

## **Community Reinvestment Act Notice San Luis Valley Federal Bank**

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Under the Federal Community Reinvestment Act (CRA), the Office of the Comptroller of the Currency evaluates our record of helping to meet the credit needs of this community consistent with safe and sound operations.

You are entitled to certain information about our operations and our performance under the CRA, including, for example, information about our branches, such as their location and services, the public section of our most recent CRA Performance Evaluation prepared by the Comptroller of Currency, and comments received from the public related to our performance in helping to meet community credit needs, as well as our responses to those comments. If you would like to review information about our CRA performance in other communities we serve, the public file for our entire Bank is available at each Branch office.

At least 30 days before the beginning of each quarter, the Comptroller of Currency publishes a nationwide list of the banks scheduled for CRA examination. This list is available from the Deputy Comptroller, Western District, Office of the Comptroller of the Currency, 1050 17<sup>th</sup> St., Suite 1500, Denver, CO 80265-1050. You may send written comments about our performance in helping to meet community credit needs to Joe D. Martinez, President/Chief Lending Officer, San Luis Valley Federal Bank, P.O. Box 780, Alamosa, CO 81101 and the Deputy Comptroller, Western District, Office of the Comptroller of the Currency, 1050 17<sup>th</sup> St.; Suite 1500 Denver, CO 80265-1050 or via email at [CRAComments@occ.treas.gov](mailto:CRAComments@occ.treas.gov) Your letter, together with any response by us, will be considered by the Comptroller in evaluating our CRA performance and may be made public.

You may ask to look at any comments received by the Deputy Comptroller. You may also request from the Deputy Comptroller an announcement of our applications covered by the CRA filed with the Comptroller.

San Luis Valley Federal Bank

Revised January 2024

**SAN LUIS VALLEY FEDERAL BANK  
COMMUNITY REINVESTMENT ACT  
PUBLIC FILE STATEMENT FOR 2024**

This document has been prepared for our Bank members and members of the community under the Office of the Comptroller of the Currency Regulations.

Part I, titled "Assessment Area," contains a description of the approximate area regarded as our basic lending community. Our lending community includes all types of neighborhoods and a diverse membership, reflecting the equivalent socioeconomic makeup of our assessment area. The designation of our community does not mean that we make no loans outside of our community. The designation of our community merely sets forth the primary area of service for our institution.

Part II of this document consists of a list of the general types of credit we offer and an explanation of how the availability of certain types of credit can vary. Due to space limitations, this listing cannot contain all the terms and conditions affecting our ability to grant credit. A loan officer will be pleased to provide detailed information upon request.

Part III describes the Bank's use of credit reports from the three major Credit Reporting Agencies.

Part IV of this document contains a brief description of some of the activities San Luis Valley Federal Bank has been engaged in to ascertain and meet the credit needs of our community.

Parts V and VI contain notices about the Community Reinvestment Act (CRA) operation.

Part VII includes a description of the institution's CRA performance.

Part VIII lists the address of San Luis Valley Federal Bank's regulator, the OCC.

**I. ASSESSMENT AREA**

San Luis Valley Federal's main office is located at 401 Edison Avenue, Alamosa, Colorado, with branch offices at 330 Solar Avenue, Monte Vista, Colorado and 3415 Mariposa St., Alamosa, Colorado.

The Board of Directors has designated the San Luis Valley of Colorado as the Bank's community. It comprises Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache counties. A map outlining the perimeter of the Bank's community is attached and made a part of this statement. (See Addendum I).

Branch Lobby hours are 9:00 a.m. to 4:00 p.m. at all offices. Drive-up hours are as follows:

Alamosa Main Branch: drive-up hours are 7:30 a.m. to 6:00 p.m. Monday through Friday and 8:00 a.m. to 12:00 p.m. on Saturday.

West Branch: drive-up hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.

Monte Vista Branch: drive-up hours are 7:30 a.m. to 6:00 p.m. Monday through Friday and 8:00 a.m. to 12:00 p.m. on Saturday.

Members can also obtain account information 24 hours a day, 7 days a week via the Bank's website at [www.slvfed.bank](http://www.slvfed.bank) and the Bank's mobile banking channel.

## II. AVAILABLE CREDIT

San Luis Valley Federal offers the following loans throughout its assessment area. Loan fees are listed in Addendum II. Deposit account fees are listed in Addendum III.

### A. MORTGAGE LOANS

#### 1. Home Loans - Owner Occupied

For conventional, site-built, purchase home loans, the Loan-to-Value (LTV) ratio on single-family primary residences will generally not exceed 89.9% with a maximum term of 30 years. Loans with 90% to 97% LTV may be made when covered with private mortgage insurance. Maximum LTV's for cash-out refinances, manufactured homes, non-conforming residences, secondary residences, and unconventional architecture properties are slightly lower. Payments for real estate taxes will generally be escrowed on home loans. Interest rates will be established based on a review of the Bank's cost of funds, current national and local mortgage rates, the loan-to-value ratio, and the borrower's credit history.

Fixed-interest rate mortgages and adjustable-rate mortgages (ARMs) are available on terms up to 30 years.

One-Year ARM: Fully indexed variable rate loans are adjusted annually based on the movement of the Weekly Average Yield of United States Treasury Securities adjusted to a constant maturity of one year.

5/1 and 7/1 ARMs: Fully indexed variable rate loans are adjusted annually, after an initial fixed term of either 5 years or 7 years, based on the movement of the Weekly Average Yield of United States Treasury Securities adjusted to a constant maturity of one year.

A First-Time Homebuyer loan program is available as per Part VII.D.1.

2. 80/20 Purchase Loan: Fixed or variable rate loan done with the 1<sup>st</sup> Deed of Trust being approved at 80% of the lesser of the purchase price or appraised value and the 2<sup>nd</sup> Deed of Trust for the remaining 20% of the lesser of the purchase price or appraised value. This allows the customer to qualify with no down payment.

#### 3. Rental/Investment Property.

Owner-Occupied Duplex Units: Loans are available under the same general terms as one-family primary residence loans.

#### 4. Commercial Loans:

The Bank offers a variety of commercial loans to support local businesses, non-profits and government agencies. The President/Chief Lending Officer will set the interest rates charged on all commercial loans based on all the credit factors involved with each application, the Bank's cost of funds and operating costs. The three basic types of commercial credit offered are:

- a. Real Estate: Loans will be offered at up to 80% LTV for terms up to 20 years and 75% LTV for terms up to 25 years. The maximum LTV and term may vary depending on the specific type of commercial real estate loan and the type of property securing the loan. Fixed and adjustable interest rates are available.
- b. One-to-Four Family Rental Units: Loans are available up to 80% LTV with a maximum term of 20 years or 75% LTV with a maximum term of 25 years. Fixed and adjustable-rate loans are available.
- c. Residential Properties with Five-or-More Units: Loans are available up to 80% LTV on terms up to 20 years or 75% LTV with a maximum term of 25 years. Fixed and adjustable-rate loans are available.
- d. Term Loans: Term Loans are available to finance capital requirements of a more permanent nature, such as equipment and leasehold improvements. The amortized term will not exceed the useful life of the asset, or 7 years, whichever is less. The LTV ratio will vary depending on the type of collateral but will generally not exceed 80%.
- e. Lines of Credit: These loans will be available for financing short-term working capital needs. They will be subject to annual reviews and may require an annual clean-up. They will normally be secured by equipment, inventory, and/or accounts receivable. Maximum LTV ratios will not exceed 80% LTV on equipment, 50% on inventory, and 65% on accounts receivable.
- f. Commercial Equity Lines of Credit: These loans will be available for financing up to 10 years. Collateral for this type of loan is usually real estate, and the revolving line of credit does not have to rest annually. Typical LTV ratios are 65% for vacant land and 75% for improved vacant land and may not exceed 80% LTV on commercial real estate.

5. Seasonal Dwellings:

Homes used for part-time seasonal use with year-round access may be financed at a maximum LTV ratio of 80% on a term not to exceed 30 years. Where year-round access is impossible, the maximum LTV will be 70%.

6. Developed Building Sites:

- a. Loans on developed building sites are available for a maximum LTV ratio of 75% with a maximum term of 20 years.
- b. Loans on undeveloped building sites will be permitted for a maximum of a 15-year term at a 65% LTV ratio with monthly payments.

7. Construction Loans:

New construction loans will be governed by the general policies pertaining to all mortgage loans. On speculative construction loans, the loan amount will be

limited to the lower of 80% of the value or the actual cost of construction of any property.

On "sweat equity" construction loans (loans where the borrower is doing most or all the work herself/himself, resulting in a home at a comparatively lower cost to the borrower), the policy of the Bank is that the borrower must supply a minimum of 10% of the cost of construction in cash or its equivalent (land, material, etc.).

"Sweat equity" construction loans require the borrower to have sufficient liquid assets to cover cost overruns of 15% of the contemplated cost of the building or home being built or have liquid assets pledged to the loan for 10%. This requirement would be waived if the contemplated construction is under contract with a contractor acceptable to the Bank; the contract provides that any upgrades must be approved by the Bank; arrangements for the payment for the upgrades are made before requesting upgrades from the contractor.

#### B. HOME IMPROVEMENT

Home Improvement Loans made through this Bank will be made under the following conditions:

- a. Maximum LTV ratio for home improvement loans for owner-occupied properties is 85%.
- b. Maximum LTV ratio for home improvement loans for non-owner-occupied properties is 80%.
- c. Fixed and adjustable rates are available.
- d. The maximum term will normally be a maximum of 15 years.

#### C. SECOND MORTGAGE LOANS

Second Mortgage Loans may be made under the same terms and conditions established for Home Improvement Loans.

#### D. CONSUMER LOANS

San Luis Valley Federal also makes consumer loans on automobiles, mobile homes, recreational vehicles, vacant land, and for personal needs. These are made at current competitive market rates and terms.

#### E. HOME EQUITY LINE OF CREDIT LOANS

San Luis Valley Federal Bank makes Home Equity Line of Credit loans (HELOCs). These loans are secured by residential real estate. The maximum LTV ratio for HELOCs secured with owner-occupied residences is 85%. The minimum monthly payment is 1% of the outstanding balance with interest due at the time of the billing statement, or \$50, whichever is greater. The interest rate is adjustable on an annual basis.

### III. CREDIT REPORTS

The Bank will obtain a three-bureau credit report from Experian, Equifax, and Transunion with each credit application. Individual loan interest rates may be adjusted based on the average credit scores from the three credit reporting agencies.

#### IV. CONTACT WITH THE COMMUNITY

To reach the people throughout the community to determine credit needs and make the members of our community aware of the various forms of credit available at San Luis Valley Federal Bank, we will do the following:

- A. Advertise in the Valley Courier (a local newspaper distributed Tuesday, Wednesday, Friday, and Saturday throughout our designated assessment area), the Valley Publishing (a weekly newspaper that publishes 6 separate papers for 6 separate local counties), and the Crestone Eagle (monthly newspaper).
- B. Advertise on radio stations KGIW, KALQ, KZBR and KRZA (NPR). These stations serve the local communities within our assessment area.
- C. Maintain a website with detailed information about our services at [www.slvfed.bank](http://www.slvfed.bank).
- D. Maintain a Facebook page to share our involvement and activities in the community and provide financial educational information. ([www.facebook.com/slvfederal](https://www.facebook.com/slvfederal))
- E. Encourage officers, directors, and employees to participate in community service activities that bring the Bank representatives into contact with citizens throughout the assessment area.
- F. Participate in community activities of many kinds.

The Bank intends to continue participating in the above activities and participate in other meaningful ways to reach the public throughout the community as opportunities arise.

#### V. PUBLIC NOTICE

We will maintain a poster notifying the public that certain information is available regarding our operations and performance under CRA in the main office's public lobbies and all San Luis Valley Federal Bank branches.

#### VI. PUBLIC COMMENT FILE

The Bank maintains a file of all letters relating to the Bank's performance in meeting the community's credit and financial needs, along with copies of the Bank's response. All correspondence of this nature is maintained in the file for a period of 2-years and is available for public inspection except for items that reflect adversely upon the good name or reputation of any natural person, corporation, or legal entity other than the institution.

#### VII. DESCRIPTION OF THE INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) PERFORMANCE

- A. San Luis Valley Federal Bank takes its responsibilities under the Community Reinvestment Act very seriously. We are very proud of our CRA ratings from our regulator, the Office of the Comptroller of the Currency (OCC). In our most recent CRA examination, dated July 26, 2022, San Luis Valley Federal Bank earned a rating of "Outstanding". This represents the highest CRA rating that is obtainable from Bank regulators.
- B. San Luis Valley Federal Bank intends to continue with the activities listed in Part IV of this document, "Contact with the Community."

- C. In addition, the institution intends to continue with its ongoing contacts with the realtor community of the San Luis Valley and with the various economic development organizations in our assessment area to stay in touch with the credit needs of the San Luis Valley.
- D. San Luis Valley Federal Bank intends to continue with the following activities deemed in compliance with the intent of the CRA:
1. Offer a loan to First Time Home Buyers, which will provide for an interest rate discount of 1% in year one (1), a .5% discount in year two (2), and the market rate in year three (3), to maturity. No special income qualifying guidelines exist for the First Time Home Buyers' Program.
  2. Continue to offer manufactured home loans as an affordable alternative to site-built housing for residents in our assessment area.
  3. Make Enterprise Zone contributions as permitted under Colorado law. The contributions are made to promote economic development and develop and/or retain jobs in the community.
  4. Continue contributing to and cooperating with the San Luis Valley Housing Coalition in their projects.
  5. Continue making consumer loans as specified in II. D. as requested by the Bank's members.
  6. Continue to make substantial charitable contributions throughout our assessment area as Bank profits permit. Total charitable contributions for 2023 were \$422,954. Between 2004 and 2023, the Bank contributed \$3.84 million in charitable giving.
  7. The Bank's holiday season Spirit of Giving program is part of its charitable giving program. Each customer can cast one vote per account for a share of \$35,000 to local non-profits. In addition to the Spirit of Giving program, the Bank also has a program allowing each employee to designate a local non-profit to receive \$250. The Bank has allotted \$15,000 for this program.
  8. Presently, San Luis Valley Federal Bank loans out approximately 70% of its members' deposits to fulfill the credit needs of the members of our community. Virtually all these loans are made to borrowers in our assessment area.
  9. In addition to the loans maintained in the portfolio, San Luis Valley Federal Bank originates and sells loans to the Mortgage Partnership Finance program through the Federal Home Loan Bank of Topeka. As of December 31, 2023, these loans had a balance of approximately \$25,615,053. San Luis Valley Federal Bank services all of these loans. This program allows the Bank to offer nationally competitive interest rates on home loans.

VIII. ADDRESS FOR THE OFFICE OF THE COMPTROLLER OF THE CURRENCY

The Office of the Comptroller of the Currency regulates San Luis Valley Federal Bank. Questions and/or concerns regarding San Luis Valley Federal Bank's performance concerning CRA may be addressed to the OCC at the following address:

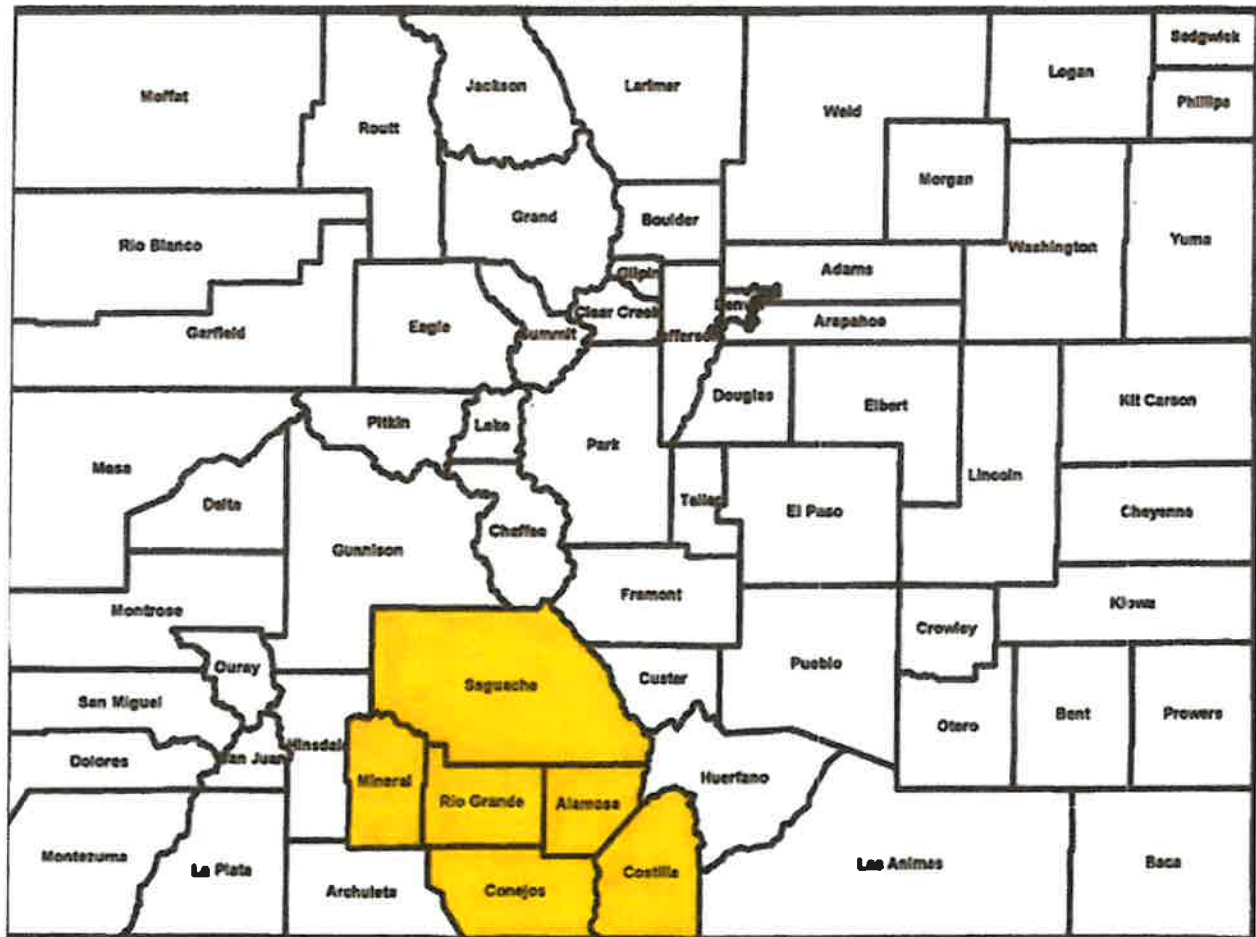
Deputy Comptroller Western Region  
Office of the Comptroller of the Currency  
1050 17<sup>th</sup> Street, Suite 1500  
Denver, Colorado 80265-1050



## ADDENDUM I

### SAN LUIS VALLEY FEDERAL BANK'S ASSESSMENT AREA

#### COLORADO



**ADDENDUM II**  
**SAN LUIS VALLEY FEDERAL MORTGAGE LOAN FEES**  
**January 2024**

- Origination fee:** Purchase Loan -1% of the loan amount or \$750.00 (whichever is greater)  
Refinance -1% of the loan amount or \$750.00 (whichever is greater)  
Construction -1% of the loan amount plus \$100.00 per inspection during construction. At closing, \$1,200.00 is collected to cover initial inspections. Any unused funds will be credited at conversion. If funds are exhausted before completion, the borrower must deposit additional funds to cover the anticipated remaining inspections required.
- Appraisal fee:** Typically, \$600 to \$850 for residential properties, depending on location and loan type. Commercial real estate appraisals vary on a case-by-case basis depending on the complexity of the transaction.
- Property evaluations:** \$275.00 to \$400 for residential properties, depending on location and loan type.
- Credit Report fee:** \$78.50 for an individual and \$156.75 for a joint report (3 repositories).
- Title Search:** Title Insurance: Purchase Loan - from \$150.00 to \$300.00.  
Refinance - based on the loan amount.  
Example – A loan of \$50,000.00 is \$550.00.
- Recording fees:** Approximately \$130.00 (may vary depending on the number of pages to be recorded).
- Flood Certification Fee:** \$13.00 per property.
- Private Mortgage Insurance:** Range from 0.20% to 0.67% monthly.
- Biweekly conversion of payments:** \$250.00
- Loan amendment/modification fees:** The greater of 1% of the balance or \$750.
- Miscellaneous:** Under certain circumstances, fees for items such as surveys, water tests, property inspections, etc., may be required.

**CONSUMER LOAN FEES**

- Real Estate Loan Preparation Fee** - 1% of the loan amount or \$300, whichever is greater.
- Loan amendment/modification fees:** The greater of 1% of the balance (1% of the credit limit on HELOC's) or \$300.
- Other than Real Estate Preparation Fee** - \$150.00
- Recording Fee** - Approximately \$53.00 (may vary depending on loan type and the number of pages recorded).
- Title Insurance for Real Estate Loans** - Varies with loan size.



# San Luis Valley Federal Bank

(719) 589-6653 [www.slvfed.bank](http://www.slvfed.bank)

## Fee Schedule

The following fees may be assessed against your account

ATM fee reimbursement:.....	Maximum per transaction \$ 5.00
For U.S. Currency only No refunds on International transactions	
Debit/Visa ATM Card	
Debit/ATM card New prorated as purchased at \$1.00 per month per card not to exceed \$12.00 per year per card.	
Debit/ATM Annual Fee assessed the last day of January .....	\$12.00
Debit/ATM Annual Fee each additional debit card assessed the last day of January.....	\$ 5.00
(Annual fee not to exceed the total of \$27.00 per account.)	
Debit/ATM card Replacement.....	\$10.00
Inactive Fee (monthly).....	\$ 5.00
When the balance is less than \$100.00 on a checking account and has no activity for 365 consecutive days.	
Incoming Collections.....	\$ 10.00
Non-Sufficient Funds Fee-Returned or Paid Per item maximum of two presentments per item.	\$ 25.00
Outgoing Items for Collections:	
Domestic.....	\$ 10.00
Foreign.....	\$ 25.00
Safe Deposit Box Rental.....	3x5 \$ 15.00
	3x10 \$ 25.00
	5x10 \$ 35.00
	10x10 \$ 60.00
Stop Payment (Checks/ACH).....	\$ 25.00
Temporary Checks (4 checks printed per page).....	per page \$ 2.00
Voucher Checks (members only, per check) .....	\$ 1.00
Cashier Checks (members only, per check) .....	\$ 4.00
Check Printing Fee: Depends on style of checks ordered via Deluxe.....	
Wire Transfers:	
Incoming for Member.....	Free
Outgoing for Member.....	\$ 17.00
Incoming for Non-Member.....	\$ 20.00
Foreign Outgoing.....	\$ 35.00

\* Effective Date 01/19/2024



# San Luis Valley Federal Bank

## *2024 Loan Underwriting Standards*

The Bank has prepared this document to comply with the requirements of the Fair Housing Act. Essentially, the loan policies of the San Luis Valley Federal Bank concern themselves with four important dimensions: 1) Guiding philosophy, 2) Objectives of the institution, 3) Lending policy specifics, and 4) Criteria for evaluating and implementing loans.

### 1. Philosophy

Through its Board of Directors and employees, San Luis Valley Federal Bank attempts to enhance the cultural, economic, and sociological dimensions of those in the general area it endeavors to serve. This guiding philosophy is implemented throughout the objectives of the Bank.

### 2. Objectives

Objectives germane to the character of the institution are embodied in the following statement: To provide opportunities for sound and economical financing of homes, other real estate investments, and normal family finances while ensuring the safety of our members' deposits, providing an equitable return on their savings and a profit to the Bank.

### 3. Lending Policy Specifics

#### A. Equal Opportunity in Lending Policy

San Luis Valley Federal Bank will comply with all requirements of the Equal Credit Opportunity Act and the Fair Housing Act. We have an established policy of making sound loans to all qualified applicants regardless of race, color, national origin, religion, sex, handicap, familial status, age, location of dwelling, the receipt of public assistance, or the borrower's good-faith exercise of rights under the Consumer Credit Protection Act.

#### B. Credit Evaluation Standards

Every applicant will be judged based on his or her own credit rating and income unless the applicant specifically requests the consideration of another's income or credit history. Discounting of co-borrowers income or credit history, part-time income, income from alimony, child support, or separate maintenance is specifically prohibited, as are assumptions or aggregate statistics relating to the likelihood that any group or persons will bear or rear children or will receive diminished or interrupted income in the future. In considering the individual's creditworthiness, the value of the security property is a proper consideration; however, the fact that the security property is in a certain location within the Bank's normal six-county lending area shall not in itself be grounds for loan turndown. Accordingly, this Bank will not refuse to lend in a particular area solely because of the income level or racial composition in which the home is located.

### C. Loan Application Procedures

A complete mortgage loan application shall consist of the following:

- a. Completed written application on the Bank's form
- b. Credit Report
- c. Appraisal
- d. Offer to purchase, if applicable
- e. Verification of income
- f. Verification of assets
- g. Other documentation necessary to verify the borrower's financial situation.

No inquiries shall be made as to whether any of the applicant's income is derived from alimony, child support, or separate maintenance payments unless the loan officer discloses to the applicant that such income need not be revealed if the applicant does not desire the creditor to consider such income. No questions shall be asked regarding birth control or the capability to bear children of the loan applicants or their co-borrowers. No questions may be asked regarding the race, color, religion, national origin, or sex of an applicant or any other person in connection with a loan transaction except as authorized under civil rights laws. The signature of a co-borrower shall not be required on any document unless (A) the income of the co-borrower is desired to be included in the income available to meet the Bank's credit standards; (B) the co-borrower wishes to become contractually liable; or (C) the signature is required under state law to create a valid lien, pass a clear title, or waive inchoate right to property. All loan applicants will be notified of action taken on a loan within 30 days after receipt of a completed loan application.

### D. Matching Competition

To retain or gain a loan customer, the Bank may match interest rates and terms offered by other lenders if the borrower's financial strength justifies the deviation from normal terms. Before extending the loan commitment, the loan officer should examine the borrower's net worth, credit history, debt ratios, and other Bank relationships. The President/Chief Lending Officer must approve loans offered under these circumstances.

### E. Lending Rates

The loan interest rates we charge will be determined and changed by the President/Chief Lending Officer from time to time based on the following factors:

- \* Money market conditions
- \* Local economic conditions
- \* Bank liquidity
- \* Rates charged by the competition
- \* State statutes and advisories
- \* The total customer relationship
- \* U.S. Government securities and treasury yields

- \* The term of the loan
- \* Bank profit objectives

Rates may be adjusted based on credit history. The following addresses our current policy concerning premium interest rates.

F. FICO Scoring and Loan Pricing

SLV Federal will occasionally extend mortgage and consumer loans to borrowers who don't fit our normal underwriting guidelines regarding FICO credit scores. The Bank will not maintain or promote a subprime lending program that systematically targets the subprime market by employing tailored marketing, underwriting standards, and risk selection. The interest rate offered on individual loans whose rate is adjusted due to lower FICO scores may be increased from our normal base rates to compensate the Bank for the additional risk inherent with these loans. The loan applicant's FICO credit score, provided with the credit report, will be the initial determining factor for increasing an interest rate. Loan applications where the interest rate is adjusted due to FICO scores should contain appropriate compensating factors such as lower loan-to-value ratios, substantial liquid assets, lower housing and/or debt-to-income ratios, or long-term previous business relationship with the Bank of at least 24 months with no late payments. The lower the FICO score, the more substantial the compensating factor(s) should be. The following guidelines will be used in pricing our loan products:

FICO Score	680 or higher	-	no rate change
	660-679	-	1/2% increase
	640-659	-	1% increase
	620-639	-	2% increase
	**619-600	-	3% increase
	599 and below	-	Denial
	No score	-	1/2% increase

\*\*San Luis Valley Federal Bank will occasionally extend credit to borrowers with a FICO score in this range; however, we will extend credit only if there are reasonable expectations that the customer's credit rating will improve.

When evaluating the FICO score, each applicant's FICO score from the three reporting agencies will be added and averaged to determine the composite FICO score used to price the loan. On loans where not all borrowers have FICO scores, emphasis will be placed on the borrower with the strongest financial profile. If the primary income or net worth borrower has no score, the rate will be adjusted as indicated above. If all borrowers are essentially equal regarding income and financial strength, the interest rate will be based on the scores of those borrowers who have scores. The rate will be adjusted on loans where none of the applicants have FICOs, as noted in the table above.

G. Loan Term

The term of the loan varies with the type of property upon which the loan is secured. In determining the loan term, consideration will be given to the likelihood that the property will retain an adequate value over the loan term.

H. Lending Area

The Bank's normal lending area is the San Luis Valley of Colorado, comprising Conejos, Costilla, Alamosa, Rio Grande, Saguache, and Mineral counties.

I. Loan-to-Value Ratio

The Bank's normal conventional single-family loan-to-value ratio is 80%. However, the maximum loan-to-value ratio allowed may vary depending on the type of property, the interest rate charged, and other specific loan conditions. For specific policies regarding various ratios, the mortgage loan department should be contacted.

J. Credit Reports

A three-bureau credit report, which includes the applicant's FICO credit score, must be obtained on every loan applicant.

4. Criteria for evaluating and implementing loans

A. Evaluation of the borrower. This is the most significant aspect of the total procedure. Criteria for this purpose is given in order of importance and are as follows:

- a. Historical information as revealed by credit reports and other credit references.
- b. Income (present and potential) and the permanency of income.
- c. Borrower's potential and ability to deal with adverse financial events.
- d. Borrower's demonstrated prudence and ability to handle financial resources. This is revealed in part by the financial statement.
- e. Anticipated expenses such as college education for their family, home improvements and repairs, automotive expenses, furniture purchases, recreation expenses, and the general family anticipated expenses.
- f. Borrower's employment stability.

B. Evaluation of Collateral

Collateral evaluation is typically accomplished through an independent, third-party appraisal ordered by the Bank from an appraiser approved by the Bank. The appraiser is chosen from a rotating appraisal log. Neither the borrower nor any Bank personnel directly involved in processing, underwriting, or approving the loan may influence the choice of an appraiser. The Bank reviews all appraisals for accuracy and completeness. In certain circumstances, a property evaluation by a qualified appraiser may be substituted for an independent appraisal.

The average income level or racial composition of the neighborhood where the property is located is not considered in its underwriting.

C. General Credit Underwriting Guidelines

- a. The Bank will normally require that the principal, interest, taxes and insurance not exceed 29% of the applicant's stable monthly income.

- b. The Bank will normally require that the payments on total indebtedness not exceed 41% of the applicant's stable monthly income. The total indebtedness ratio normally includes the applicant's housing expense. In the event the applicant's overall debt ratio exceeds 41% of their stable monthly income, as long as all other underwriting guidelines are met, the loan may be reviewed using either of the following: VA's residual income guidelines or obtaining an "LP Accept" thru Loan Product Advisor's automated underwriting system.
- (1) Smaller obligations that will be paid off within ten months are normally not included in this calculation.
  - (2) Alimony, child support and maintenance payable should be included in the above calculation if so desired by the applicants.
  - (3) A higher percentage may be permitted for certain applicants based on the following criteria.
    - (a) A review of the applicant's recent ratio of monthly housing expense and total debt payment to income ratio should be conducted.
    - (b) A demonstrated ability to accumulate capital and a history of good debt service could justify slightly higher ratios.
    - (c) Larger than normal down payments, lower loan-to-value ratios, substantial personal liquidity, and/or larger than normal net worth can also justify somewhat higher debt-to-income ratios.
- c. Stable monthly income is the borrower's gross monthly income from employment base earnings plus recognizable secondary income.
- (1) Secondary income such as bonuses, commissions, or overtime should not be recognized as "stable monthly income" if they are not typical for the occupation, substantiated by the borrower's previous years' earnings and continuation is probable based on foreseeable economic circumstances.
  - (2) Alimony, child support, or maintenance payments may be included in stable monthly income to the extent that they are likely to be consistently made if so desired by the applicants.
  - (3) Age, education, training, technical skills, occupation, and past employment history should be considered case-by-case in determining "stable monthly income."
- d. Non-taxable income will be "grossed up" when considering this income as stable monthly income for loan qualification purposes.

Non-taxable income will be considered based on the length of receipt and to the extent that it is likely to be received.



- e. Verification of income.
- (1) Sources of income can be verified by the following:
- Paycheck Stubs
  - Authorization for Verification of Income or
  - Employment Contracts
  - Bank Statements
  - Tax Returns
- f. Satisfactory credit history as evidenced by an independent credit report and/or good history with the Bank.
- Adverse credit, especially bankruptcy, foreclosures and delinquent mortgage payment histories, must be satisfactorily explained and may remain a reason for loan denial.
- g. Three or more changes in occupation within the previous five years must be satisfactorily explained.
- h. Four or more changes of residence within the previous six years must be satisfactorily explained.
- i. The applicant must have been on the present job long enough to fulfill any probation period required by the employer.
- j. Self-employed Borrowers. When the borrower is a business or is self-employed, adequate financial information must be presented to determine the financial strength of the applicant and the borrower's ability to repay the loan and all other obligations promptly. To help the loan officer make such a determination, the applicant will normally be required to submit the following information and such other information as the Institution needs to understand the financial condition of the applicant:
- (1) Statement of assets and liabilities. Liabilities should show to whom the debts are owed and the required payment amount.
- (2) Income and Expenses for the last three years. Verification of this information can be evidenced by the applicant's federal income tax returns.
- (3) Current year-to-date information.
- (4) Cash flow statements may be required if not easily determined from the above-required financial information.
- (5) Length of new business/managerial expertise.
- (a) If the applicant's business is less than two (2) years old, it is difficult to determine the effective net income from the business and, therefore, unlikely that the Bank can consider the income stable enough for loan qualifying purposes. Successful performance in a previous, comparable business may substitute for lack of a 2-year history. A critical

analysis of the prospects for a new business and its chance for success may allow for a waiver of the normal 2-year time requirement.

### Concluding Statement

Evaluation of each borrower's creditworthiness by this Bank must be done on a case-by-case basis. The preceding criteria are guidelines to indicate proper considerations in ascertaining that the borrower's creditworthiness is sufficient. These guidelines are not intended as requirements or rules, which must apply in all cases. However, this Bank considers them to be sound general principles in underwriting credit; San Luis Valley Federal Bank will generally apply these guidelines in reviewing the creditworthiness of borrowers for loans that will result in a lien on their residence.

## Quarterly Loan to Deposit Ratios for San Luis Valley Federal Bank

<b>2014</b>	
1st Qtr.	74.34%
2nd Qtr.	74.75%
3rd Qtr.	72.67%
4th Qtr.	72.08%

<b>2020</b>	
1st Qtr.	85.76%
2nd Qtr.	80.56%
3rd Qtr.	81.49%
4th Qtr.	78.38%

<b>2015</b>	
1st Qtr.	70.70%
2nd Qtr.	72.22%
3rd Qtr.	70.98%
4th Qtr.	70.74%

<b>2021</b>	
1st Qtr.	75.62%
2nd Qtr.	76.26%
3rd Qtr.	73.39%
4th Qtr.	69.62%

<b>2016</b>	
1st Qtr.	69.78%
2nd Qtr.	69.31%
3rd Qtr.	69.41%
4th Qtr.	71.82%

<b>2022</b>	
1st Qtr.	68.26%
2nd Qtr.	66.87%
3rd Qtr.	68.21%
4th Qtr.	69.74%

<b>2017</b>	
1st Qtr.	71.25%
2nd Qtr.	73.47%
3rd Qtr.	72.97%
4th Qtr.	75.48%

<b>2023</b>	
1st Qtr.	71.32%
2nd Qtr.	76.13%
3rd Qtr.	73.84%
4th Qtr.	78.35%

<b>2018</b>	
1st Qtr.	75.80%
2nd Qtr.	78.90%
3rd Qtr.	78.08%
4th Qtr.	78.87%

<b>2019</b>	
1st Qtr.	80.71%
2nd Qtr.	81.65%
3rd Qtr.	85.20%
4th Qtr.	83.73%