

**MORTGAGE CREDIT RISK COMMITTEE (MCRC)  
 TERMS OF REFERENCE**

**Purpose**

The purpose of the MCRC is to manage and control mortgage credit risk defined as follows:

<b>Mortgage Credit Risk</b>	This is the risk of financial loss arising from a mortgage borrower failing to meet their financial obligations to the Society in accordance with the mortgage terms that have been agreed.
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**Constitution**

The MCRC is a first line Management Committee reporting to the Board of Directors (Board)

**Authority**

The Committee is under the Authority of the Board to investigate activity within its terms of reference.

The Committee is authorised to obtain external legal or other professional advice and to secure the attendance of anyone it considers has relevant experience expertise or knowledge.

Minutes of each meeting are issued to all members of the Board.

**Membership – Formal Meetings**

- Customer Services Director (Chair)
- Finance Director
- Head of Business Development
- Head of Risk Head of Lending
- Head of Finance
- Head of Compliance & DPO
- Head of Lending

**Attendees**

- Minute Taker
- Other staff members may be requested to attend and report as necessary

**Membership –Individual Mortgages Cases**

**Required: 3 from A or 2 from A plus 1 from B**

- The member from Group B must be totally independent of the case being presented
- The Head of Risk may also attend individual mortgage case meetings.

**Group A**

Chief Executive Officer  
 Customer Services Director  
 Finance Director  
 Head of Lending

**Group B**

Underwriting Manager  
 Dedicated Underwriter: (Keith Barron)

**Attendance at Meetings**

In absence of the Chair, remaining members shall elect one of their members to be Chair for that meeting, taking into account any member(s) with conflicts of interest.

The quorum necessary for the transaction of the business of the Committee shall be three (3) Committee members, one (1) of whom must be an Executive Director.

All matters shall be decided by a majority of votes. Every Member present, including the Chair, shall have one vote. In the event of a tie, the Chair shall have a second and casting vote.

**Frequency of Meetings**

The Committee shall meet formally on a quarterly basis.

Additional meetings are called as required by the MCRC Chair.

The Committee shall meet on an ad hoc basis to consider individual mortgage cases as required.

**Duties – Formal Meetings**

**Policies**

- Review and recommend to the Board, the Lending Policy
- Review and recommend to the Board, the Arrears Policy

**Mortgage Credit Risk**

- Monitor adherence to and compliance with the limits set out in the Lending Policy Statement via the KRI Report in relation to Mortgage Credit Risk
- Approve all underwriter mandates (maximum 2.5% of capital resources)

<ul style="list-style-type: none"> <li>• Monitor Early Warning Indicators (EWI) as outlined in the Recovery &amp; Resolution Plan relating to mortgage credit risk matters via the KRI Report (namely Impaired and past due loans / Total loans; Weighted average LTV / Gross Lending; and Non-performing loans by</li> </ul>
<ul style="list-style-type: none"> <li>• Review the framework for all mortgage pilots</li> </ul>
<ul style="list-style-type: none"> <li>• Consider and recommend to the Board all new mortgage lending pilots</li> </ul>
<ul style="list-style-type: none"> <li>• Monitor new areas of lending approved by the Board via the KRI Report.</li> </ul>
<p>Ensure the Society's PRA Regulator is notified where a new pilot is approved by the Board in accordance with the Supervisory Statement SS20/15; supervising building societies' treasury and lending activities dated January 2017.</p>
<ul style="list-style-type: none"> <li>• Consider, on at least an annual basis, the appropriateness of the Society's MIG contract</li> </ul>
<ul style="list-style-type: none"> <li>• Review all key mortgage credit risk areas, via the quarterly Credit Risk Report, Credit Risk and Cross Analysis Report and 'Watch List Report', including: <ul style="list-style-type: none"> <li>• serious arrears cases (arrears <math>\geq</math> 3 months) all interest only loans past their designated maturity date</li> <li>• interest only, arrears and forbearance matters</li> <li>• all cases in negative equity</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Review Annual Due Diligence Report on the Society's largest mortgage counterparty</li> </ul>
<p><b>Individual Mortgage Cases</b></p>
<ul style="list-style-type: none"> <li>• Consider any case recommended by a Mortgage Underwriter that is outside of lending criteria or Policy</li> </ul>
<p><b>Other Matters</b></p>
<ul style="list-style-type: none"> <li>• Review and recommend to the Board, the Terms of Reference of the MCRC</li> </ul>
<ul style="list-style-type: none"> <li>• Relinquish all authority to the Crisis Management Committee in the event that Committee is invoked</li> </ul>
<p><b>Reports Received</b></p>
<p>Key Risk Indicator (KRI) Report (in relation to Mortgage Credit Risks)</p>
<p>Quarterly Credit Risk Cross Analysis Report</p>
<p>Annual MIG Renewal Paper</p>
<p>Annual Due Diligence Report in relation to THE Society's largest mortgage counterparty</p>