

Transforms Multi-Featured Lending Forms - Still a Solid Solution for Reg Z

In the last year, the NCUA issued a letter validating “blended” loan forms and a number of credit unions using Multi-Featured Lending (MFL) have had successful examinations. Now that time has passed and the dust has settled, let’s revisit why *Transforms Document Solutions™* works for consumer lending.

Background

A profound change occurred to credit union lending processes and forms in July 2010 when changes to Regulation Z prohibited credit unions from using the “old open-end” lending process during underwriting at the time of a credit advance transaction. Not being able to underwrite an advance for a sub-account under an open-end plan caused credit unions to migrate back to traditional closed-end loans. Traditional closed-end lending is a major departure from the convenience that members have come to expect. Requirements for traditional closed-end lending are completion of a loan application for each request for credit, re-selling of credit insurance or debt protection for each loan and for the borrower to sign the note/disclosure to close the loan. Whereas, “old open-end” simply required an update of the borrower’s information, underwriting for the loan and then funds were deposited to the borrower’s account with no further signatures needed. Credit insurance or debt protection could be easily added to the loan, as previously requested when the Plan was established.

“Use of a blended approach that combines both open-end and closed-end credit is consistent with Regulation Z, provided the credit union complies with the requirements under 12 C.F.R. part 1026 subpart B for open-end and 12 C.F.R. part 1026, subpart C, for each closed end transaction under the master plan.”

--- NCUA letter to Federal Credit Unions, July 2012

Why *Transforms* Multi-Featured Lending Forms Work

Basic rules have not changed:

- 1.) Master plans may still have multiple sub-accounts that are considered separate for rates and terms;
- 2.) Each sub-account does not have to be self-replenishing;
- 3.) Advances are not an absolute right;
- 4.) Credit may be reduced or an advance declined because of a change in borrower credit worthiness.

Transforms Multi-Featured Lending Forms combine both replenishing (i.e. line of credit) and non-replenishing loan types (i.e. vehicle loan) and fit the credit union culture of making it convenient for members to borrow from their credit union by not having members start from square one for each and every loan. The forms are not “open-end” in the traditional sense. Instead the simplified forms include a master loan agreement that defines the covenants between the borrower(s) and the credit union plus disbursement vouchers for both replenishing and non-replenishing loans. The closed end Truth-in-Lending disclosure in the non-replenishing voucher gives the credit union the right to underwrite at the time of a loan transaction under the Plan Agreement. Properly designed Multi-Featured Loan Agreements are compliant, enforceable and, as close as possible, return credit unions and members to the convenience of “old-open end.”

Help Your Credit Unions Get Compliant

Although several credit unions have passed examinations of their forms, some have not and as a result, received warnings. Offer your credit union clients an opportunity to have their forms reviewed for compliance to avoid any potential issues. You may find they have a need for *Transforms Document Solutions™* based on the review.

Credit Unions always have a need to grow their bottom line. *Transforms* is an integrated solution that partners the Conmarsystems' forms with Transamerica's financial services products, giving credit unions the opportunity to increase revenue while taking advantage of the lending forms solution. Credit Insurance and Debt Cancellation products are available for cross-sell within *Transforms*. Generally, a credit union can be up and running within 60 days. Beyond that, Transamerica can also provide turn-key support and training.

For more information on *Transforms Document Solutions™* and Transamerica products, contact your Client Executive or Mike Maloney, Regional Vice President, michael.maloney@transamerica.com.