



**CONTRACTOR COMPLIANCE GUIDELINES  
FOR LAFAYETTE FEDERAL CREDIT UNION  
CONTRACTOR FINANCING PROGRAM**

Effective January 16, 2018

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## LFCU Contractor Financing Program Customer Service Standards

- All LFCU approved contractors participating in our program are expected to treat their customers fairly and in a professional manner.
- In the event of customer dissatisfaction, disagreements, or unforeseen events having adverse effects on a project, LFCU expects all of our approved contractors to ensure the best possible outcome and a satisfactory resolution for our mutual customers.
- We expect Contractors participating in the program to share our commitment to customer service and customer satisfaction by ensuring that consumers are properly disclosed to and aware of every step of their project and financing process. Ensuring that your staff is knowledgeable, available to answer questions, complete tasks, and follow-through on stated objectives.

Contractors who have a high complaint rate or high severity complaints (such as allegations of unfair, deceptive, or abusive acts or practices or allegations of discrimination) or who do not cooperate with us in investigating and resolving customer complaints will be subject to termination from the Program.

### Customer Complaints Management and Resolution

- The Contractor Financing Program's Master Agreement requires you to cooperate with our investigation and remediation of a customer complaint. This cooperation includes providing any and all requested documentation.
- Our program also requires you to report to us any complaint related to your participation in the program that you receive from a customer or third party (such as the Better Business Bureau). You must report such complaints to us within five (5) business days of receiving the complaint.
- You must ensure all applications or transactions you submit to the Program on behalf of consumers are legally authorized by customers in either in writing or electronically.

- Written authorization must demonstrate the customer had received his/her loan agreement and intended.
  - To authorize a specific transaction for a specific amount at a specific point in time (*i.e.*, on a specific date or the occurrence of a specific event, such as ordering materials).
  - A signed Lafayette FCU Loan Application Information form completed and signed by the applicant is sufficient evidence of written consent to submit an application.
  - While you may use your own form, we have provided the borrower financing request form as a convenient form to capture a borrower's written authorization for a transaction, and must have an LFCU signed application form signed within the closing package.
  - We conduct regular customer satisfaction surveys to confirm customers authorized applications and transactions.
  - Our application is an actual application for credit. We not offer pre-approvals or pre-screens for credit. Upon approval, the customer must established an account.
  - After the customer authorizes a transaction on the account, the customer will have an obligation to repay the Program for amount borrowed. It is your responsibility to ensure that the customer is aware that financing has been provided by a third-party non-affiliate, and that repayment is mandatory upon funding. Therefore any work order issues or project concerns should be addressed prior to signing the certificate of completion.

If we receive complaints from your customers, we may contact other customers to learn more about their experience.

We reserve the right to and will contact customers to verify purchases and financing requests

Customer satisfaction is important to us, LFCU's Contractor financing program's contact is designed to verify the following:

- Customer is the owner of the property, cognizant of the work being performed , financing being requested, and ordered the goods and services provided in connection with their Lafayette FCU<sup>®</sup> program account.
- Customer understands the terms of their loan contract, repayment schedule, account and all corresponding agreements
- Customer is satisfied with the contractor, contractor's work, contractor's customer service and the loan process

## Protection of Vulnerable Consumers- Financial Abuse Awareness

### Your Responsibilities and our Expectations Regarding Vulnerable Consumers and Customers

We expect contractors participating in a Lafayette FCU's Contractor financing Program to offer their products and services and the Lafayette FCU's CFP loan options in a way that does not take advantage of, or put undue pressure on any of our customers.

This is especially true when working with customers who are in vulnerable population groups, such as the elderly or disabled. We are committed to protecting vulnerable consumers and customers from abusive sales practices. Any contractor who is found to be likely guilty of exploitation or unscrupulous business practices to increase sales will immediately be discharged from our agreement. This includes knowingly completing business with any party who is involved in the abuse of any customer as well.

#### *What does financial abuse of vulnerable consumers mean?*

Abuse of vulnerable adults includes the fraudulent, or otherwise illegal, unauthorized or improper use of an older or disabled adult's funds, property, assets or other resources for monetary, personal benefit, or other gains. This also includes depriving an older adult or disabled individual of rightful access to, denial of, or use of benefits, resources, or belongings. Vulnerable adults may be targets of exploitation by family, caregivers, and home repair contractors.

We want to ensure that all customers are treated fairly and are not subject to unfair, deceptive, or coercive sales tactics. This includes by LFCU Contractor Financing Program employees, approved contractors participating in this Program and their employees, and family members or caregivers of all customers. Contractors found to be engaged in vulnerable population abuse are subject to being terminated from participating in the Programs.

#### *Who is considered a "vulnerable consumer or customer"?*

- Adults over 60 years old
- Mentally or physically disabled adults
- Any individual with obvious limited capacity or competency to make informed decisions regardless of age

## Tips to Detect & Prevent Financial Abuse and Avoid Allegations of Abuse

- Do not pressure or use sales tactics to coerce a consumer into submitting a credit application or purchasing your materials or services. Give your customers time to consider whether they would like to submit a credit application to pay for their project.
- You are responsible for checking the identification of the potential borrower and customer at the time of the application and transactions to make sure the person authorizing the financing and service/purchase arrangements is the person listed on the application or account.
- Do not condition prices and deals on customers paying immediately or by using a Lafayette Contractor Financing Program loan. This type of pressure can be too much for members of the vulnerable population to handle and can lead to allegations of abuse.
- Don't overcharge your customers.
- Be cautious of situations where your contact is through or controlled by a third-party (including a family members, caregivers, or a fiduciary) and direct contact or access to the customer limited.

## Legal Competency

A consumer must be legally competent to agree to submit an application and process a transaction. You have a responsibility to ensure that your customer is competent to execute and submit a credit application. The following elements are required to establish legal competency:

- Age: The customer must be of legal age to submit an application and process a transaction. Applicants in the Programs must be 18 years old (19 years old in Alabama or Nebraska).
- Mental Competency: The customer must have the mental capacity to read and understand the application and to intend to submit an application and/or transaction. For example: If a customer is exhibiting signs of dementia, Alzheimer's or other mental illness, the person may not be mentally competent to execute a credit application.

## Power of Attorney, Conservatorships, and Guardianships cannot be used to Submit Applications

We understand that a person's circumstances may change and that he or she may need the assistance of a third-party in handling his or her financial affairs. That's why we will work with a customer who needs to establish an account contact, Power of Attorney, Conservator, or Guardian to help the customer manage the servicing and repayment of a loan.

The Lafayette FCU Contractor Financing Program does not, however, accept applications submitted on behalf of a person by another person claiming to hold a Power of Attorney, Conservatorship or Guardianship relationship. These situations raise concerns about potential vulnerable adult abuse. Please do not submit any applications or transactions from persons authorized as a Power of Attorney, Conservator, or Guardian for another. Do not hesitate to contact us if you have questions about this policy

## Lafayette Federal Credit Union Membership Requirements

### Contractor Responsibilities in Assisting with LFCU Membership

Every Customer must enter into a membership agreement with the credit union. Customers in the MD, DC, and VA area are automatically eligible for membership. Customers nationwide are eligible for membership if they are a member of our Home Ownership Financial Literacy Council. LFCU does rely on the contractor to relay this message to our mutual customers, so that they understand the type of account in which they are opening. The membership agreement is sent in the loan closing package, so as not to cause any undue inconvenience for you or our mutual customer. Your LFCU CFP representative will help you understand the documentation our mutual customers sign during loan closings, so that you are able to discuss these documents if necessary.

Please note the following for all account openings:

There is a minimum share deposit amount of \$50.00 required for account opening. This \$50.00 share deposit amount will be deducted from contractor proceeds at the time of loan funding.

#### Homeownership Financial Literacy Council (HOFLC)

Our Homeownership Financial Literacy Council; referred to as "HOFLC" is a non-profit corporation created to provide its members with the necessary tools to successfully navigate the path of home ownership. Whether a first-time home buyer, veteran, or homeowner looking to refinance, HOFLC can assist and has resources to help members make an informed decision. We encourage our contractors to use this as a tool to assist potential customers who need to borrow more than our Contractor Financing Program can assist in funding, or, just as an additional benefit you are able to offer to your potential clients as a part of our relationship. HOFLC membership and resources are available to everyone, in any area. However, your potential customers outside of the MD, DC, VA area, typically must join HOFLC to become eligible for Lafayette Federal Credit Union membership, and its vast lending and deposit privileges. LFCU CFP approved contractors should have general knowledge enough to basic information, such as the important notes listed below.

The Following are important notes to remember regarding HOFLC membership

- The fee to join HOFLC is \$10.00.
- The \$10.00 membership fee must be paid by the potential customer/member.
- Payment of membership fee is easy, online at <https://www.hoflc.org/join-hoflc/>
- HOFLC's Website address is <https://www.hoflc.org/>
- The fee for membership to HOFLC allows eligibility for LFCU membership
- The \$50.00 minimum share deposit for account opening is still required

### The Credit Union Difference

There are several advantages in joining a credit union, over doing business with other types of financial institutions.

A few things to note are:

- Credit Unions are member owned entities
- Credit Unions are not-for profit
- Credit Unions use earnings to pay higher dividends on deposit accounts, charge less and lower account fees, and offer lower rates on loans and credit cards.
- Credit Union member's deposits are considered "shares" and members shares are aggregates to assist other members via loans, and other shared benefits
- To join a credit union, typically you must have an affiliation to a group, an area, or a common bond of some sort
- Each credit union member is afforded 1 vote, every member vote counts equally

## Equal Opportunity Lender Mandates and Anti-Discrimination

### Your responsibilities and our requirements regarding Discrimination

We mandate all participants in the Lafayette FCU Contractor Financing Program (our employees, approved Contractors and any subcontractors hired by you) to operate in a manner that does not discriminate against consumers, applicants, borrowers or potential borrowers.

### The Lafayette FCU Contractor Financing Program Policy on Anti-Discrimination

The Lafayette FCU Contractor Financing Program will be conducted in a manner that complies with the Federal Equal Credit Opportunity Act ("ECOA"), Regulation B, Fair Lending and other applicable federal and state anti-discrimination laws.

The Lafayette FCU Contractor Financing Program and its approved contractors participating in the Programs shall NOT treat unfairly or unequally or illegally discriminate or against a potential customer or customer during any part of a credit transaction based on prohibited categories or characteristics.

### You Must Not Illegally Discriminate Against Consumers, Applicants, or Borrowers

Federal and state laws, such as the ECOA and Regulation B, make it illegal for you to discriminate in any aspect of a credit transaction based on certain personal characteristics of a prospective applicant.

Specifically, federal law prohibits you from treating customers differently or discriminating based on the following protected categories of characteristics:

- Race
- Religion
- National Origin
- Age (40 and Over)
- Sex or Gender Identity
- Sexual Orientation
- Pregnancy
- Citizenship
- Familial Status
- Disability Status
- Veteran status
- Genetic Information

State laws may also protect other categories and Federal laws can change. You are responsible for knowing and complying with all anti-discrimination laws applicable to your business.

We will take steps to ensure you are complying with anti-discrimination laws in working with your customers and the Lafayette FCU Contractor Financing Program. For example, we may conduct statistical sampling of your customer base to determine whether there is potential intentional or unintentional discrimination occurring.

Contractors who illegally discriminate against consumers, applicants, or borrowers will be immediately terminated from Lafayette FCU's Contractor Financing Program.

### Customers May Use Translators

We will only service customers in English or Spanish. Customers who speak other languages, however, can use their own translators to understand contractor sales presentations or the products offered by the Lafayette FCU Contractor Financing Program. If a customer uses a translator, Contractors should verify and record the identity of the translator like they would any customer. Also, customers should be made aware that the disclosures and all information presented in regards to the loan provided via Lafayette FCU's Contractor Financing Program will continue to be in English.

## Protect Your Customer; Know Your Customer

### Our Expectations Regarding Fraudulent Applications and Transactions

We expect Contractors in the Lafayette FCU Contractor Financing Program to take appropriate steps to ensure that the applications and transactions they submit to the Programs are legitimate and do not involve fraud, including, but not limited to, identity theft. To help protect the Program, our Contractors, and consumers from fraud, we have implemented an anti-fraud program that is designed to identify and block fraudulent applications and transactions. Contractors are at the frontline of our anti-fraud defenses. We expect a contractor participating in the Programs to:

1. Verify the identity of a person submitting a credit application or requesting a transaction on Program loan;
2. Decline to accept and refuse to process a transaction if the employee has any question about the identity of the person or is concerned that the application is related to fraudulent activity

#### How to Verify a Person's Identity

Review a copy of the person's government-issued identification document/card, such as driver's license or passport.

Verify that the person's physical appearance and information provided in the application/transaction request matches the information in the government-issued ID document/card.

Don't submit an application or transaction if:

- The person's physical appearance or application/transaction information do not match the ID; or
- The ID documents appear to be forged or altered.

### When to Verify Identity

- Before submitting a credit application
- Before processing any LFCU Contractor Financing Program Credit transaction
- Before assisting an existing customer with any account information

### Protect Customer Information from Unauthorized Use, Theft or Other Loss

Individuals – shoppers, applicants, and customers – may provide Contractors with personal information in connection with their construction project and/or their Lafayette FCU® Program loan. Contractors must take steps to protect the personal information they receive. If a merchant believes customer information has been compromised, contact us immediately!

## Knowing the Lafayette FCU CFP Plan Options You Offer to Customers

### Contractor responsibilities in knowing Lafayette FCU CFP credit options

Contractors participating in the Lafayette FCU Contractor Financing Program have a duty to ensure that they and any staff conveying products to customers understand the credit products and plans they are offering.

Contractors should at the very least know the general categories of the product (revolving or installment), the general types of plans (deferred interest, fixed term repayment plan, No Payment/No Interest or Interest only), and the terms of the plan (the APR, the length of the loan/draw period, and the number of payments).

The contractor should also be knowledgeable about where to who and how to send payments, or knowledgeable in where to direct the customer to in regards to payment inquiries by the customer ([www.lfcu.org](http://www.lfcu.org)).

Again, contractors to always provide accurate, truthful, and complete information about the Lafayette FCU Contractor Financing Program credit options and costs associated.

Contractors are encouraged to ask questions directly to our loan staff if necessary, or if needed; refer customers who are interested in speaking to us directly in regards to their credit option to contact us.

Our standard customer service hours are from 8:00am-4:30pm EST Monday – Friday. If your company will need frequent assistance outside of these standard business hours, please contact us to inquire about possible accommodations.

### Lafayette FCU's Contractor Financing Program Product Types

Lafayette FCU's CFP offers two types of credit products – revolving (open-end) and installment (closed) end. While both types of products have similar features (such as how the customer accesses the loan funds), there are important differences.

"Revolving Credit" is the type of credit typically associated with credit cards and lines of credits. A revolving credit loan generally does not have a fixed number of repayments and

allows the amount of credit to be replenished by making payments on the account any number of times until the account expires. The payments could fluctuate with the balance owed on the account.

"Installment Credit" is the type of credit typically associated with an auto loan. An installment loan has a fixed number of repayments to be made over a fixed term (*i.e.*, 7 years), usually but not always with a fixed payment amount.

### Lafayette FCU's Contractor Financing Program Credit Options/General Plan Types

Of both revolving and installment product types, we offer three general plans types to include: Line of credit, Credit Card, and an Installment loan.

Within these three general plan types, there are seven (7) credit options to include:

- Deferred Interest
- 0% Intro
- Interest Only
- Fixed Term Installment
- No Payment/No Interest
- Variable Payments
- Reduced Introductory Rates

It is important for each customer to decide the type of plan that is best for their financial abilities, and understand the type of credit he or she receives. It is the responsibility of the contractor to give accurate, truthful, and reliable information regarding these product options.

**Deferred Interest Plans** – Deferred Interest plans are sometimes referred to as "No Interest" loans. However, interest accrues to the deferred interest loan account but will be waived if the customer pays the entire purchase balance before the end of the promotional period (typically 6-18 months). Therefore, if, and only if, the customer repays his or her loan during the promotional period, the customer will not have an obligation to pay any interest. If the customer does not repay the loan during the promotional period, then the customer is responsible for paying all the interest that accrues during the promotional period and any interest that accrues after the promotional period.

Lafayette FCU's CFP offers two types of deferred interest plans – "no payments" and "with payments". Depending the deferred interest plan, a customer may or may not have to make payments during the promotional period. Customers should be aware, however,

of the fact that if they have payments due during the promotional period, they will not pay off the entire balance during the promotional period if they make minimum payments due.

*Contractors who offer deferred interest plans must provide their customers with the "Deferred Interest Acknowledgement of Accumulated Interest" disclosure when applicable.* Failure to provide the Deferred Interest leave behind may lead to suspension, termination, or loan buy-back.

**0% Intro Financing** – This option allows a member an initial introductory period of time with no interest paid on the balance of the account. In this option the interest does not accumulate on the account, as the interest rate is 0% for a period as little as 3 months up to 18 months. During the 3-18 month period of no interest, members are typically required to make payments to reduce the principal balance of the credit account.

**Rate Buy Down Financing** – The rate buy down option allows contractors to pay nominal upfront fees; calculated as a percentage of the loan amount, to assist customers in obtaining a lower interest rate for the life of the loan. This option provides customers with lower monthly payments. In addition, this option is advantageous to both the contractor and the customer, since the overall costs of the financing for the duration of the loan is reduced, thus the overall costs of the project's total implementation costs are reduced. All while the customer has the benefit of being able to keep liquid assets for other needs.

**Deferred Payment (Same as Cash) Financing** – This financing option affords customers with the benefit of having no payments for up to 18 months. During this duration of the deferred payment period, the customer is not charged and is not responsible for making interest payments. The customer can elect to make payments with no prepayment penalties charged to the customer.

**Interest Only Financing** – These plans require the customer to repay only the interest due on the account for a predetermined period of 3-12 months. The annual percentage rates are typically based on the normal calculated rates, and members have reduced payments due to the deferred payment of principal. Customers must pay principal and interest after the promotional period expires; and will have the remainder of the selected term to repay the principal balance. Payments are calculated to ensure payoff at or before loan note maturity.

**Reduced Introductory Rates** – This credit option reduces the interest rate on a customer's credit account for an initial introductory period of 3-18 months. After the 6-18 month promotional period, the customer's annual percentage rate increases to the pre-agreed note rate determined at the time of loan consummation. These are promotional rates and can be offered and/or discontinued by the credit union at any time. The contractor fees related to these promotions will vary and change periodically based on market conditions and other factors.

**Fixed Term Installment Plan Financing** – These plans are designed for customers who desire a fixed monthly payment to budget their purchase and are not likely to be able to pay the entire balance before the end of a deferred interest promotional period. These loans have a predetermined term of repayment, with the maximum term limited by the loan amount, and selected by the member. Contractors may combine this type of financing with "0% introductory", "interest only", "no payment/no interest", "reduced introductory interest rates" and other options as allowed and listed in your contractor financing plan schedule.

## Marketing the Lafayette FCU Contractor Financing Program

### Marketing limitations

The Lafayette FCU Contractor Financing Program includes several different types of credit products, such as revolving (open-end) credit and installment (closed-end) loans, and credit plans, such as deferred interest, no payment and reduced interest APR plans, to help you improve sales by satisfying your customers financial needs and offering them the flexibility to choose the credit terms that meet budgets and future project plans.

- Contractors participating in the Lafayette FCU CFP are to ensure that any marketing materials or products identifying LFCU, presented to potential customers and or any other parties is fully vetted by LFCU management.
- Contractors are to ensure that the advertisements and marketing materials used to advertise the availability of credit products are complete and accurate with the elements required by all applicable state and federal laws.
- Contractors are to ensure that all marketing is conducted in a non-discriminatory manner
- When advertising available credit products, contractors are to ensure that LFCU has approved all publicly viewed documents, collateral, or any other affiliated items.

### The Lafayette FCU CFP Marketing Guidelines are designed to Help Contractors Comply with the Law

To assist our Contractors in complying with the laws applicable to advertising credit products, we require Contractors to use marketing materials that are provided by Lafayette FCU or that we have reviewed and approved.

Any sales or marketing materials not received from LFCU for the use of public distribution or viewing must be reviewed and approved in writing by Lafayette FCU. You can submit materials for review to your Lafayette FCU representative or call our marketing team directly at 301-929-7990 ext. 3135.

## Energy Efficiency/Alternative Energy Merchant Guidelines

### Our Expectations for Energy Efficiency/Alternative Energy Contractors

Energy efficiency and alternative energy (such as solar or geothermal) projects are often sold to consumers looking to save money on their utility bills. Although all contractors may be subject to claims of unfair, deceptive, or abusive acts or practices, Contractors who specialize in energy efficiency and alternative energy face additional risk from customers claiming deception during the sales process if they are not satisfied with the projects. Therefore, it is important for energy efficiency and alternative energy contractors to be more careful in their sales presentation and accurately and completely describe the project plans, the potential savings, and the financing plans.

- Energy Efficiency and Alternative Energy Contractors should clearly and accurately explain the construction project and the role of financing in the project.
- Specifically, customers should understand that the Lafayette FCU is not responsible for tax credits, rebates, or other government incentives.
- Contractors to accurately (without exaggeration) describe the potential savings related to a project and describe the factors that can affect the savings.
- Finally, we expect Contractors to accurately disclose to customers that Lafayette FCU CFP loans must be repaid even if the customer does not get the expected credits, rebates, incentives, or utility savings, or if the customer is unsatisfied with the project for any reason, unless paid in full by you the contractor.
- Contractors should ensure that every effort is made to resolve any customer service or project related issues causing dissatisfaction, or affecting the project in a prompt and reasonable timeframe.

## **Important Information for You and Your Customers**

The Lafayette FCU CFP website provides samples of the various forms and some information referred to these compliance guidelines. Please contact your Lafayette FCU Contractor Financing Program sales representative or call us at 301-929-7990 or visit our website at <http://www.LFCUCFP.org> to obtain pdfs of the forms and other documents or information you may need.

## **NCUA – Office of Consumer Financial Protection**

Lafayette Federal Credit Union's Contractor Financing Program is regulated by the National Credit Union Administration (NCUA). In 2010 the NCUA established the "Office of Consumer Financial Protection". This office compiled of two divisions, serves as a direct contact and resource for credit union members.

To establish any credit account with our credit union, all individuals including your customers must become a member of the credit union, thus these protections are provided to your customers as soon an account has been established, and to you should you opt to also open accounts with LFCU.

NCUA's Office of Consumer Financial Protection is responsible for the consumer website "MyCreditUnion.gov" and NCUA's Consumer Assistance Center which handles consumer inquiries and complaints. You are able to file a complaint directly online. For general questions you may also call the NCUA Consumer Assistance Center by phone at 1-800-755-1030. For the Office of Consumer Financing Protection and Access 703-518-1140 or Fax 703-518-6682. NCUA Consumer Assistance Center's mailing address is 1775 Duke Street Alexandria, VA 22314.

The aforementioned information should be available at all times to your staff members to pass to customer if in the rare event necessary due to any financing issues that cannot or for some time have not been resolved directly with the credit union's management. We pride ourselves with outstanding service to membership/your customers and request that all initial complaints be forwarded directly to your LFCU CFP representative before the initiation of this process.