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| **Published Date:**  Skip payment programs are a win-win situation for both       (Credit Union) and its members, as the Credit Union is able to earn more fee and interest income while the member benefits with extra cash for a month. This policy outlines the Credit Union’s skip payment program.   1. **MEMBER IN GOOD STANDING**. To be eligible for a skipped payment, the member must be a member in good standing with a minimum share balance of $     . Skipped payments will not normally be considered for any member who is currently delinquent or has a history of delinquency with the Credit Union. Any exception needs approval by the credit manager. 2. **APPLICATION**. Borrowers may complete a written application for a skipped payment. Approvals will be based on whether the member has met the Credit Union’s eligibility criteria. 3. **PRE-APPROVALS**. The Credit Union will pre-approve skipped payments to members that meet the eligibility criteria. Pre-approved members will be notified by      . 4. **MEMBER ELIGIBILITY**. The member's credit history should demonstrate a clear pattern of financial responsibility. The Credit Union requires a “current” credit bureau report. Current means less than 90 days old. The Credit Union may deny credit if the report reveals:     1. Current or serious previous delinquencies;    2. Considerable number of recent inquiries;    3. Excessive unsecured lines of credit;    4. Charged-off accounts, repossessions, or bankruptcy;    5. Unsatisfied judgments or collections; or    6. Significant accounts purposely omitted from the application. 5. **ELIGIBLE LOANS**. The following loans will be eligible for the skip payment program: 6. **FEES**. The Credit Union will charge members $      for each skipped payment. For both open- and closed-end loans, the amount of the skip payment fee must be included in the calculation of the Credit Union’s APR for usury purposes as it is considered a finance charge under Regulation Z. The fee is considered a finance charge regardless of whether the fee is paid in cash, deducted from the members share or share draft account, or added to the loan balance. The usury limit is $     . 7. **OPEN-END LOANS**.     1. **Disclosures**.        1. **Account-Opening Disclosures.** The Credit Union will ensure that it discloses its skip payment program in its account opening disclosures in order to avoid having to provide a change-in-terms notice. The account opening agreement will include the following information:           1. Which month(s) skipped payments will be allowed (such as---"you may skip the December payment");          2. The amount of the fee charged;          3. How the Credit Union will collect that fee (for example, a withdrawal from the member’s share account);          4. The fact that finance charges will continue to accrue on the account; and          5. The payment amount upon resumption of regular payments.       2. **Change-in-Terms Notices**.  If the skip payment features of an open-end loan are not provided in the initial account opening document, then a change-in-terms notice would be required before a member may skip a payment. Additionally, if no fee is charged, a change-in-terms notice *would be* required prior to resuming the original payment scheduled in order to notify members of the resumption of regular payments (even though no notice was required prior to the skipped payment).           1. **Timing**. A change-in-terms notice must be provided at least 45 days prior to resuming the regular payment schedule. When such a notice is provided to a member, it will be combined with the initial letter or notice offering the skip payment. The notice informs the member of the resumption of the original payment either by explicitly stating when the regular payment resumes or by indicating the duration of the skip. For instance, the Credit Union could print on the August statement: “You may skip your October payment” and this can serve as the change-in- terms notice required prior to resumption of the regular payment schedule.   If a fee is charged, the credit union must provide a change-in-terms notice 45 days prior to the date the fee is charged. This notice could also be combined with the “resumption of payment notice” in a letter or notice offering the skip payment or it could be printed on a monthly statement as long as the notice is provided at least 45 days prior to the date the fee is charged.       3. **Periodic Statements**. The Credit Union will include the skip payment fee in the list of transactions on the periodic statement and also itemize the skip payment fee in the fee boxes for the month and year-to-date. 8. **CLOSED-END LOANS**.     1. **Disclosures.**        1. New or subsequent disclosures for skip payments on closed-end loans are **not** required. Generally, the only time new disclosures are required for closed-end loans is if a refinancing occurs (i.e., when an existing obligation is satisfied and replaced by a new obligation for the same borrower). New or subsequent disclosures are **not** necessary if the existing agreement is only being modified, for example, by lowering the payment or permitting a payment to be skipped.       2. Although the fee for allowing a skipped payment is considered a finance charge, new disclosures are **not** required as long as the skipped payment is accomplished by amending the existing closed-end loan agreement rather than by a complete refinancing. Because new disclosures are **not** required, the inaccuracy created by imposition of the fee is not a Truth-in-Lending violation according to Regulation Z.       3. The Credit Union will make members aware of a number of issues including: which loans and borrowers are eligible for skip a payment, which month(s) a skip payment will be allowed, the amount of the fee, how the Credit Union will collect that fee, and the effect the skip payment will have on increasing the total finance charges and extending the loan term.    2. **Advertising**. A promotional piece advertising the skip payment offering may be sent as a letter with a tear-off along the bottom for the member to sign and return to the credit union which acknowledges the member’s desire to skip a particular loan payment and indicates that the member understands and agrees to the skip payment terms and conditions. |