

# ***Building Security through Assets and Financial Education (BSAFE)***

## **Secured Loans Policy**

The BSAFE Program has developed this Secured Loans Policy in recognition of the fact that BSAFE participants may, from time to time, need a small loan for situations which may arise that are not suitable for an emergency withdrawal or in order to help build their credit.

**Secured loans-** A secured loan is a loan that is taken out with TriCo Educational Federal Credit Union (“TriCo”) that uses the money a participant has saved in her IDA account to secure the loan. If the participant defaults on the loan, the saved money in the IDA account will be used to pay off the loan. A secured loan makes it easier for someone who has bad or no credit to get a loan because it is at no risk to the credit union.

**Eligibility-** Participants are eligible for a secured loan if they can show a demonstrated need. Examples of demonstrated need may be the need to build credit or the need to cover an expense that does not fall under the emergency withdrawal guidelines, such as a car repair or unexpected expense. A secured loan will be made at the discretion of TriCo.

**Amount of Secured Loan-** The amount of the secured loan may not exceed an amount equal to the amount of money in the participant’s account at the time of the loan distribution. The final amount of the loan will be at the discretion of TriCo. Under no circumstances will the loan include any amount of the matching funds.

**Interest on Secured Loan-** The secured loan is an interest-bearing loan. The participant will pay back the full amount of the loan and, in addition, any interest that accrues over the lifetime of the loan. The interest rate for the secured loan is 2% above the rate earned on the savings account shares with a minimum rate of 4.0%. This means that the rate on the loan is 2% above the interest rate on the savings account. If the interest rate on the savings account is 3.0%, then the loan rate will be 5.0%. If the interest rate on the savings account is 1.25%, then the loan rate will be 3.25%. TriCo will disclose the amount of the interest rate at the time of the loan disbursement.

**Timeframe of Secured Loan-** The secured loan must be paid in full before the qualified withdrawal is to be made in order for the recipient to receive the full amount of match funds. If a participant has not paid off the secured loan before the qualified withdrawal is to be made, the remaining amount of the loan will be paid out of the participant’s savings. The match will then be granted based on the remaining amount of money.

**Default on Secured Loan-** TriCo will consider the secured loan to be defaulted and will transfer funds from the participant’s savings account to cover the missed loan payment when the loan is 30 days delinquent. Because this will be considered an unauthorized withdrawal, dismissal from the BSAFE program will take place immediately.