturity of one year.	
12	\$ 80.87	Bi-Weekly Beginning 10-24-2008		
1	\$ 80.87	4-10-2009		
Property Insurance: You may obtain property insurance from anyone you want that is acceptable to the credit union. If you get the insurance from us, you will pay \$				
Late Charge: If you are fifteen (15) or more days late in making a payment, you will be charged a late fee of 8.5% of the payment due, not to exceed \$15.00 monthly.				
Filing Fees		Non-Filing Insurance		
\$		\$		
Security: Collateral securing other loans with the credit union may also secure this loan. You are giving a security interest in your shares and dividends and, if any, your deposits and interest in the credit union; and the property described below:				
Collateral	Property/Model	Year	I.D. Number	Type
				Value
				Key Number
				\$
				\$
				\$
Other (Describe) Shares on membership XXXXXXXXXX savings #6 as required Pledge of Shares \$ _____ in Account No. _____ 0 \$ _____ in Account No. _____				
Variable Rate: N/A				
See your contract documents for any additional information about nonpayment, default, and any required repayment in full before the scheduled date.				

SIGNATURES

By signing as Borrower, you agree to the terms of the Loan Agreement. If property is described in the "Security" section of the Truth in Lending Disclosure, you also agree to the terms of the Security Agreement. If you sign as "Owner of Property" you agree only to the terms of the Security Agreement. **YOU ACKNOWLEDGE THAT YOU HAVE RECEIVED A COPY OF THIS AGREEMENT.**

The lender and the undersigned borrower hereby acknowledge and agree that (1) all the documents that are part of this transaction are retained by the credit union will be retained electronically in the form of an imaged copy, and (2) the original copies of the loan documents shall be destroyed. Both parties further agree that the imaged copies of these loan documents shall be recognized and serve as the originals for all purposes, including, but not limited to, disputes, litigation, or collection efforts that arise from the transaction.

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">X</td> <td style="text-align: right;">(SEAL)</td> </tr> <tr> <td style="text-align: center;">Borrower 1</td> <td style="text-align: right;">DATE</td> </tr> <tr> <td style="text-align: center;">X</td> <td style="text-align: right;">10/21/2008</td> </tr> <tr> <td style="text-align: center;">(SEAL)</td> <td style="text-align: right;">DATE</td> </tr> </table>	X	(SEAL)	Borrower 1	DATE	X	10/21/2008	(SEAL)	DATE	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">X</td> <td style="text-align: right;">(SEAL)</td> </tr> <tr> <td style="text-align: center;">Borrower 2</td> <td style="text-align: right;">DATE</td> </tr> <tr> <td style="text-align: center;">X</td> <td style="text-align: right;">DATE</td> </tr> <tr> <td style="text-align: center;">(SEAL)</td> <td style="text-align: right;">DATE</td> </tr> </table>	X	(SEAL)	Borrower 2	DATE	X	DATE	(SEAL)	DATE
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ITEMIZATION OF THE AMOUNT FINANCED

Itemization of Amount Financed of	Amount Given to You Directly	Amount Paid on Your Account	Prepaid Finance Charge
\$ 1000	\$ 980.00	\$ 0.00	\$
Amounts Paid to Others on Your Behalf: (If an amount is marked with an asterisk (*) we will be retaining a portion of the amount.)			
\$	To	\$ 20.00	To PAYDAY ALTERNATIVE APPLICATION FEE
\$	To	\$	To
\$	To	\$	To
\$	To	\$	To
\$	To	\$	To
\$	To	\$	To
\$	To	\$	To
\$	To	\$	To

LOAN AGREEMENT

In this Loan Agreement ("Agreement") all references to "Credit Union," "we," "our," or "us," mean the Credit Union whose name appears above and anyone to whom the Credit Union assigns or transfers this Agreement. All references to "you," or "your" mean each person who signs this Agreement as a borrower.

1. PROMISE TO PAY - You promise to pay \$ 1000 to the Credit Union plus interest on the unpaid balance until what you owe has been repaid. For fixed rate loans the interest rate is 19 % per year.

For variable rate loans the initial interest rate is _____ % per year and will vary as follows:

N/A

Collection Costs:

N/A

2. PAYMENTS - You promise to make payments of the amount and at the time shown in the Truth in Lending Disclosure. If this is a variable rate loan, the Promise to Pay section tells you whether, if the interest rate increases, you will have to make more payments, higher payments, or if the final payment will be a balloon payment. You may prepay any amount without penalty. If you prepay any part of what you owe, you are still required to make the regularly scheduled payments, unless we have agreed to a change in the payment schedule. Because this is a simple interest loan, if you do not make payments exactly as scheduled, your final payment may be more or less than the amount of the final payment that is disclosed. If you elect voluntary payment protection, we will either include the premium or program fee in your payments or extend the term of your loan. If the term is extended, you will be required to make additional payments of the scheduled amount, until what you owe has been paid. You promise to make all payments to the place we choose. If this loan refinances another loan we have with you, the other loan will be canceled and refinanced as of the date of this loan. Unless otherwise required by law, payments will be applied to amounts owed in the manner we choose.

3. LOAN PROCEEDS BY MAIL - If the proceeds of this loan are mailed to you, interest on this loan begins on the date the loan proceeds are mailed to you.

4. SECURITY FOR LOAN - This Agreement is secured by all property described in the "Security" section of the Truth in Lending Disclosure. Property securing other loans you have with us also secures this loan, unless the property is a dwelling. A dwelling secures this loan only if it is described in the "Security" section of the Truth in Lending Disclosure for this loan. In addition to your pledge of shares, we may also have what is known as a statutory lien on all individual and joint accounts you have with us. A statutory lien means we have the right under federal law and many state laws to claim an interest in your accounts. We can enforce a statutory lien against your shares and dividends, and if any, interest and deposits, in all individual and joint accounts you have with us to satisfy any outstanding financial obligation that is due and payable to us. We may exercise our right to enforce this lien without further notice to you, to the extent permitted by law. **For all borrowers:** You pledge as security for this loan all shares and dividends and, if any, all deposits and interest in all joint and individual accounts you have with the credit union now and in the future. **The statutory lien and/or your pledge will allow us to apply the funds in your account(s) to what you owe when you are in default.** The statutory lien and your pledge do not apply to any

Individual Retirement Account or any other account that would lose special tax treatment under state or federal law if given as security.

5. DEFAULT - You will be in default under this Agreement if you do not make a payment of the amount required within ten days of the date it is due. You will be in default if you fail to comply with any term of this Agreement and your failure materially impairs the condition, value or protection of our rights in any property that is security for this loan or materially impairs your ability to pay amounts due under this Agreement. You will be in default if a bankruptcy petition is filed by or against you or you fail to keep any other agreement in this contract.

6. ACTIONS AFTER DEFAULT - When you are in default and after you have been given any right you have under state law to cure your default, we can require immediate payment of the entire unpaid balance under this Agreement. If we demand immediate payment, you will continue to pay interest at the rate provided for in this Agreement, until what you owe has been repaid. We will also apply against what you owe any shares and/or deposits given as security under this Agreement. We may also exercise any other rights given by law when you are in default.

7. EACH PERSON RESPONSIBLE - Each person who signs this Agreement will be individually and jointly responsible for paying the entire amount owed under this Agreement. This means we can enforce our rights against any one of you individually or against all of you together.

8. LATE CHARGE - If you are late in making a payment, you agree to pay the late charge shown in the Truth in Lending Disclosure. If no late charge is shown, you will not be charged one.

9. DELAY IN ENFORCING RIGHTS - We can delay enforcing any of our rights under this Agreement any number of times without losing the ability to exercise our rights later. We can enforce this Agreement against your heirs or legal representatives.

10. CONTINUED EFFECTIVENESS - If any part of this Agreement is determined by a court to be unenforceable, the rest will remain in effect.

11. NOTICES - Notices will be sent to you at the most recent address you have given us in writing. Notice to any one of you will be notice to all.

12. USE OF ACCOUNT - You promise to use your account for consumer (personal, family or household) purposes, unless the credit union gives you written permission to use the account also for agricultural or commercial purposes, or to purchase real estate.

13. OTHER PROVISIONS - If you did not pay the PAL application fee at the time we received your application, you authorize us to withdraw this fee from your checking or savings account.

SECURITY AGREEMENT

In this Agreement all references to "credit union," "we," "our" or "us" mean the credit union whose name appears on this document and anyone to whom the credit union assigns or transfers this Agreement. All references to the "Loan" mean the loan described in the Loan Agreement that is part of this document. All references to "you" or "your" mean any person who signs this Agreement.

1. THE SECURITY FOR THE LOAN - You give us what is known as a security interest in the property described in the "Security" section of the Truth in Lending Disclosure that is part of this document ("the Property"). The security interest you give includes all accessions. Accessions are things which are attached to or installed in the Property now or in the future. The security interest also includes any replacements for the Property which you buy within 10 days of the Loan and any extensions, renewals or refinancings of the Loan. It also includes any money you receive from selling the Property or from insurance you have on the Property. If the value of the Property declines, you promise to give us more property as security if asked to do so.

2. WHAT THE SECURITY INTEREST COVERS/CROSS COLLATERAL PROVISIONS - The security interest secures the Loan and any extensions, renewals or refinancings of the Loan. If the Property is not a dwelling, the security interest also secures any other loans, including any credit card loan, you have now or receive in the future from us and any other amounts you owe us for any reason now or in the future, except any loan secured by your principal residence. If the Property is household goods as defined by the Federal Trade Commission Credit Practices Rule or your principal residence, the Property will secure only this Loan and not other loans or amounts you owe us.

3. OWNERSHIP OF THE PROPERTY - You promise that you own the Property or, if this Loan is to buy the Property, you promise you will use the Loan proceeds for that purpose. You promise that no one else has any interest in or claim against the Property that you have not already told us about. You promise not to sell or lease the Property or to use it as security for a loan with another creditor until the Loan is repaid. You promise you will allow no other security interest or lien to attach to the Property either by your actions or by operation of law.

4. PROTECTING THE SECURITY INTEREST - If your state issues a title for the Property, you promise to have our security interest shown on the title. We may have to file what is called a financing statement to protect our security interest from the claims of others. You irrevocably authorize us to execute (on your behalf), if applicable, and file one or more financing, continuation or amendment statements pursuant to the Uniform Commercial Code (UCC) in form satisfactory to us. You promise to do whatever else we think is necessary to protect our security interest in the Property. You also promise to pay all costs, including but not limited to any attorney fees, we incur in protecting our security interest and rights in the Property, to the extent permitted by applicable law.

5. USE OF PROPERTY - Until the Loan has been paid off, you promise you will: (1) Use the Property carefully and keep it in good repair. (2) Obtain our written permission before making major changes to the Property or changing the address where the Property is kept. (3) Inform us in writing before changing your address. (4) Allow us to inspect the Property. (5) Promptly notify us if the Property is damaged, stolen or abused. (6) Not use the Property for any unlawful purpose. (7) Not retitle Property in another state without telling us.

6. PROPERTY INSURANCE, TAXES AND FEES - You promise to pay all taxes and fees (like registration fees) due on the Property and to keep the Property insured against loss and damage. The amount and coverage of the property insurance must be acceptable to us. You may provide the property insurance through a policy you already have, or through a policy you get and pay for. You promise to make the insurance policy payable to us and to deliver the policy or proof of coverage to us if asked to do so.

If you cancel your insurance and get a refund, we have a right to the refund. If the Property is lost or damaged, we can use the insurance settlement to repair the Property or apply it towards what you owe. You authorize us to endorse any draft or check which may be payable to you in order for us to collect any refund or benefits due under your insurance policy.

If you do not pay the taxes or fees on the Property when due or keep it insured, we may pay these obligations, but we are not required to do so. Any money we spend for taxes, fees or insurance will be added to the unpaid balance of the Loan and you will pay interest on those amounts at the same rate you agreed to pay on the Loan. We may receive payments in connection with the

insurance from a company which provides the insurance. We may monitor our loans for the purpose of determining whether you and other borrowers have complied with the insurance requirements of our loan agreements or may engage others to do so. The insurance charge added to the Loan may include (1) the insurance company's payments to us and (2) the cost of determining compliance with the insurance requirements. If we add amounts for taxes, fees or insurance to the unpaid balance of the Loan, we may increase your payments to pay the amount added within the term of the insurance or term of the Loan.

7. INSURANCE NOTICE - If you do not purchase the required property insurance, the insurance we may purchase and charge you for will cover only our interest in the Property. The premium for this insurance may be higher because the insurance company may have given us the right to purchase insurance after uninsured collateral is lost or damaged. **The insurance will not be liability insurance and will not satisfy any state financial responsibility or no fault laws.**

8. DEFAULT - You will be in default if you break any promise you make or fail to perform any obligation you have under this Agreement. You will be in default if any property you have given us as security is repossessed by someone else, seized under a forfeiture or similar law, or if anything else happens that significantly affects the value of the property or our security interest in it. You will also be in default under this Agreement if the Loan is in default. You will be in default if a bankruptcy petition is filed by or against you or you fail to keep any other agreement in this contract.

9. WHAT HAPPENS IF YOU ARE IN DEFAULT - When you are in default and after you have been given any time you have under state law to cure your default, we may require immediate payment of the outstanding balance of the Loan without giving you advance notice and take possession of the Property. You agree the Credit Union has the right to take possession of the Property without judicial process if this can be done without breach of the peace. If we ask, you promise to deliver the Property at a time and place we choose. If the property is a motor vehicle or boat, you agree that we may obtain a key or other device necessary to unlock and operate it, when you are in default. We will not be responsible for any other property not covered by this Agreement that you leave inside the Property or that is attached to the Property. We will try to return that property to you or make it available for you to claim.

After we have possession of the Property, we can sell it and apply the money to any amounts you owe us. We will give you notice of any public disposition or the date after which a private disposition will be held. Our expenses for taking possession of and selling the Property will be deducted from the money received from the sale. Those costs may include the cost of storing the Property, preparing it for sale and attorney's fees to the extent permitted under state law or awarded under the Bankruptcy Code.

If you have agreed to pay the Loan, you must pay any amount that remains unpaid after the sale money has been applied to the unpaid balance of the Loan and to what you owe under this Agreement. You agree to pay interest on that amount at the same rate as the Loan until that amount has been paid.

10. DELAY IN ENFORCING RIGHTS AND CHANGES IN THE LOAN - We can delay enforcing any of our rights under this Agreement any number of times without losing the ability to exercise our rights later. We can enforce this Agreement against your heirs or legal representatives. If we change the terms of the Loan, you agree that this Agreement will remain in effect.

11. CONTINUED EFFECTIVENESS - If any part of this Agreement is determined by a court to be unenforceable, the rest will remain in effect.

The following notice applies ONLY when the box at left is marked.

12. NOTICE: ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.

13. OTHER PROVISIONS -

Exhibit 3: Veridian Credit Union's PAL Web Site

Home Banking | Swap Sheet | Contact Us | Help | Español

Site Search:

May 21, 2008
About Us | Services | Accounts | Loans | Insurance & Investments | Business Services | Resources

Loans

- ▶ Vehicles
- ▼ Other Loans
 - Payday Alternative Loan
 - Holiday Loan
 - Student Loan
 - Alternative Credit Program
 - Personal and LOC Loan
 - FirstStep Credit Program
 - Storm and Flood Loan
- Real Estate Center
- Home Equity
- Credit Cards
- Apply for a Loan
- Apply for a Home Loan
- Loan Rates
- Payment Protection

Payday Alternative Loans

At Veridian, we are committed to bringing you the products and services necessary for you to reach your financial goals. That's why we are pleased to offer a Veridian PAL (Payday Alternative Loan).

A Veridian PAL is different. Similar to a Payday loan, it is a small, short-term loan. But there are some key differences. There are no sky-rocket interest rates, you are given a little longer to repay the loan, and the PAL will help you develop healthy savings habits.

Veridian PAL vs traditional payday lenders

Fee	Veridian PAL	Payday Lender
Application fee	\$20	\$75
Interest rate*	as low as 19%**	190-780%
Length of Repayment	180 days	14 days
Fee Charged for each \$100	\$0	\$15-\$30
Savings Plan Included	Yes	No

* The annual percentage rate does not take into account your required deposit.
 ** 19% with Automatic Payment, 21% without Automatic Payment

The PAL is available up to \$1,000 with a repayment term of six months. With a PAL, half of the loan amount you request is yours to use right away. The other half is deposited into your Veridian Savings Account and held until the loan is paid in full, allowing you to establish a Savings Account. For example, if you request a loan for \$500, you will be given \$500 to use. An additional \$500 is also deposited to your savings account, making the total amount borrowed \$1,000. This unique combination of a loan and a Savings Account allows you to break the payday loan cycle.

For additional information on the Veridian PAL, view our [frequently asked questions](#).

Contact Us ▶

What's New

Security Alert: Please be aware of this phishing email. [Learn more...](#)

Memorial Day hours for Veridian branches. [Learn more...](#)

For family fun, check out Kids' Zone at My Waterloo Days! [Learn more...](#)

Join us for Movies Under the Stars in Ankeny and West Des Moines. [Learn more...](#)

Quick Clicks

- Veridian Home
- Home Banking Login
- Reorder Checks
- Rates
- FAQs

Live Chat Available
Click Here

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Exhibit 4: Veridian CU's Training Manual Section Regarding PAL

PAYDAY ALTERNATIVE LOAN (PAL)

The purpose of this loan is to assist individuals with financing in an emergency situation such as an unexpected bill or car breaking down.

This loan program also provides a financing solution to individuals needing and wanting an alternative to the current payday lender loans charging individuals an annual percentage rate averaging from 390%-780%. In 2003, the Center for Responsible Lending concluded 91% of all payday loan users have five or more payday loans per year.

Veridian began offering this affordable alternative for members on March 1, 2007 at a much lower, more manageable interest rate of 21% or 19% if set up with automatic loan payments. In addition, this loan program was developed in the hopes to break the cycle of those individual's getting wrapped up in a cycle with payday lending and not able to get out of repeat patterns of utilizing its services. Upon completion of each funded Payday Alternative Loan at Veridian, half of the loan amount will be deposited and put on hold in the member's savings account with Veridian and half will be disbursed to the member to be used immediately. This will enable members to build a savings account.

TERMS

- Interest rate of 21% APR (Fixed Rate) or 19% APR (Fixed Rate) if set up on automatic payments through Automatic Processing Group (APG) or payroll deduction
- Payroll, social security, or pension direct deposit is required (must have been deposited in the account at least once and the direct deposit must belong to the person applying for the PAL loan)
- Payment is required with each direct deposit of payroll check (weekly, biweekly, semi-monthly, or monthly)
- Loan minimum of \$400; maximum of \$1000
- Repayment term up to 6 months
- Closed-end loan
- \$20 minimum payment
- \$20 application fee
 - This fee is being implemented to reduce Veridian's losses on this program, as well as encourage members to take advantage of the 6 month term and decrease repeat borrowing. If members ask why the fee is being implemented), share this information with them.
 - The member has two options to pay the fee...
 - Add it to the loan on the Terms/Insurance/Fees page under the Fees section.
 - Pay cash/debit from an account.
 - If the member pays in cash, or asks us to take it from their account, we simply place the \$20 in the Miscellaneous fee code, "PAL Application Fee."
 - There will be no exceptions to the application fee. If members receive a PAL, the fee should be added to the loan, or paid in cash. If members are denied a PAL, every effort should be made to collect the fee in cash or by debiting it from the member's account.

QUALIFICATION

- Cannot have an unpaid charged off loan/account with Veridian CU
- Cannot be currently delinquent more than 10 days on any loan with Veridian CU
- \$20,000 maximum unsecured (this loan cannot take them over the limit)
- Can only have one PAL at a time
- Cannot have an paid and/or unpaid charge off with any payday lender (Teletrack and Credit report)
- Cannot have a pending bankruptcy (Teletrack report)
- Payment Protection on PAL's see note below

OTHER FACTORS

- Able to approve the PAL if the Share Draft is currently in the negative
- Teletrack report and Credit report must be pulled every time an application is taken
- Employees and Board of Directors are able to apply for a PAL if they meet the qualifications above without it being reviewed and approved by a Supervisor, Manager, member of the Employee Loan Committee, or member of the Credit Committee.
- Open a separate savings for half of the PAL proceeds to be deposited. Title that second savings (#6) "PAL Savings", so members and employees are aware why that money is on hold. There is no need to fill out a membership application for the addition of this account.
- Not collected on like standard consumer loans
- 1 courtesy call by a collector
- After 30 days, the PAL will be charged off
- If the PAL is charged off, it will have the same impact on the member's credit report as a standard consumer loan
- Encourage members to utilize the Balance Program as part of counseling
- Collateral page in Lending Platform - choose "Other", input "Shares as required under (member #) Savings #6"

NOTE: PAL's are eligible only for Payment Protection Packages 2 (Loss of Life & Disability) and 3 (Loss of Life only); PAL's are not eligible for Package 1 (Loss of Life, Disability, and Involuntary Unemployment). This is due to the fact that the Involuntary Unemployment benefit is only available 6 months after the loan's origination, and since a PAL's maximum term is 6 months, no PAL would qualify.