

CBS Preparations for Credit Card Act & Reg Z

Frequently Asked Questions

As of August 28, 2009 - 03:30pm Eastern Time

The following FAQs were derived from questions posed by credit unions concerning the changes required for open-end loans as required for the Credit Card Act and Regulation Z. These questions and answers are not in any particular order and they represent the CBS' current intentions. We will continue to update this document as questions are received and answered, so you should periodically refer back to the CBS Message Center and this document for updates.

Question 1: How are you converting the loan payment amount?

Answer: The conversion programs will affect only those open-end loans that have a weekly, bi-weekly, or semi-monthly scheduled payment frequency on the loan record. The scheduled payment amount on the loan record will be re-calculated to a monthly amount. For example, weekly amounts will be multiplied by 52 and then divided by 12. Bi-weekly amounts will be multiplied by 26 and then divided by 12, etc. You can still make weekly, bi-weekly, and semi-monthly payments to the loan even though the payment has changed to a monthly amount.

Question 2: How are you converting the loan payment frequency?

Answer: The conversion programs will affect only those open-end loans that have a weekly, bi-weekly, or semi-monthly scheduled payment frequency on the loan record. The scheduled payment frequency on the loan record will be converted to monthly. Again, you can still make weekly, bi-weekly, and semi-monthly payments to the loan even though the frequency has changed to monthly.

Question 3: How will the next payment due date be changed?

Answer: The conversion programs will affect only those open-end loans that have a weekly, bi-weekly, semi-monthly, or monthly scheduled payment frequency on the loan record. Before the end of August 2009 CBS will have programs available that change the next payment due date on the open-end loans to be the 28th, 29th, 30th, or the last day of the month. The conversion programs will change/alter only the day number in the next payment due date. For example, a next payment due date of 04/15/2009 might be changed to 04/28/2009; a next payment due date of 05/15/2009 might be changed to 05/28/2009; and a next payment due date of 08/15/2009 might be changed to 08/28/2009. Also, if your credit union has monthly frequency loans that are currently setup for the 29th, 30th or last day of the month, the conversion programs will honor these days provided that the Payment Day Number text box on the loan record is populated accordingly.

Question 4: Effective August 31, 2009, will CBS have the loan due date printed on members' statements that have an open-end loan?

Answer: Yes, before the end of August 2009 CBS will have modified and deployed the programs associated with statement production so that these programs will print the Next Full Payment Due Date for each loan that appears on the member's statement. This Next Full Payment Due Date is the deadline date that a member has for remitting their payment without being subject to late payment charges. This is not the due date for delinquency purposes. Additionally, these enhanced programs will print information advising the member if the loan is in a delinquent state. These program changes also apply for those customers that use the CBS Statement Processing Services (SPS).

Question 5: What will the due date become for current delinquent loans? If the due date is September 30th on the statement, how do the members know that the particular loans are delinquent?

Answer: The enhanced statement programs will print information advising the member if the loan is delinquent.

Question 6: How will the change in the due date affect the delinquent loans?

Answer: The conversion programs will affect only those open-end loans that have a weekly, bi-weekly, semi-monthly, or monthly scheduled payment frequency on the loan record. The programs will change the next payment due date on the open-end loans to be the 28th, 29th, 30th, or the last day of the month. The conversion programs will change only the day number in the next payment due date, i.e. the month and year will not be changed. So any delinquent loan that has a weekly, bi-weekly, semi-monthly, or monthly scheduled payment frequency with a next payment due date number ranging from 01 – 27 will be changed.

Question 7: With the due date changing to the 28th, 29th, 30th, or the “last day of the month”, will the distribution dates also be changed to one of these dates?

Answer: No. CBS will not be altering any payrolls and/or distributions. CBS recommends that your credit union just continue making the payments in the same manner and frequency as you always have. Do not create any disruptions in your members’ payment habits. Again, you can still make weekly, bi-weekly, and semi-monthly payments to the loan even though the payment frequency and amount have changed to monthly.

Question 8: If we change our loan due dates to the last day of the month, but some members still want to pay weekly, bi-weekly, etc., can they?. Do we, then, need to set up a distribution for those members so their payment would pay as scheduled? Their loan due date, however, would not advance until their full monthly payment is made. Is this correct?

Answer: Members will still be able to pay weekly, bi-weekly, and so on. You will not, however, be required to set up a new distribution.

Question 9: When we setup a new loan and/or advance funds against an existing loan what should we use for the first payment date?

Answer: The first payment date should be the date that you expect the member to make their first payment. This is not necessarily the same as the monthly obligatory due date (such as the 28th, 29th, 30th, or the “last day of the month.” For example, let’s assume that you are setting up a new loan on the last day of August and the member wishes to have their payment taken “weekly” via an automatic payroll/distribution... you should set the first payment date to be September 7 (or whatever date coincides with your weekly payroll/distribution) and the next payment due date to be September 28th-30th, and the payment day number to be the 28th, 29th, 30th, or the “last day of the month.” Remember, you can still make weekly, bi-weekly, and semi-monthly payments to the loan even though the payment frequency and amount have changed to monthly and the monthly obligatory due date is the 28th, 29th, 30th, or the “last day of the month.”

Question 10: Only those members that receive a monthly draft statement will receive this loan due date information, correct?

Answer: Not necessarily. CBS will automatically mark all open-end loan accounts to receive a monthly statement. All accounts that have been designated for a monthly statement will have a statement produced even if the member does not have a monthly draft account.

Question 11: Will CBS continue to use a consolidated statement until further notice?

Answer: Yes, until further notice.

Question 12: If we are using the CBS Statement Processing Services (SPS) will we still need to complete and submit the statement transmittal sheet each month for the new statements? Is it the same form as we used for quarterly statements?

Answer: Yes, to both questions.

Question 13: Will the line of credit loans be included in the monthly statement?

Answer: Yes. CBS will automatically mark all open-end loan accounts to receive a monthly statement. All accounts that have been designated for a monthly statement will have a statement produced.

Question 14: Must we request the marking of loans or account types for a monthly statement?

Answer: No. CBS will automatically mark all open-end loan accounts to receive a monthly statement.

Question 15: What do I need to do if I have members that have a loan due date of the 30th of the month and it is linked to an end-of-month payroll and they will not be able to pay their loan on the 28th?

Answer: Nothing. The due date on the loan record does not influence whether a loan payment can be made. For example, if the due date is the 30th of the month and you process a payroll and/or distribution on the 28th, the payment will be made; conversely if the due date is the 28th of the month and you process a payroll and/or distribution on the 30th, the payment will be made.

Question 16: To which date will the loan due date be set to by the changes?

Answer: The conversion programs will affect only those open-end loans that have a weekly, bi-weekly, semi-monthly, or monthly scheduled payment frequency on the loan record. The programs will change the next payment due date on the open-end loans to be the 28th, 29th, 30th, or the last day of the month. The conversion programs will change only the day number in the next payment due date, meaning that the month and year will not be changed/altered.

Question 17: What is the significance of the 28th for the due date?

Answer: CBS originally chose the 28th for several reasons... a) all calendar months have at least 28 days and correspondence received by CBS indicated that the payments must be on the "same day" of month, and b) the 28th provided a seven-day lead time for getting the member statements produced, printed, processed, and distributed considering the 21-day compliance rule. However, since this original concept, CBS has amended the 28th to also accommodate the 29th, 30th, and the last day of the month. So, if your credit union has monthly frequency loans that are currently set up for the 29th, 30th or last day of the month, the CAMS-ii system will continue to honor these days provided that the Payment Day Number text box on the loan record is populated with the 28th, 29th, 30th, or last day of the month.

Question 18: If we decide to opt out from the open-end loan due date change, but we decide to have the due dates changed later, can we do this? Will there be a charge?

Answer: Each credit union can choose to opt out provided that CBS is notified (via the CBS Issue Tracking System – no e-mails or phone calls will be accepted) by no later than Wednesday, August 26, 2009 at 12:00 noon Eastern Time. If you elect to opt in prior to the CAMS-ii 2009 year-end software release (projected for December 15, 2009) there will not be any opt in charges. Otherwise, there will be charges for opting in after the year-end release.

Question 19: If we decide to not have the programming changes for this statement, can we decide to do it for the next statement?

Answer: Each credit union can choose to opt out provided that CBS is notified (via the CBS Issue Tracking System – no e-mails or phone calls will be accepted) by no later than Wednesday, August 26, 2009 at 12:00 noon Eastern Time. If you elect to opt in prior to the CAMS-ii 2009 year-end software release (projected for December 15, 2009) there will not be any opt in charges. Otherwise, there will be charges for opting in after the year-end release.

Question 20: For those members that receive their statement quarterly, will they not receive their loan due date information until the September 2009 statement period?

Answer: If an account is not marked for a monthly statement then it will receive a quarterly statement along with the Next Full Payment Due Date for the loan.

Question 21: On the delinquent loans, if I have a payment due 09/28/2009 and I do NOT pay it, when I get my September statement (which I will receive in October), will it say due by 09/28/2009 or 10/28/2009? In other words, is the due date going to keep rolling even if a payment has not been made?

Answer: The statement programs will print the Next Full Payment Due Date for each loan that appears on the member's statement. This Next Full Payment Due Date is the deadline date that a member has for remitting their payment without being subject to late payment charges. This is not the due date for delinquency purposes. The statement programs will print information advising the member if the loan is delinquent. Given the above question/scenario, the September statement (which will be received in October) will have a Next Full Payment Due Date of 10/28/2009.

Question 22: When will CBS run the programs for changing the due dates, etc.?

Answer: An exact date/time has not been finalized yet. We intend, however, to deploy the programs on Wednesday, August 26, 2009 and install the programs during the end-of-day batch processing on Thursday, August 27, 2009. **Remember: each credit union can choose to opt out provided that CBS is notified (via the CBS Issue Tracking System – no e-mails or phone calls will be accepted) by no later than Wednesday, August 26, 2009 at 12:00 noon Eastern Time.**

Question 23: Regarding question #21 - how will partial payments affect the due date on delinquent loans?

Answer: Partial payments will be treated the same as always. The next payment due date does not get advanced until a full payment amount has been applied. If a payment is made that is either less than or more than the scheduled payment amount, the CAMS-ii system automatically handles the partial payment amount needed in order to advance the next payment due date.

Question 24: After reviewing the latest update on CAMS-ii regarding the CARD Act, am I correct in assuming that "the last day of the month" will be a valid option when we set up a new loan payment date? And will the statement also have the capability to print "the last day of the month" as the next payment due date on the member's statement?

Answer: Yes, to both questions.

Question 25: Our payments are all due on the last day of the month. Where is that option under payment day number? If there isn't one what day should we use?

Answer: Nothing about the Payment Day Number text box on the loan record has changed. If a loan has a monthly frequency, the Payment Day Number on the loan should be set to the 28th, 29th, 30th or 31st (which means the last day of the month).

Question 26: Currently biweekly payment is \$170.00 so the monthly payment would go to \$368.33. But when you continue with payroll coming in the majority of the months all but 2 have 2 pay periods so she would receive \$340.00 most months. This will cause the loan to show late a couple of months into this and will then shut off of the courtesy pay when she is not really delinquent. Has this issue been addressed?

Answer: In the scenario described above... a) the scheduled payment amount on the loan record can be file maintained to be \$340.00, or b) the biweekly amount coming in via payroll can be increased to cover the difference between \$368.33 and \$340.00.

Question 27: We have a 'sub 98' holding account for the payments for member loans. Will this remain in effect? When the member gets 3 payrolls in a month, how will this be handled? Will I continue to schedule this 1/2 payment to go to their savings in batch?

Answer: CBS will not be altering any payrolls and/or distributions. CBS recommends that your credit union just continue making the payments in the same manner and frequency as you always have. Do not create any disruptions in your members' payment habits. Again, you can still make weekly, bi-weekly, and semi-monthly payments to the loan even though the payment frequency and amount have changed to monthly.

Question 28: We have both open-end AND closed-end loans. We know that closed-end loans are not affected by the new rulings, so our question is will our closed-end loans remain the same with a due date of the 25th of each month?

Answer: Yes. Closed-end loans will not be affected by the conversion programs. You should continue to treat the dues dates, payments, etc. the same as always for closed-end loans.

Question 29: Our ODP [overdraft protection] LOC - notices are generated each time the line is accessed. Will that change? And more importantly, will it change the payment due dates on the ODP LOC? I believe that is how ours are set up now, each time the line advances, it causes the payment due date to change.

Answer: The CAMS-ii system handles the next payment due date on line-of-credit loans this way... if the line-of-credit loan has a zero balance (meaning before the advance is done) the system will populate the next payment due date as "today's date" and then advance the next payment due date by one payment frequency. For example, assume that the line-of-credit loan balance is zero and on August 25, 2009 an overdraft protection event causes the system to advance \$200 against the loan; the system will populate the next payment due date as "today's date / August 25, 2009" and then advance the next payment due date by one payment frequency in accordance with the 28th, 29th, 30th, and the last day of the month rules (as governed by the Payment Day Number on the loan record).

Question 30: Amendment to Question 1: How are you converting the loan payment amount?

Answer: (Based upon feedback received from customers... regarding Weekly and Bi-weekly payment frequencies), the new Reg Z monthly loan payment amount for weekly amounts will be computed by simply multiplying the current payment amount by 4. Bi-weekly amounts will be multiplied by 24 and then divided by 12.

Question 31: CBS has received questions concerning setting up new loans (after the Credit Card Act and Regulation Z conversion programs have been processed).

Answer: When doing a new loan setup you should continue to amortize the loan according to your current payment frequencies (weekly, bi-weekly, semi-monthly, monthly, etc.) On the new loan setup you should continue to input your normal information (payment frequencies, payment amounts). These values will go into new fields on the member's loan record (user payment frequency and user payment amount) and the system will compute a Reg Z payment frequency (monthly) and Reg Z payment amount. You should set the first payment date early enough to accept the first payroll/ACH payment that you and your member agree on. You should set the next payment due date after the 27th (according to your credit union policy) of the following month. This should ensure that the member will be notified at least 21 days in advance of that payment (monthly obligation being due). Certain situations may deem setting the next payment due date to the second month following the first payment due date to ensure that the member will have adequate payroll periods to meet a monthly obligation amount to prevent showing the loan past due. The new loan setup program will not allow next payment due dates less than the 28th of the month for open-end loans (assuming that the Credit Card Act and Regulation Z conversion programs have been processed for your credit union).

Consider notifying your members with a message on the August and September statements

Below is a sample statement message that you may wish to include with your upcoming August and September statements to inform your members of the changes. Remember that the CAMS-ii statement message area allows for six (6) lines of text.

*** NEW FEDERAL LAW EFFECTIVE THIS MONTH *** A new federal law requires consumers to have 21 days after the statement is mailed to make payment on outstanding open-end loans. To comply with this law we have changed the date on open-end loans for which we consider a payment late to the 28th – 31st of each month. This does not affect the method or frequency of how your loan payments are remitted.