

# FIRST SEACOAST BANK

## COMMUNITY REINVESTMENT ACT (CRA) PUBLIC FILE

MORTGAGE AND HOME EQUITY LOAN OFFICER TERRITORIES - 2021

*Current as of March 10, 2021*

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# Foreign Language Interpretation

First Seacoast Bank is committed to putting our customers first and providing personal service that is convenient and makes life easier.

In partnership with DT Interpreting Services, we have access to American Sign Language and professional interpreters in more than 200 languages. This service is provided at no cost to our customers and is available by phone or video.

**For assistance with foreign language interpretation services, please visit one of our five convenient branch locations:**

## **Dover**

*633 Central Avenue*

## **Barrington**

*6 Eastern Avenue*

## **Durham**

*7A Mill Road*

## **Portsmouth**

*1650 Woodbury Avenue*

## **Rochester**

*17 Wakefield Street*



# First Seacoast Bank Loan Underwriting Standards

## **PURPOSE STATEMENT**

One of the primary purposes of First Seacoast Bank (herein after called “the Bank”) is to make loans. Management believes that sound loans are one of the most satisfactory and profitable means of employing the Bank’s funds and are consistent with its objective of encouraging healthy economic growth within its primary market areas. Toward that end, the Bank has and will continue to originate quality Consumer and Residential loans as part of its lending activity in support of business growth within its communities.

Using prudent underwriting techniques identified within the Bank’s Retail Loan Policy, the Bank will endeavor to extend credit to honest, capable, responsible individuals having adequate ability to service debt from normal sources of income with adequate and identifiable secondary sources. Each borrower’s credit history/score will be evaluated as part of this credit analysis. Collateral being offered in conjunction with the requirements of the applicable loan program will also be evaluated.

The Bank’s written policies and procedures have been developed in compliance with Consumer lending regulations. The Bank’s policies have been written to prevent discrimination against an applicant or borrower on a prohibited basis (i.e. gender, age, race, color, national origin, religion, handicap, familial status, marital status, location of property), or their good faith exercise of any rights under Consumer Credit Protection Acts, in any aspect of a credit transaction.

## **MARKET AREA**

The Bank’s lending area is comprised of the communities within the Bank’s assessment/market areas as noted in the Community Reinvestment Act (CRA) Public File. Prudent loans to borrowers located outside of our lending area will occasionally be considered when it is clearly in the Bank’s best interest to do so.

## **PERMISSIBLE RETAIL LOANS**

### **A. Residential Mortgage Loans – 1 to 4 family**

#### **1. Residential mortgages**

A 1 - 4 family residential owner or non-owner-occupied loan having a maximum 30-year term. The loan will either be held as a portfolio loan which is reflected on the Bank’s balance sheet, or the loan will be sold to Investors/Secondary Market agencies (see next paragraph). Loan to Value (LTV) ratios will generally be determined by collateral type (i.e. 1-4 Family, Condominium or Planned Unit Development (PUD), etc.) and occupancy (i.e. primary, secondary, investment). Unless otherwise specifically indicated in the Bank’s Retail Loan Product and Procedures Guide, maximum LTV ratios will follow requirements set by mortgage insurance providers, mortgage guaranty providers and/or investors/secondary market agencies.

Investors/Secondary Market agencies may include the Federal Home Loan Mortgage Corporation (FHLMC/Freddie Mac), the Federal National Mortgage Association (FNMA/Fannie Mae), New Hampshire Housing Finance Authority (NHHFA), the Federal Home Loan Bank (FHLB) or other investors the Bank may sell to from time to time.

Loans with (LTV) ratios over 80% where allowable, will require either mortgage insurance from agencies such as Mortgage Guaranty Insurance Corporation (MGIC), or guarantees from agencies such as the Federal Housing Administration (FHA) or United States Department of Agriculture-Rural Development (USDA-RD). The Bank may also utilize other mortgage insurance agencies or guarantors from time to time. Any loan with an LTV ratio over 80% without mortgage insurance or mortgage guaranty coverage will always be considered an exception.

Loans approved for sale, mortgage insurance and/or guarantees must fully conform to requirements of said agency or agencies utilized.

## **2. Construction Loans**

Construction of single-family residence, PUD, or manufactured home (mobile home) for occupancy as a primary or second home only (condominium construction financing not eligible). Maximum LTV requirements are as follows:

- a. Without PMI 80%.
- b. With PMI, Max LTV available subject to PMI requirements.
- c. For manufactured home construction 80%.

Construction loans must fully comply with the Bank's construction loan program guide and construction administration procedures.

## **3. Land Loans**

For the purchase of developed building lot planned to be used for the future construction of a residential dwelling. Maximum loan term is 15 years adjusting annually, with a maximum LTV ratio of 75%.

## **4. Mobile/Manufactured Home Loans**

For manufactured home loans that qualify for sale to the secondary market, the loan must fully conform to investor requirements and mortgage insurance provider requirements with Maximum LTV availability up to 95%.

For non-saleable portfolio loans, home must be owner-occupied, attached to a full foundation with fee-simple land ownership. Maximum term for new and used homes is 15 years. Maximum LTV requirements are as follows:

### **Purchase/No-Cash out Refinances**

- a. New single-wide 75%
- b. Used single-wide 70% (aged to 20 years)

- c. Double-wide (new or used) 80% (aged to 20 years)

**Cash out Refinances**

- a. New single-wide 65%
- b. Used single-wide 60% (aged to 20 years)
- c. Double-wide (new or used) 70% (aged to 20 years)

**5. Home Equity Loans (Underwritten as a consumer loan)**

Home Equity Loan programs include fixed rate and lines of credit on 1-4 family residences or PUD for occupancy as a primary residence, a single-family residence or PUD occupied as a second home, or 1-4 family residence or PUD held for investment with the Fixed Equity program. Condominiums not eligible. The maximum total loan to value (TLTV) is 80% for primary or second home. The Maximum LTV for investment property is 70% (For a Home Equity Line of Credit on Investment property, the property must be a single-family residence, and the maximum LTV is 50%). 25-year HELOC term with 10-year interest only draw period followed by a 15-year repayment period; Maximum 15-year term for Fixed Equity loan program. Note: Other than where specifically indicated, 3-4 Unit residences are considered on an exception basis for Home Equity programs.

**Consumer Loans**

**1. Automobiles – Trucks**

Purchase or refinance of conforming new or used titled vehicles having maximum loan terms based on age of collateral (see Rate Sheet). LTV’s and debt ratios are based on credit score:

C.B Score	Debt Ratio	Loan Amount New	Loan Amount Used
≥ 700	50%	90% of MSRP	110% of Retail
686-699	45%	85% of MSRP	105% of Retail
660-685	45%	85% of MSRP	100% of Retail
641-659	43%	80% of MSRP	85% of Retail
< 641	35%	70% of MSRP	75% of Retail

**2. Recreation Vehicles Loans**

Purchase or refinance of conforming new or used recreational vehicles (i.e. boats, motorcycles, snowmobiles, all-terrain vehicles (ATV), motor homes, campers, etc.), with new/used loan terms to 60 months for loan amounts up to \$35,000, or to 120 months for loans of \$35,000 and up. LTV’s and debt ratios are based on credit score:

C.B Score	Debt Ratio	Loan Amount New	Loan Amount Used
≥ 700	45%	80% of MSRP	100% of NADA Retail

686-699	43%	80% of MSRP	90% of NADA Retail
660-685	40%	80% of MSRP	85% of NADA Retail
641-659	35%	75% of MSRP	80% of NADA Retail
< 641	30%	65% of MSRP	65% of NADA Retail

### **3. Personal Loans – Unsecured**

Unsecured consumer loans for personal purposes with maximum loan amounts up to \$20,000 and maximum debt ratios based on credit score.

### **4. Share Loans/Passbook or CD secured Loans**

Consumer purpose loans secured by First Seacoast Bank Certificate of Deposit (CD) or Savings accounts. Maximum LTV is 90% of the balance on the account being provided as security. See product description in Retail Loan Product and Procedures guide for further program details.

Consumer Loan programs listed above are not eligible on loans for the purpose of financing education.

## **GENERAL POLICIES**

### **A. Subprime Lending**

The Bank does not engage in Subprime Lending as a line of business, and the Bank’s loan policies and practices do not encourage the issuance of subprime consumer credit. The underwriting guidelines identified for all consumer loan products specifically discourage this lending practice.

### **B. Credit Evaluation Standards/General Underwriting Requirements**

Every applicant will be judged based on his or her own credit rating and income unless such applicant specifically requests the consideration of another’s income or credit history. It is the bank’s policy to order credit reports only with a permissible purpose. A permissible purpose would be a signed loan application or a signed authorization by the borrower giving the bank permission to order a credit report. Each borrower’s credit score will be evaluated as part of the credit analysis.

#### **i. Loan Applications**

Residential mortgage and consumer loans will be originated with the use of the appropriate loan application. Each application must be completed, signed and dated by the applicant(s) (except as noted below on telephone or internet applications) and Loan Originator. The loan application should identify the purpose of the loan request. Obtaining the purpose assists the bank in tracking and pricing loan requests.

- a. Applications by phone

Applications by phone will be accepted following the procedure listed below:

- i. The Loan Officer/Originator will read the disclosure information located on the “Telephone Application Disclosure and Credit Authorization document to the applicant. In so doing, the Loan Officer/Originator will inform the applicant that he/she is giving the bank permission to check his/her credit and employment history and that all the information stated in the application is correct, as well as verifying intent to apply for joint credit where appropriate.
  - ii. The Loan Officer/Originator will check off the appropriate “application taken by phone” box, sign and date the application as received.
  - iii. The final typed application will be signed by the applicant(s) at the time of closing if the loan is approved. Signatures will not be obtained on denied loans.
- b. Internet Applications:  
Customers have the option of submitting residential mortgage, home equity credit line, fixed equity loan and consumer loan applications using First Seacoast Bank’s internet site through application software utilized by the Bank’s Retail Lending function for this purpose. Appropriate members of the Retail Lending function are notified via e-mail from the software when a completed application and corresponding credit bureau report data are ready to be retrieved and underwritten. Underwriting for internet generated loan applications follows the standards outlined in the Bank’s Retail Loan Policy and is limited to applicants living in the bank’s primary and secondary market areas.

In accordance with the requirements of Section 305 of the Gramm-Leach-Bliley Act, disclosures are not required as the Bank does not offer credit life or disability insurance products.

**ii. Approval/Denial Process:**

It is the goal of the Retail Lending group to decision loans no later than 30 days from the date of application. Loan Officers will typically have up to three (3) days on average (for residential loans) to perform their application process requirements. Their process will include delivery of all required early disclosures by the appropriate regulatory required timeframe, as well as information and/or documentation gathering per the application checklist upon receipt of the borrower’s intent to proceed. Should the Loan Officer’s application process timeframe exceed three days, under no circumstances can required disclosures be delivered any later than regulatory requirements.

Upon completion of their process, Loan Officers will deliver the file to the Retail Lending group. The Retail Lending group will process the loan file to obtain a decision on the loan request. When a determination is made on the loan, either a commitment letter or an adverse action letter will be prepared and delivered as appropriate.

The underwriter must enter the appropriate information into the Bank’s Loan Origination System (LOS) when approving/denying a loan request. The Retail Lending group will generate consumer/mortgage denial letters using a format available on the bank’s LOS and will forward notification to the borrower.



Although every effort will be made to provide an adverse action notice to an applicant whose request for credit is denied as quickly as possible, under no circumstances will an adverse action letter be delivered later than 30 days from the date of the completed application. The adverse action letter will be retained for a minimum of 25 months along with all other documents associated with the application.

- a. For a consumer loan, applicants who are conditionally approved (lower loan amount, shorter term, etc.) will be informed of the counteroffer. If the counteroffer is accepted, the loan will be processed and closed accordingly, with no notification of adverse action. If the applicant does not accept the counter-offer terms, an adverse action letter for denial of the originally requested terms will be forwarded to the applicant detailing the reasons for the decision.
- b. If a Residential Mortgage loan will not be approved under the original terms and conditions requested, an adverse action letter will be delivered as required above (or as soon as practical for loans already approved and in process, upon determination of an adverse condition such as an appraisal value which is lower than required). If a counteroffer can be made, the counter-offer terms will be part of the adverse action letter. Should the counteroffer be accepted, the loan will be processed and closed accordingly. If the applicant does not accept the counter-offer terms, the adverse action letter denying the originally requested terms that was previously sent will serve as notice of decision.

Applications processed under item numbers 1 and 2 above will also be retained for 25 months.

Exceptions to the above process are for Pre-approvals, and loans placed on hold for documentation requirements. Each of these conditions will require a letter to the borrower indicating the terms and requirements, as well as a specific expiration date. Should the expiration date be exceeded, the letter to the applicant(s) must indicate that the Bank will be unable to give further consideration to the loan request. The letter must also provide Equal Credit Opportunity Act language, as well as the name and address of the Bank's regulator.

A second review committee made up of any two of the following: President/CEO, SVP Senior Retail Loan Officer, SVP Senior Commercial Loan Officer, SVP Bank Administration & Risk Management Officer or SVP/CFO, will review each loan denial to ensure that no discrimination has taken place and to review all alternatives and to make counter offers to each applicant where appropriate prior to the mailing of any denial notification.

### **iii. Credit Investigation**

The following steps will be taken on all applications during this process:

One credit repository (i.e., Trans Union, Experian, Equifax) will generally be accessed on each request for consumer loans (excluding home equity loans). For residential mortgage and home equity loans, tri-merged credit reports will be utilized. A combined credit report will be obtained for joint applicants, detailing all debts associated with both borrowers. An applicant's credit report will be acceptable for additional consumer loan applications (if applicable) for up to 25 days after the original issue date of the report.

**iv. Verification of Income and Employment**

The Bank will verify Income and Employment sources according to the Ability to Repay/Qualified Mortgage rules (ATR/QM) promulgated by the Consumer Finance Protection Bureau (CFPB).

**v. UCC Financing Statement – Lien Searches**

Seller or Borrower (as applicable) UCC searches are required for loans to purchase or refinance collateral which requires a UCC Financing Statement to perfect a security interest. The purpose of such a UCC search is to identify any existing liens against the subject collateral and to ensure that said liens are properly extinguished to achieve a perfected first security interest by the Bank.

**vi. Loans to Minors**

Loans to minors (under age 18) will not be considered since they are not of legal age to contract.

**vii. Employment Stability:**

The Bank is interested in applicants who have a steady employment record but will favorably consider an applicant who has job changes in the previous two years, provided such changes demonstrate movement or advancement within the same or a related line of work. Education, training and increased technical skill will also be favorably considered. Unstable employment, job hopping and job changes in the previous two years in non-related fields or occupations, with no indication of advancement or stability of future employment may be grounds for the denial of an applicant.

**viii. Slow Payment or Default:**

The Bank is required to verify credit on each applicant and obtain a written credit report on all applicants seeking a loan. The applicant's history in the use of credit and the way credit obligations were paid will be considered. Any recent reports indicating slow payment trends, collections, repossessions, creditors' lawsuits, defaults or foreclosures will be considered grounds for denial unless it can be established by the applicant that the circumstances were temporary and beyond the control of the applicant.

**ix. Stable Monthly Income:**

The applicant's stable monthly income is the monthly income received by the applicant from sources of primary employment. Self-employed applicants' stable monthly income is the monthly income received from the applicants' business or similarly related business as verified by personal tax returns as well as business tax returns where appropriate. In addition, the applicant's stable monthly income may include other sources of income such as secondary or other part-time employment, overtime, commissions, bonuses received on regular basis (if this other income is typical to the occupation or trade) and is substantiated or verifiable and continuation is probable based on foreseeable economic circumstances. Other sources of income such as pension, social security, public assistance payments or disability benefits may be

included in the applicant's stable monthly income if they have been received historically and are expected to continue for at least three years after consummation. If a loan applicant chooses to disclose income from alimony, child support, or maintenance agreement payments, the Bank agrees to consider such payments as income to the extent that they have been received historically and are expected to continue for at least three years after consummation. Factors which the Bank may consider in determining the likelihood of consistent payments as income include but are not limited to, whether the payments are received pursuant to a written agreement or court decree; the length of time the payments have been received, the regularity of receipt, the availability of procedures to compel payment, whether full or partial payments have been made, the age of any child (should income be contingent on the child's age), and the creditworthiness of the payer if obtainable. When the borrower owns income producing property (other than property being utilized as security for a residential mortgage request), the rental income from those properties less an adequate vacancy ratio and verifiable expenses will be used in qualifying the applicant.

**x. Monthly Debt to Income (DTI) Ratio:**

The Bank will calculate the monthly debt to income ratio (DTI) for residential mortgage and consumer loan transactions by adding together the total amount of monthly housing expense (principal, interest 1/12th taxes and 1/12th of required insurance premiums (i.e. hazard, flood, private mortgage insurance as applicable)) in addition to condo or homeowner association fees if applicable, plus all monthly revolving debt, as well as monthly payments on all installment debts having a remaining term of 10 months or more. At the determination of the Bank's underwriter, debts lasting less than ten months will be included if the amount of the debt affects the consumer's ability to pay the new loan during the months immediately after loan closing, particularly if the consumer will have limited or no cash assets after loan closing.

The total debt amount will then be divided by "Stable Monthly Gross income" to arrive at the proposed DTI. DTI ratios exceeding limits specified in the Bank's Retail Loan Policy will be administered according to the requirements of the "Exceptions to Policy" Section for Consumer/Residential loans. Alimony, child support and maintenance payments are considered as a long-term monthly obligation, unless such obligation terminates in less than six months. Therefore, they should be treated as such when figuring the monthly DTI ratio.

DTI ratio limits prescribed by the Policy may occasionally be exceeded if sufficient reason is evident within the loan file. For example, a high DTI ratio may be offset by larger down payments and/or net worth substantial enough to evidence an ability to repay the loan regardless of the DTI ratios.