



September 8, 2022 NHLP Committee Meeting Minutes

September 8, 2022

2:00 PM – 3:00 PM EDT

1. Opening

Mr. Brandon Palermo called the meeting to order at 2:02 PM. The meeting was recorded. No member presented an issue with being recorded.

Members Present: Mr. Brandon Palermo; Ms. Genevieve English-Charles; Mr. Horace Brown; Mr. TJ Moon; Mr. Enrique Escallon; Mr. Eddie Hall

Staff Present: Mr. Eric Reed

Members of the Public: None

A quorum was established.

2. Approval of Agenda

There was no public comment on the agenda. There were no changes to the agenda. Mr. Hall motioned to approve. Mr. Palermo seconded. The agenda was accepted.

3. Minutes

Minutes from the August 11th Committee meeting were presented for approval. Mr. Brown motioned to approve. Mr. Hall seconded and the minutes were approved unanimously.

4. ACF Report

Mr. Reed provided a brief summary of the portfolio and financial status of the program. He brought attention to the uptick in loan volume again after a slow-down over the summer potentially due to the economic conditions. Investments continued a downward trend however, in August, the majority were due to the normal transfer for operating expenses.

5. Pending loan requests; loan modifications; loan charge-off's

Mr. Reed summarized two recent rescue payment requests that were received.



CC – two rescue payments to bring bank guarantee loan current.

Mr. Escallon commented about the potential of negotiating the final payoff amount with the bank in the event of a future default and made the motion for approval.

Mr. Brown seconded the motion and the rescue payments were approved unanimously.

CS – three rescue payments to be made if needed for October, November and December while CS completes retirement process and begins receiving SSA and state benefits. Mr. Escalon motioned to approve and Mr. Palermo seconded. The payments were approved unanimously.

6. Loan Separation VR Letter

Mr. Reed briefed the committee on the letter received from VR regarding the potential separation of the NHLP from FFAST, which VR does not support at this time. He provided a history of VR conversations to date as well as planned conversations with AT3 and ACL to get input from them. However, with the recent ACL grant award, the continued efforts should probably be put on pause while that grant cycle is active and those funds could not be moved. He informed the committee that this will also be discussed at the upcoming council meeting. Mr. Escallon commented that future conversations and patience are needed with DOE with the potential of resistance and unintended consequences if we push too hard.

7. ACL grant updates

Mr. Reed provided a breakdown of the new grant money received, \$640,030 which will be used for expanded hearing aid loans and further sustainability for the program.

8. Closing

There was no public comment.

Mr. Palermo adjourned the meeting at 2:30

The next meeting will be Thursday, October 13th, 2022.



September 22, 2022 NHLP Loan Discussion Meeting Minutes

September 22, 2022

11:00 am – 11:30 am EDT

1. Opening

Mr. Brandon Palermo called the meeting to order at 11:05. The meeting was recorded. No member presented an issue with being recorded.

Members Present: Mr. Brandon Palermo; Ms. Genevieve English-Charles; Mr. Horace Brown

Staff Present: Mr. Eric Reed

Members of the Public: None

A quorum was established.

2. Approval of Agenda

There was no public comment on the agenda. There were no changes to the agenda. Ms. English-Charles motioned to approve. Mr. Brown seconded. The agenda was accepted.

3. SC-JC loan request

Mr. Reed provided the background on the loan request, which was brought to the meeting due to not receiving a unanimous eVote approval. Ms. English-Charles expressed concern with the amount of debt that went into default even though income and funds seemed able to support it at the time. Following further discussion of the medical situations surrounding the credit issues, Mr. Reed suggested a shorter term as a way to mitigate the program risk. Ms. English-Charles motioned to approve under the new terms. Mr. Brown seconded. The loan was approved with modified terms.



4. KL loan modification request

Mr. Reed began the discussion with a brief summary of the loan status and the prior modifications and rescue payments that have been offered. He stated his concern with extending the loan in order to reduce payments for the borrower and was unsure if the bank would consider an extension. The request from the borrower comes immediately following the end of rescue payments being made on her behalf. The committee members discussed the modification which would extend the loan would be prolonging the inevitable. Ms. English-Charles included the idea of looking at the overall financial situation of the borrower if the loan does default and consider loan forgiveness in the future if necessary. Ms. English-Charles motioned to not allow a loan modification and that loan forgiveness would be considered in the future if necessary. Mr. Brown seconded the motion and the motion passed unanimously.

5. Closing

There was no public comment.

Mr. Palermo adjourned the meeting at 11:24

The next meeting will be Thursday, October 13th, 2022.

Loan Request Memorandum

Date: 10/13/2022
Borrower: AA
Amount: \$1,525
Request Type: Direct – workout/modification
Collateral: Hearing aids
Terms: 5.50%/33 mo/\$50 per month
Credit Score: NA
DTI: NA
County: Brevard

Purpose: AA was approved for a loan in the original amount of \$3,590 in April 2017 for the purchase of hearing aids. The original term was 60 months. AA paid 14 payments of \$68.57 and then began a series of financial hardships. The committee agreed to reduce the payment to \$20 which she paid for eight payments and then an agreed upon payment of \$40 was established. AA has paid this as agreed for the past 40 months. AA's loan matured in April of 2022 and with a current balance of \$1,525, a renewal is necessary. AA has said she could manage a payment of \$50 per month which would create a 33-month term.

Credit Summary: No updated underwriting has been completed for this workout request. AA states she remains unemployed and is supported by her sister, who she lives with and does odd jobs for and helps around the house as much as needed. Her sister covers all housing expenses and provides \$800 in monthly support for her.

Recommendation

AA has consistently met payment obligations that have been approved by the committee and has already started making the higher \$50 payment in anticipation of the change. The modification allows for AA to continue meeting her obligation of the original loan agreement. The new loan and terms are recommended for approval.

Hearing Aid Loan Pilot Program

FAAST's New Horizon Loan Program (NHLP) has seen significant growth in the hearing aid loan segment and recognizes the lack of available, reasonable funding for individuals with hearing loss to assist in the purchase of hearing aids. The NHLP will begin a Hearing Aid Financing Pilot Program to help streamline the approval process of new loan applications which will reduce the burden on staff and committee members as well as provide better service to clients and audiologists.

A study of all prior hearing aid loans has been completed to help create new underwriting criteria that will allow for quick approvals by program staff, without the need to create detailed loan memos for committee members to review and vote on. Any hearing aid loan requests that do not fit within the Pilot Program credit criteria will still be processed through normal loan request procedures.

Pilot Program funding and timeline

All hearing aid loan requests that fit within the below underwriting criteria will be a part of the pilot program. There will not be a maximum number of loans or dollar amount loaned.

Program will be in effect from 4/21/2022 – 9/30/2022 for new loans. All loans closed within that time period will be reviewed for payment performance and reported to the loan committee during the September and October committee meetings. The committee will then determine whether to continue the program, pause and monitor or discontinue.

Regardless of the committee decision, a review of the initial Pilot period loans will take place and be presented at the April 2023 meeting.

A \$6,000 loan loss maximum for the first 12 months of Pilot program loans will be used. If this amount is reached prior to 9/30/2023 through the charge-off of loans closed prior to 10/1/2022, the program, if still in effect, will be paused and reevaluated.

Underwriting Criteria

635 minimum credit score

50% DTI maximum

An applicant with no credit score is ok with DTI of 40% or below and no charge off or collection accounts (medical exception).

Employment income has been stable for six months.

Credit not trending negative – open accounts are being paid as agreed and there is not a current trend of accounts consistently past due or entering charge off status. Prior charge offs (12 months) and prior delinquent payments are ok.

If there is an instance of bankruptcy or a history of multiple charge off accounts, there must be reestablished credit since the negative occurrence or discharge occurred and the reestablished credit was paid successfully or is currently being paid as agreed.

Outstanding medical collections or debt will not be taken into consideration for any loan decision.

Student loan debt in collections or charge-off status will not be taken into consideration for any loan decision.

Future payments for student loan debt that is currently on deferment will not be used for underwriting.

Co-borrower credit history and score will not be included in above underwriting criteria as long as the DTI remains at or below 50%.

All loan requests that fit the Pilot guidelines will be automatically approved.

Loan Terms

\$7,500 - Maximum loan amount

Maximum terms:

5 years \$5,000-\$7,500

4 years \$3,000 - \$7,000

3 years \$2,000 - \$7,000

2 years \$1,000 - \$7,000

Hearing Aid Loan History

58 loans closed (\$272,615 total funded)

17 loans have been paid in full

41 open loans (\$165,633 current balances)

No loans have charged off to date

Seven of the 41 are not on track to be paid by maturity due to missed payments or deferred payments. Of the seven:

Three are only one or two payments off schedule with payments currently being made.

One is a total of three payments off schedule with the last payment received in February.

One is a total of ten payments off track due to both deferments and missed payments. The last payment was received in March. Potential charge-off estimated to be \$2,200.

One is two payments off schedule due to the last two payments being returned due to NSF. Potential charge-off estimated to be \$5,000.

One is on a committee approved deferment plan through May and is over twelve months off track but only owes \$326, the equivalent of four payments. Potential charge-off estimated to be \$326.

In reviewing the loans, three have elevated risk to become charge-off loans. The total expected maximum charge-off is \$7,526. This calculates to a current charge-off ratio of 4.50% and which is higher than the overall program. The borrowers of these loans all have credit scores below the proposed 635 minimum requirement so they would not be a part of the pilot program if they applied today.

Historical Credit and DTI

701 – Average credit score for approved hearing aid loans.

33% - Average DTI for approved hearing aid loans.

46 – number of loans approved with credit scores over 635

55 – number of loans approved with DTI of 50% or below

Hearing Aid Loan Pilot Program Six-month reporting

Loan summary of loans approved between 04/15/2022 – 10/7/2022

17 total hearing aid loans approved
13 approved through the pilot program
4 approved through committee votes
712 Average overall credit score
590 Lowest credit score of committee approved loans
727 Average pilot program credit score
639 Lowest pilot program credit score
Credit scores of non-pilot program approvals: 676; 590; 593; 781
No pilot program loans have gone over 30-days past due
One non-pilot program loan is in collections due to non-payment

The pilot program has allowed for the streamlined approval process of fourteen loans, saving time for both staff and committee members. As the hearing aid loan program expands further, this approval process will become even more effective and important.

Underwriting guidelines review: The credit score guidelines were effective however it is uncertain if a lower allowable score would create additional increased risk as there were no scores above 600 but below 635.

Recommendation – a minimum of score of 625 might allow for an increased number of future loan approvals with minimal risk added.

Maximum loan amount review: The current pilot program policy is a maximum loan amount of \$7,500. As more audiologists are made aware of the NHLP, different hearing aid price points are being requested. One loan was presented to committee with a total purchase price of \$8,300 and loan amount request of \$8,000. This borrower had a 781 credit score and 41% debt to income so met the underwriting criteria but was over the maximum amount allowed so the committee was involved. One other request had a loan amount of \$7,300 so just below the cut-off.

Recommendation – increase the maximum loan amount to \$8,500

Permanent program recommendation: The pilot program has so far proven to be an efficient and low-risk avenue for quick loan approvals, providing increased customer service to FFAST clients and providers. With the continued monitoring of the already approved loans through September 2023 and set loan loss limits in place through the program, potential weaknesses if any, will be able to be evaluated in a timely manner.

It is recommended that the program become a permanent part of the NHLP policy.