**Global Innovations Bank**
101 North Main Street
Kiester, MN 56051

# TYPES OF LOANS OFFERED BY THIS INSTITUTION

1. PERSONAL LOANS
    a. These loans will be either installment or single pay notes.
2. CONSUMER LOANS
    a. Personal-secured and unsecured Consumer loans
        i. The type of security offered will determine the length of time that this loan will be extended. It will be reviewed at maturity to see if there is any merit to extending this amount any further. If CDs are used as security, the rate on the loan will be 2.25% above the rate that the CD is earning. The maturity of loans secured by CD's will correspond with the maturity of the CD's used as collateral.
    b. Automobile loans - on an installment basis.
        i. New vehicles will have a maximum term of 60 months. Used vehicles will have a maximum term of 42 months (depending on the age of the vehicle). Differentiation in pricing of this loan may be made by the amount of the down payment and the length of the loan that is requested on a specific vehicle.
    c. Recreational vehicles - We will use the same guidelines as automobile loans.
    d. Home Improvement loans - It will be secured and will have an installment repayment plan.

*Exceptions to terms may result in an increased rate.

3. AGRICULTURAL LOANS
    a. Operating Loans
        i. These loans will either be single advance or multiple advance notes. Most of the operating notes are written as multiple advance notes that conform to a current cash flow submitted by the borrower prior to the advancement of funds.
        ii. This type of loan is just for the annual expenses of a farm operation; therefore, it will be reviewed on an annual basis to determine the performance on that account. We will extend 100% of the money needed if other security is offered that will secure this credit according to our standard collateral formula at the bank. At the end of the operating year funds must be repaid; carryover from an operating year will not be put on the next operating note.
    b. Livestock Purchase Loans

i. Livestock loans will be set up for the feeding period of the animals purchased. We will extend 100% on the livestock loans if other collateral is offered to secure this amount. After the loan has matured, we will evaluate the farmer's performance with their feeding operation to determine if it is worthwhile to extend additional funds to this party. Proceeds from the sale of the livestock must be applied to the loan.

c. Machinery Purchase Notes
   i. Most machinery notes are amortized over a 3–7-year basis with annual principal installments required. The interest rate will be on an annual variable or may be fixed for 5 years. This type of loan is reviewed annually, and adjustments are made for changes in machinery inventory as well as condition of the inventory. Annual inspections, at a minimum, are conducted on machinery offered for loans at the bank. The bank will extend 80% of the purchase price, conditioned on 50% of the appraisal of the collateral.

d. Agriculture Real Estate Loans
   i. Generally, maturity of these notes is 5 years with a balloon payment, with amortization of up to 25 years. $3,500/acre value will be used or a Board-approved amount. If there is an additional down payment on this real estate, there may be consideration of a reduction in the interest rate on the real estate loan. Loans outside of these guidelines need Board approval. Bank staff try to make use of the Minnesota Rural Finance Authority as well as the Iowa State Beginning Farmer Loan Program if the loan applicants fit into the guidelines for these programs. Each of these programs has specific guidelines that do not necessarily coincide with the bank's criteria for Ag real estate loans, but these are guaranteed by the respective states, so the loans are made according to their specifications. To obtain longer term fixed rate notes, Global Innovations Bank participates with other area financial institutions. The Bank is also able to finance with Farmer Mac.

4. REAL ESTATE REGULAR LOANS
   a. Residential Loans
      i. Generally, these notes have a maximum amortization of up to 30 years with a five-year balloon payment. The bank will not extend more than 80% of the appraised value or purchase price, whichever is less. If there is an additional down payment on this real estate, there may be

consideration of a reduction in the interest rate on the real estate loan. The bank has a working relationship with Hometown Bank to offer loans at a fixed rate for a longer term. This gives our customers the option of a longer fixed rate term on the loan, and it helps to keep some customers that we may have lost. With this program we have an origination fee, but the loan is carried with Hometown Bank on the secondary market.

ii. All closing costs are to be paid by the borrower at or before the time of closing.

iii. In the event the borrower has less than sixty (80) percent equity on any residential real estate loan, the Bank shall escrow the amounts necessary to cover taxes and insurance regarding the property. This requirement may be waived only upon Board approval.

iv. If the mortgage loan is an HPML, the borrower must escrow for 60 months.

5. HOME EQUITY LINE OF CREDIT (HELOC)
    a. HELOCs are a line of credit loans that must be secured by residential property. Only owner-occupants of single-family residences are eligible, provided they have sufficient equity in their homes to make such a loan feasible.
    b. Standard underwriting guidelines apply for qualifying all applicants. Two methods are needed to determine maximum loan amounts. The first is the valuation approach, based on the amount of equity the applicant has. The second is to determine if the applicant's resulting payment ratio is sufficiently low enough to handle the additional debt. The lower of the two approaches determines the maximum line of credit the applicant is eligible for.
    c. General Terms and Conditions of the Plan are as follows:
        i. Payments must be made monthly. No passbooks are involved. Monthly statements are generated on the 21st of the month. Payments must be made by the 15th of each month to avoid a late charge (5% of monthly payment).
        ii. Payments required per month is an amount equal to 0.25% of the unpaid principal plus interest or $50.00, whichever is higher. HELOCs with no balance have no minimum payment.
        iii. Example: Principal balance is $10,000 x .0025= $25.00 principal payment. If the interest rate is 9.00%, monthly interest is: $75.00. TOTAL MONTHLY PAYMENT WOULD BE: $100.00. (Payment will vary depending on the outstanding balance.)

iv. Interest rates will be fixed for no more than 5 years.
v. Maximum Loan to Value (including the first mortgage balance) is based on a current appraisal within the last 12 months, current property tax statement or property evaluation. If the tax assessed value is used for evaluation purposes the tax assessed value must be supported by three comparative sales within the last 12 months.
vi. For properties we hold or service the current first mortgage, the maximum combined Loan to Value is 85%.
vii. For properties we do not hold or service the first mortgage, the maximum combined Loan to Value is 80%.
viii. Those applicants who wish to borrow funds under this program where no current loans exist will be eligible. All steps of loan closing must be followed including an appropriate form of evaluation and title opinion or title policy showing that we have a first mortgage lien. All applicable Reg Z., Reg. B., Reg. X., and Reg H. disclosures apply.
ix. Extension of Maturing Home Equity Line of Credit (HELOC)
    1. Fixed Rate Home Equity Loans can be extended for an additional term. Prior to extension, the following review process must be followed:
        a. Review the payment history on the maturing Home Equity Line of Credit.
        b. Notify the customer of when the HELOC will mature and provide potential options upon maturity. Inform them that we will need to obtain recent income documentation and we will pull a credit report prior to approving a HELOC extension.
        c. If the customer wishes to extend the HELOC, pull the customer's credit report and mail out the Credit Score Disclosure Report within three business days.
        d. Obtain a recent paystub, W2, tax return, or other form of income documentation.
        e. Obtain an appraisal, BPO, or county tax assessment to verify the property's current estimated market value. Tax assessed values must be supported by two comparable properties and a recent exterior photo of the subject

property. The Loan Officer must note why he or she finds this value acceptable.

f. A new flood determination must be obtained if the mortgage extension date is seven years or more after the existing flood determination date or if there is any reason to believe the flood map has been changed or revised. If a new flood determination must be pulled, cancel the original, but keep the original signed copy in the file.
g. Prepare a summary to explain the approval of the HELOC extension.

6. REAL ESTATE COMMERCIAL
    a. Commercial Properties in the Trade area
        i. Generally, maturity of these notes is 5 years with a balloon payment, and amortization of up to 25 years. The bank will not extend more than 80% of the appraised value on a piece of property with the recommendation that there is a minimum of a 20%-25% down payment on the property.
        ii. If there is an additional down payment on this real estate, there may be consideration of a reduction in the interest rate on the real estate loan.
    b. Commercial Real Estate considered for Participation
    c. Terms should be no greater than loans held in house. Loans should have a monthly payment at minimum to cover current interest.
    d. Pricing will vary with collateral and terms of the loan, with allowance for an originator servicing fee.
    e. All collateral valuation needs to be verified by a certified appraisal or internal evaluation.
    f. Maximum loan to value percentage maximum limits

| Category | LTV |
|---|---|
| • Raw land | 65% |
| • Land development | 75% |
| • Construction | 80% |
| • Commercial, multifamily | 80% |
| • Other non-residential | 80% |
| • 1 to 4 family residential | 85% |
| • Improved property | 85% |

    g. Hard equity by the borrower

7. COMMERCIAL NOTES
    a. Operating expenses needed by local businesses to operate.
    b. This would be set up on an annual basis with a review of cash flows and profit and loss statements at the end of the note to determine if this account is servicing the debt as projected.

8. ADDITIONAL DESIRABLE LOANS FOR THIS BANK INCLUDE:
    a. Loans for business concerns on a short-term working capital basis. Usually for a term of 90 days.
    b. Loans to business concerns collateralized by a security interest in marketable business equipment to be amortized over a period of not more than 24 months.
    c. Loans to companies against assignments of accounts receivable with all such loans requiring approval of the Loan Committee/ALCO.
    d. Loans secured by negotiable U.S. Government securities, for not more than 90%of the market value.
    e. Loans secured by cash surrender of life insurance.
    f. Loans secured by assignment of savings account passbooks from Federally insured banks and savings institutions.
    g. Loans guaranteed by the U.S. Small Business Administration or other U.S. Government agencies.
    h. Real estate loans secured by a first mortgage of improved business or residential property. Commercial mortgages shall not exceed 80% of the appraised value of the real estate. Residential mortgages on houses up to 4 families may be made in the amount not to exceed 80% of the appraised value.
    i. Loans secured by precious metals limited to Gold & Silver not exceeding 50% of the market value.