

KANSAS STATE DEPARTMENT OF CREDIT UNIONS

DOCUMENTS TO SUPPORT CONSUMER LOANS

All loans require the following documents to conform to the requirements of the Kansas State Department of Credit Unions, the National Credit Union Administration, Truth in Lending, the Uniform Commercial Code (UCC), and the Uniform Consumer Credit Code (UCCC). The credit union's policies can be more rigorous than these guidelines. These guidelines may not have basis in statute or regulations, but are found to meet sound business practices.

1. A completed written loan application that includes verifiable income information and basic credit information.
 2. One of the following is required on each loan:
 - ◆ **For open end loans:** a loan agreement; disclosure of changed terms (with subsequent advances), and periodic (not less than quarterly) disclosures (statements).
 - ◆ **For a closed end loan:** a note, a disclosure and a record of credits and debits (statement).
 3. All loans should have a recent credit bureau report in file with any exceptions explained.
 4. A verification of income should be included with all loans unless the borrower is a part of a payroll group where wage and salary levels are commonly known. If income is not verified, a note should be made explaining why income was not verified.
 5. Each loan advance should include a calculation of debt ratio to determine the borrowers ability to repay. It is further suggested that basic analysis such as income to debt ratio, ability to repay or credit scoring be performed as a protection against potential bankruptcy.
 6. In addition to the two basic documents, in No. 1 and No. 2 above, the following types of loans require additional documents as listed.
-

UNSECURED LOANS

No additional documents are needed.

LOANS SECURED BY A COMAKER

1. Copy of Receipt of Delivery of the "Notice to Cosigner".
 2. Limited guarantor agreement.
 3. A written credit application on the comaker (or other information that clearly indicates ability of the comaker to repay the loan).
-

TITLED VEHICLES (INCLUDING MOTOR CYCLES)

1. Security agreement signed by all individuals listed on the title.
 2. Notice of security interest or lien verification or vehicle title depending on state that issues the title.
 3. Proof of insurance with a loss payable clause in favor of the credit union or a collateral protection plan through which the credit union will receive insurance proceeds in case of damage to the collateral.
 4. If the vehicle was already owned, or is being purchased from a private party, a photograph should be maintained in file to assure that credit union staff has seen the vehicle.
-
-

MOBILE HOMES

1. Security agreement signed by all individuals listed on the title.
 2. Notice of security interest, or lien verification or vehicle title depending on state that issues the title.
 3. Proof of insurance with a loss payable clause in favor of the credit union or a collateral protection plan through which the credit union will receive insurance proceeds in case of damage to the collateral.
 4. Statement guaranteeing that the mobile home axles will remain under it and that the mobile home will not be fixed or attached to real estate.
-
-

HOUSEHOLD GOODS

Credit unions may take a valid security interest only in purchase money goods.

1. Security Agreement signed by all owners.
 2. Financing statement (UCC-1) filed in county of the borrower's residence.
-
-

BOATS, MOTORS, AND NON-TITLED TRAILERS

1. Security agreement signed by all owners of collateral.
 2. Financing statement (UCC-1) filed in county of the borrower's residence and if different, the county where the collateral is located (K.S.A. 84-9-303 and 84-9-41).
 3. If collateral located outside of Kansas, a financing statement (UCC-1) filed in the county of residence or with the Secretary of State (whichever is the appropriate public office of the state) where the collateral is kept if different from the county of residence.
-
-

GOVERNMENT INSURED STUDENT LOANS

1. Follow instructions given by agency issuing the guarantee.
-
-

SHARE AND SHARE CERTIFICATE LOANS

1. Security agreement for property held by the credit union. Be sure that the agreement is signed by at least one owner of the shares or share certificate.
2. If a share certificate, the document itself must be in possession of credit union.

3. Certificate of deposits from other institutions is not recommended.
-
-

STOCKS AND BONDS

1. Security agreement for property held by the credit union. Be sure that the agreement is signed by all owners of the stocks or bonds.
 2. Stock or bond powers, as appropriate.
 3. Verification from the transfer agent indicating their knowledge of the lien must be in file.
 4. The stock or bond must be in possession of the credit union.
 5. If borrowing to purchase stock, completion of OMB Form No 7100-001B "Statement of Purpose for an Extension of Credit Secured by Margin Stock by a Person Subject to Registration Under Regulation G" is required (15 U.S.C. 78; 12 CFR 207).
-
-

LIFE INSURANCE POLICIES

1. Security agreement for property held by the credit union signed by the policy owner.
 2. Assignment from the insurance company.
 3. The insurance policy.
 4. A statement from the insurance company as to the value of the policy at the date of loan.
-
-

AIRCRAFT LOANS

1. Security agreement signed by all owners of the aircraft.
 2. Aircraft chattel mortgage.
 3. Airworthiness certificate.
 4. Proof of insurance.
 5. FAA Ownership certificate.
- ◆ Aircraft loans are not recommended, as liens are normally recognized by the FAA Aeronautics Center, and only for aircraft with substantial value.
-
-

JEWELRY, GUNS, COINS, STAMPS, AND OTHER COLLECTIONS

1. Security agreement for property held by the credit union signed by all owners.
 2. Appraisal of the security by a recognized and bonded agent.
 3. The property must be in possession of the credit union, if possible.
 4. Proof of insurance with an appropriate loss payable clause.
-
-
-