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CU*Answers Solicits Clients for Reg. Z Wishes

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In the most recent issue of the Audit Link Advisor, a joint publication between West Michigan-based CUSOs CU*Answers and Xtend, audit and compliance expert Jim Vilker discusses recent instructions from CUNA Mutual Group (CMG) regarding the requirements which Regulation Z has placed on the use of the Multi-Featured Open-End Lending (MFOEL) product line.

According to this issue, a number of changes are required regarding the advance request voucher, underwriting style, open-end plans disclosures, and members' periodic statements. Vilker states that though the recent buzz is about CMG's open-end program, it fully expects other forms providers to follow suit. According to CMG, the deadline for the forms, disclosures, and underwriting changes is July 1st, 2010 – for statement changes to take effect with the July month-end statement run.

The article focuses on the following areas for consideration:

Forms. CMG relayed in a conference call that they will be providing CU*Answers directly with a list of all credit unions utilizing MFOEL plans and doing a mass change. Once required changes are received, the Lender*VP team of CU*Answers will contact credit union clients to assess the time required and processes for pending changes. The CUSO also states that it will not be contacting forms providers on behalf of the credit union, and urges credit union lending teams to be proactive.

Process. From the perspective of underwriting, there are no recommended changes to the CU*BASE software, but numerous alterations within the credit unions' manner of processing, underwriting and advancing funds. Some of these changes include holding to the requirement that you cannot fully underwrite each time an advance is made on a loan, and disbursing funds on open-end loans which in the past may have been considered to be closed-end, such as automobiles.

Periodic Statements. CMG's recommendations place the same requirements on regular statements as were placed on credit card statements including the aggregation of fees, interest, and placement of sub-accounts in close proximity to each other.

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Certain challenges were also recognized from a programming perspective, first identifying which members have a plan, and then tying all of the loans which fall into that category together with an identifying element. Second, is aggregating these loans on a statement, combining the interest charges associated with them, and then pulling the fees out of the transaction information and listing them separately.

The Audit and Compliance team of Xtend is working closely with the Programming teams of CU*Answers to create a plan to attack these upcoming changes. But, as with other recent regulatory mandates there remains a bit of debate on how far or close credit unions will require these teams, and the CU*BASE software to take the current CMG recommendations. For this reason, the CUSOs have urged their credit union clients to communicate their wishes for adherence to Reg. Z changes.

Also stated, final decisions on how to attack these changes will be made no later than May 7, 2010, and any preferences and concerns can be voiced on the Advisor Reg. Z / Credit CARD Act Open forum: <http://advisor.cuanswers.com/>

About CU*Answers

CU*Answers was founded 40 years ago and is a 100% Credit Union owned CUSO located in Grand Rapids, Michigan. CU*Answers offers a wide variety of services for credit unions including its flagship CU*BASE Processing System in both an Online (ASP) and In-house environment, Electronic Check Processing, and a wide variety of Self-Service products featured by **It's Me 247** Online Banking, and newly offered Mobile Banking. CU*Answers provides combined services to 165 credit unions nationally representing nearly 1.5 million members and \$10 billion in credit union assets. For more information about how "We Make Credit Unions Go" please visit CU*Answers at www.cuanswers.com.

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