



Policy and Procedure News for Credit Unions

Designed with You
in Mind!

This newsletter is designed to help inform you about issues related to creating and maintaining thorough, up-to-date, usable policies and procedures.

In each issue, look for news about regulation changes, a featured policy, and frequently asked questions (FAQs).

If you have a topic you would like to see addressed in a future issue, contact us (see page 4).

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New Year's Resolution!

Happy New Year! Now that the holiday hustle and bustle is over, why not start the year off with a resolution to make 2010 the year you get your Credit Union's polices and/or procedures in order?

Policies

Do you have written policies for each of the following? When were they last reviewed and/or updated?

- Allowance for Loan and Lease Losses
- BSA, OFAC, USA Patriot Act, CIP, AML
- Cash Control
- Collections
- Disaster Preparedness/Recovery
- Identity Theft Red Flags
- Injury and Illness Prevention
- Lending: Real Estate, HELOCs, Indirect, Member Business Loans, LOCs, etc.
- Managing Third Party Relationships
- Physical and Electronic Security
- Privacy
- Regs: TILA, ECOA, CC, EFT, TISA
- Wire Transfers

While this is not meant to be a complete lists of policies that auditors may ask to see, having the ones mentioned above written, organized, and up-to-date will be a good start.

Procedures

Once all your policies are in place, you will need clear, concise, easy-to-follow procedures for how your staff will implement those policies.

A good way to start is to have each staff member make notes about his/her daily tasks. These notes, however, do not constitute procedures. Procedures must be written and formatted to be easily readable so that anyone could perform the tasks by following the documented steps. While one person (Manager, CEO) may write the policies to be approved by the Board of Directors, procedures may need to be written by several people who all perform the same task. Then the versions will need to be reviewed, combined, and approved by management so that eventually everyone is following the same steps for any given task. This is especially important for Credit Unions with multiple branches.

Getting It Done

Getting policies and procedures written or updated does not have to be a daunting task. Make a plan; decide which ones need to be worked on first. Have the auditors mentioned specific policies that need attention? Are there any procedures that only one person knows how to do? Those are the ones to tackle first. Then break the remaining policies and/or procedures into small batches, and assign a timeline to them over the coming year. If you follow your plan, you'll find that by 2011, your documentation will all be in order!

If this process still sounds overwhelming, remember you don't have to do it alone. Contact **Madison Avenue Publications** for a free consultation to discover how we can help you create your documentation plan and make your plan a reality. 📄

Do your policies and procedures reflect the provisions of the new Credit CARD Act?



Featured Policy—*Credit CARD Act (An Amendment to Reg Z)*

In May, 2009, the Credit Card Accountability, Responsibility, and Disclosure Act of 2009 (Credit CARD Act) amended the Truth in Lending Act (TILA) and other statutes to establish fair and transparent practices for open-end, consumer credit plans, including credit cards.

The Credit CARD Act will be implemented in three stages; the first stage went into effect August 20, 2009. The majority of the provisions will go into effect February 22, 2010, and the remainder August 22, 2010.

The requirements of the Credit CARD Act that went into effect in **August 2009** are:

- Creditors must provide written notice to consumers 45 days before increasing an annual percentage rate on a credit card account or making a significant change to the terms of that account and must inform consumers in the same notice of the right to cancel the account before the increase or change goes into effect. If a consumer cancels an account, the creditor is prohibited from applying the increase or change to the account.
- Credit card statements must be mailed 21 days before the bill is due before treating a payment as late or denying a grace period.

On **February 22, 2010**, the following provisions will go into effect:

- Issuers must disclose changes in card terms that take effect upon renewal.
- Issuers must disclose the period of time and total interest that will be paid if a consumer repays a card balance by making only the minimum monthly payment.
- Billing statements must disclose payment due dates and late payment penalties.
- Use of the term “fixed rate” is prohibited unless the APR or interest rate will not vary for any reason over a specified period.
- Issuers may not set early morning dead-

lines for credit card payments.

- Credit card payment due dates must be the same day each month.
- Payments made at local branches must be credited on the day received.
- Except for deferred interest balances, payments in excess of the minimum must be applied first to the credit card balance with the highest rate of interest.
- Issuers must consider a consumer’s ability to pay when issuing credit cards or increasing credit limits.
- Issuers are prohibited from charging a fee to pay a credit card debt by mail, telephone, or electronic transfer, except for live services to make expedited payments.
- Issuers are prohibited from charging over-limit fees unless the cardholder has agreed to allow the issuer to complete over-limit transactions.
- Excessive fees on low-credit, high-fee cards are prohibited.
- Interest charges on debt paid on time are prohibited.
- APR, fee, or finance charge increases are prohibited during the first year an account is opened and subsequently on outstanding balances subject to limited exceptions that do not permit “universal default” or “any time/any reason” repricing.
- Promotional rates must generally last at least six months.
- The Federal Trade Commission must issue rules preventing deceptive marketing of free credit reports.
- Credit card issuers must post credit card agreements on the Internet and provide those agreements to the Federal Reserve Board to post on its website.

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Ask the Editor—FAQs about P&P

In each *Policy and Procedure News for Credit Unions*, we'll address one frequently asked question about policies and procedures. Email your question to us to be answered in a future issue.

Q: What is the best format for procedures?

A: The format should be visually distinct and clear at first glance so the reader knows it is a procedure. The format should make the information look easy to follow.

Page Layout

The page layout should be clear and concise, allow some white space, and give relevant information—fast. Use a short, introductory paragraph to explain the purpose of the procedure and when to use it. Number steps that must be followed in order; otherwise, use bulleted lists. In either case, keep steps or lists to no more than 7–10 items.

Use headers and footers for information that is applicable to all procedures, such as subject/title, effective/revision dates, page numbers, etc.

Use tables and screen captures when they can help explain what to do. However, do not over-use these elements.

Heading Styles

Headings help organize information and identify topics. Using a larger, bold font for topic headings and bold and/or *Italic* font for sub-headings will enable the user to quickly find needed information.

Help Is Available

Remember, if you just are not getting around to documenting your Credit Union's procedures, contact **Madison Avenue Publications** and find out how we can help make that task a painless process. 📄



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Credit CARD Act: continued from page 2

- Prescreened offers of credit to young consumers is limited. Issuers extending credit to consumers under the age of 21 must either obtain the signature of an individual 21 years or older who will take responsibility for the debt or proof that the applicant has an independent means of repaying any credit extended.
- Credit limit increases are prohibited unless both the cardholder and other jointly liable individual agree to the increase.
- Protections for students against inducements to obtain a credit card and transparency of affinity arrangements between credit card companies and universities are increased.
- Existing penalties are increased for companies that violate TILA for credit card customers.

And finally, on **August 22, 2010**, the following provisions will go into effect:

- Penalty fees must be reasonable and proportional to the omission or violation.
- Issuers who increase a cardholder's interest rate must periodically review and decrease the rate if indicated by the review.
- Certain gift cards must have at least a five-year life span and the practice of declining values and hidden fees for gift cards not used within a reasonable period of time is eliminated.

Do any of these provisions relate to services provided by your Credit Union, such as other open-end loans or your credit card rewards program? If so, have you updated your policies and procedures to reflect the provisions of this new Credit CARD Act? 📄



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We're on the Web!

madisonavenuepublications.com

Does your Credit Union need help with:

- Identifying documentation needs?
- Getting and keeping policies updated?
- Documenting everyday procedures?
- Building user guides for a system conversion?
- Creating in-house or member newsletters?
- Designing training or seminar materials?
- Developing an employee handbook?
- Creating a product knowledge guide?

If your Credit Union needs accurate and meaningful documentation, contact us for a free consultation. Learn how **Madison Avenue Publications** can help you with all your documentation and writing needs. 📄

info@madisonavenuepublications.com

714.279.0655

We look forward to hearing from you!

Madison Avenue Publications
5450 E. Big Sky Lane
Anaheim, CA 92807