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|  Office of Credit Unions Policies and Procedures | POLICY NUMBER |
| | 10310 |
| LENDING | EFFECTIVE DATE |
| | 11/01/2018 |
| SUBJECT | REVISION DATE |
| | 11/01/2018 |
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I. PURPOSE

Examiners must determine the overall level of risk in the credit card loan portfolio, the potential impact to the financial condition, and ascertain compliance with state and federal regulations. Examiners must assess management's knowledge and capacity to grant quality loans and adequately manage the credit card loan portfolio.

II. PRIMARY REFERENCES / RELATED REGULATIONS

1. Michigan Credit Union Act:
 - a. [Section 421](#): Credit Committee powers, Loan Officers etc.
 - b. [Section 422](#): Loans to Other Domestic Credit Unions or members
 - c. [Section 423](#): Loan terms, Official loans, etc.
2. [Credit Card Accountability, Responsibility, and Disclosure Act \(Credit CARD Act\) of 2009](#)
3. [Truth in Lending Act](#) (Regulation Z)
4. [Equal Credit Opportunity Act](#) (Regulation B)

III. MINIMUM PROCEDURES

1. General review of credit card lending practices should include:
 - a. Evaluating management's understanding of the overall risks associated with credit card lending.
 - i. Compliance with lending regulations.
 - ii. Ensuring right of offset of shares is authorized per the loan contract.
 - iii. Ensuring compliance with the provisions of the [Credit CARD Act of 2009](#).
 - b. Evaluating the overall level of risk of loss posed to net worth by the credit card portfolio.
2. Review credit card loan files to ensure adequate documentation. The files should include the following, at minimum:
 - a. Evaluation of the borrower(s) ability to repay the loan. This may include documented debt ratio calculation and evaluation of total and unsecured debts in relation to income.
 - b. Evaluation of the borrower's payment history and willingness to repay.
 - c. Established credit limit with increases clearly documented.

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3. Review controls in place to prevent/detect loans exceeding the established credit limits.

4. Review the credit union's procedures for monitoring and reviewing lines of credit, including periodic re-evaluation of borrower's capacity (recommended every two years), and related controls.