



# Resources for Recovery



## Handling Loan Extension Requests After a Disaster

Flood victims will have immediate needs from your CU, and you are probably already experiencing a large volume of requests for loan extensions. LCUL's Compliance Team has collaborated with KRP Law Firm's Jonathan Kudulis to provide the following guidance:

**Question:** Can I offer extensions in the first place?

**Answer:** Yes, this is acceptable for all current (paid to date) consumer and real estate loans. The CU may choose to treat the extension as a (small) balloon at the end of the term or add-on additional payments. We don't recommend that you offer extensions or skip-a-payment options on non-performing, delinquent loans without first consulting with your regulator.

**Question:** Can you give me an example of what an extension looks like?

**Answer:** You might consider offering a sixty (60) day skip-a-payment for all loans in good standing upon request from the member.

**Question:** What documentation is required for this extension? What if my members can't come in to a CU office?

**Answer:** A written request is good (if it is convenient and the member is in-branch), but not necessary. Either way, the CU's security interest or mortgage is unaffected. You may wish to use an internal form that collects the following information.

- Account, loan suffix
- Reason for deferment
- Good home/cell/work number
- Mailing address
- Number of payments to be deferred (considering the payment schedule - weekly, bi-weekly, semi-monthly, etc.)
- Next Due Date

**Question:** Is there any recommended wording I could use to announce this to my members?

**Answer:** Here is some sample wording that addresses some issues your member needs to be aware of, such as the continued accrual of interest.

*Due to the tragic flooding that has affected the Credit Union community and Federal Emergency conditions, the Credit Union is offering a sixty (60) day skip-a-payment for all loans in good standing. Should you decide to take advantage of this, your next payment will be due sixty (60) days after your next scheduled due date. Interest will continue to accrue during the skip-a-payment period. If you are not interested in the offer, you may make your payment as regularly scheduled.*

**Question:** Do I need a loan policy to offer loan extensions?

**Answer:** Yes, your regulator will want to see a policy. For your convenience, a [sample policy is attached](#) from CU Policy Pro.

**Question:** Should I document this on the member loan record in our core processor?

**Answer:** Yes, you will want to be able to track this information, and have it easily accessible to all staff that might need it. We suggest using discretionary data fields in your core processor to document the extension so that any member of staff can look up when/if an extension has been granted and the reason, such as: August 2016 Flood, 60 day extension, 8/19/16.

**Question:** How might granting deferments affect member services?

**Answer:** Members with payroll deduction that goes directly to the loan will require some file maintenance. They will likely expect you to reroute their loan payments to a share or checking account. You may wish to develop some internal procedures for your staff based on the functionality of your core processor.