



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

February 19, 1992

Sherina A. Flago  
Supervisor, Software Development  
C. U. Manager, Inc.  
3469 Wilmington Road  
New Castle, PA 16105-1067

Re: ~~Prepayment~~ of Loans (Your November 20, 1991,  
Letter)

Dear Ms. Flago:

C.U. Manager provides data processing software for credit unions. Currently, when an unscheduled payment is made, the system locates the balance on the loan amortization schedule and assigns the closest due date which falls between 1/2 period and 1 and 1/2 periods beyond the the date through which the principal has been paid. If the period is monthly, for example, a 15-day grace period (1/2 period) must elapse before assigning the next due date. Thus, if the date through which the principal has been paid is March 10, 1991, and the payment day is the 15th, the next due date would be April 15, 1991, not March 15, 1991, even if the prepayment was made several months in advance. You have asked whether your method of assigning "next payment due date" is consistent with a promissory note disclosure which states, "If you do prepay part of what you owe, subsequent payments will remain due as scheduled."

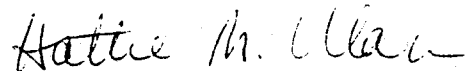
Nothing in the Federal Credit Union (FCU) Act or the National Credit Union Administration (NCUA) Rules and Regulations, prohibits an FCU from assigning due dates as outlined above. NCUA's primary concern in such matters is to ensure FCU compliance with Section 107(5)(A)(viii) of the FCU Act, 12 U.S.C. §1757(5)(A)(viii), which permits a borrower to repay

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his loan, in whole or in part, prior to maturity without penalty. Whether the above-described procedure for assigning due dates conflicts with the promissory note disclosure is an issue of state contract law and Regulation Z disclosure requirements (see 12 C.F.R. Part 226). We suggest that you contact the Federal Reserve Board for an interpretation of applicable Regulation Z requirements.

Sincerely,



Hattie M. Ulan  
Associate General Counsel

GC/LH:sg  
SSIC 4650  
91-1130