

## **IMPORTANT NOTICE**

### **For Leaders Credit Union Members with loans under the LOANLINER Open-End Credit Plan**

Congress recently passed new legislation regarding **OPEN-END LENDING** as part of Regulation Z, the Truth in Lending Act (TILA). Although the intent was to implement reform in abusive credit card lending, wording in the legislation also affects **any** open-end loan. *You are receiving this message because our records indicate that you **may** have an open-end loan that will be affected by this regulation change.*

One of the provisions of the law requires that the financial institution notify the borrower at least 21 days in advance of the actual payment due date. In order to comply with this and other requirements of the new regulations, Leaders Credit Union must implement a uniform due date for all **open-end loans**. Effective immediately, all **open-end loans** will have a due date of the last day of every month. **PLEASE NOTE THAT THIS DOES NOT AFFECT CLOSED END LOANS!**

If you have an **open-end loan** and your payments are made by payroll deduction, ACH automatic draft, automatic transfer from your checking or savings account, or any other payment arrangements that you may have for specific payment dates, those payment dates **will not change**. Payments will be credited when received. The **due date** and **payment amount** may change, but your automatic payment will still be credited on the date you have selected, i.e., if you are currently set up on weekly, bi-weekly or semi-monthly payments, they will continue to post weekly, bi-weekly or semi-monthly. If you currently have a payment frequency other than monthly, your payment amount will be re-calculated based on a monthly payment frequency.

If you make your payments by mail or in person, the due date on your loan will always be the last day of each month regardless of the due date on your loan agreement. For example, if your next loan due date is September 15, 2009, your new due date will be September 30, 2009. You may still make your payment on September 15<sup>th</sup> or any date prior to and including September 30 and it will be credited when received.

**PLEASE REMEMBER--THESE CHANGES AFFECT ONLY OPEN-END LOANS.  
NO CHANGES WILL BE MADE TO CLOSED-END LOANS.**

Answers to some frequently asked questions about this change are available on our website: [www.leaderscu.com](http://www.leaderscu.com). You may also pick up a paper copy in any of our branches or request one by mail by calling the Credit Union at 731-664-1784 or 1-800-227-1893.

## Frequently Asked Questions About Loan Due-Date Changes

### 1. Why is this happening?

The United States Congress created and the President signed a new bill called the “**Credit Card Act of 2009**”. While the bill was originally targeted to make sweeping changes to how credit card issuers operate, the bill also included language that affects ALL open-end consumer loans. Most loans at Leaders Credit Union (LCU) are open-end. Thus, we were required to make these changes to comply with the new regulations.

### 2. How do I know if I have an “open-end” loan?

Most loans at LCU are open-end with the exception of those obtained directly from a dealer and mortgage loans other than Home Equity Line of Credit loans.

### 3. Why is my loan due date being changed to the last day of the month?

One of the provisions of the law requires that the financial institution notify the borrower at least 21 days in advance of the actual payment due date. To meet this requirement, LCU includes a notification of your due date on your monthly statement. Since the statements are usually mailed by the 5<sup>th</sup> of each month, moving the due date to the last day of each month allows the proper notification to you, the member, about your next loan payment.

### 4. My loans are on payroll deduction/automatic transfer/paid through direct deposit. How will this be affected?

If your loans are automatically paid through payroll deduction, direct deposit, or an automated transfer, you do not need to do anything. Your payments will continue as always, whether they are set up as weekly, bi-weekly, twice a month, or monthly.

### 5. I mail a check each month to pay my loan. How will I be affected?

There will be no change. You may continue to send your check monthly to pay your loan.

### 6. I want to keep paying my loan on the date I already have. That fits into my budget. Do I have to change?

No. You may continue to pay your loan on the same day as before, as long as you make your monthly payment by the due date.

### 7. I still have coupons with my original due date. Can I use them?

Yes. When you re-order your new coupon book, the due date will show the new due date.

### 8. What happens if my loans are paid ahead?

If your loans are paid ahead, your next loan payment date will be advanced to the last day of the month the payment is currently due for.

### 9. Will my monthly payment amount remain the same?

Yes, if your current payment frequency is monthly. If you currently have a payment frequency other than monthly, your payment amount will be recalculated based on a monthly payment frequency.

**10. Does the term of my loan get extended?**

Not exactly. As long as you continue to make your payments as you currently do, the term of your loan should not be extended past the original estimated term.

**11. Will my interest rate change?**

No. Your interest rate will remain the same during the course of your current loan.

**12. How will this change affect the amount of interest due on my loan?**

Interest on your loan accrues daily. For example, if your loan is paid bi-weekly, each payment includes 14 days worth of interest. If you pay your loan monthly on the same day, you may pay 30 or 31 days (or 28 from February to March) of interest each month, depending on the number of days between payments.

If you continue to make your payments as before, there should be no change in the interest collected over the course of the loan.

If you choose to wait until the new due date of the last day of the month, the amount of interest due will be the number of days between payments multiplied by the daily interest rate.

**13. Do I have to sign new loan papers to make this change take effect?**

No. The loan disclosure that you signed when you originally took out your loan allows LCU to make changes to your loan, with prior notice. You received a copy of this disclosure along with the copies of your loan papers. The message on your statement that you received in August is the "prior notice". You also received an insert with your statement that you received in September with a more detailed explanation.

**14. How exactly will my loan due date change?**

Continue to make your August payments as scheduled. As of August 31, 2009, your loan due date will be advanced to September 30, 2009 and will reflect a monthly payment. Remember that if you currently pay your payment on a weekly, bi-weekly or semi-monthly frequency and you choose to alter the frequency of your payment to monthly, more of your payment will go towards interest. See question 11.

**15. Will this affect my credit report or rating?**

As long as you continue to make your regularly scheduled payments by the due date, there will be no negative effect on your credit report or rating.

If you have any other questions or wish to discuss this further, please contact the Credit Union:

731-664-1784 or 1-800-227-1893

[www.leaderscu.com](http://www.leaderscu.com)