Loan Closing Reference Guide

Introduction
Management and staff of the national office are committed to helping you facilitate effective and efficient loan closings. Toward that end, we are pleased to make available (initially and on-going) loan closing resources which include:

- Loan Closing Reference Guide
- Individual Trainings
- Group Trainings
- Customized Consultations (on and off-site)
- Access to all national office management and staff

Primary point of contact for loan closing questions and assistance is:

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Internal Operations Manager
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Please remember that the national office’s purpose is to help you succeed. Therefore, never hesitate to let the management and staff of the national office know how we can better fulfill that purpose.

Overview
The Loan Closing Reference Guide is comprised of the following three sections:

- Process Flow
- Loan Documents – Key Points
- Glossary

Process Flow

Preparation
Preparation is critical. The following key elements will be helpful toward a successful loan closing.

After the borrower selects an automobile, schedule the loan closing date and time. The length of loan closing is influenced by the questions asked by a borrower. Typically, a loan closing lasts 45 minutes.
At least one business day before loan closing, fax the following forms to the loan administrator:

- Loan Document Request (LDR)
- Supporting documentation listed on LDR

These forms are generated through the GreenLight software. See the Member Support area of the Ways to Work web site at www.waystowork.org.

Upon receipt of loan closing date and time, the loan administrator will electronically send you the documents that comprise the loan closing packet. These documents are:

- Loan Checklist
- Loan Request Summary
- Amortization Schedule
- Disclosure Statement
- Promissory Note
- Consumer Security Agreement
- Disbursement Request and Authorization
- Boarding Data Sheet
- Privacy Policy
- Power of Attorney

If notary public is required, coordinate efforts so that your organization’s notary public is present at loan closing. The notary needs to notarize the borrower’s signature on the Power of Attorney form.

Three loan closing packets are required at closing. Each loan packet contains the same documents.

The borrower signs the following documents in each packet:

- Disclosure Statement
- Promissory Note
- Consumer Security Agreement
- Disbursement Request and Authorization

**Note:** Only one Power of Attorney form needs to be notarized (if applicable).

Review documents for accuracy and organize the loan closing packet in order of presentation. Contact the loan administrator immediately for guidance, should you identify document errors or omissions. Incomplete documents either prevent or delay a loan closing.
Loan Closing

Loan closing provides the loan officer with a strategic opportunity to strengthen the relationship with the borrower. A strong relationship between the loan officer and the borrower decreases delinquencies and defaults.

The loan officer articulates both the responsibilities and the reasons (e.g. credit restoration, personal and community responsibility) for paying the loan and remaining in regular dialogue with the loan officer.

If applicable, the loan officer collects and receipts fee(s), (e.g. loan origination fee, state document tax fee).

Congratulate the borrower and review, in detail, each document in the loan closing packet with the borrower.

After securing signatures (borrower and notary public), make two photocopies of the Power of Attorney form and include them in two of the loan closing packets.

Ask for and respond to borrower questions.

Congratulate and present the borrower with one loan closing packet. The borrower’s packet contains one of the photocopy versions of the Power of Attorney form.

If the loan is for the purchase of an automobile, the borrower needs to take delivery of the automobile after loan documents are signed. Typically, one of two processes occurs at this time.

One process involves the following:
- A check is drawn on the loan office’s (agency’s) account made payable to the seller (automobile dealer).
- The check is presented to the borrower.
- The borrower presents the check to the automobile dealer.
- Automobile dealer performs tasks associated with titling and registration.

Another process involves the following:
- Loan officer issues a letter of guarantee to the borrower.
- Borrower provides the letter to the seller (automobile dealer).
- Automobile dealer performs tasks associated with titling and registration.
- Automobile dealer presents title and registration to loan officer.
- Loan officer presents the automobile dealer with a check, made payable to the dealer and drawn on the agency’s account.

If the automobile dealer does not perform tasks associated with titling and registration, the loan coordinator is responsible for doing this. The process for taking delivery, lien notation, titling, and registration varies from state to state. Consult with your department of motor vehicles for guidance.
Post-Closing

For each borrower, and immediately following loan closing, fax one signed Disclosure Statement to the loan administrator:

Ways to Work, Inc.,
Attn: Loan Administrator
Fax Number: 414-359-6715

Upon receipt at the national office, the loan administrator reviews the Disclosure Statement for accuracy and signature and authorizes release of funds (in the amount of the loan) to your agency's account via Automated Clearing House (ACH). Funds are transferred within forty-eight (48) business hours of approval at the national office.

Each Monday, send the original loan closing packet for each loan that was closed during the previous week to the loan administrator. Note: Each packet must include the original (not photocopy), notarized Power of Attorney form. Send to:

Ways to Work, Inc.
Attn: Loan Administrator
11700 W. Lake Park Drive
Milwaukee, WI 53224-3099

When sending via UPS, obtain and retain a UPS tracking number.

One loan closing packet (with a photocopy version of the Power of Attorney document) is retained at the loan office in a secure location.

Loan Documents - Key Points

Documents

The following information is helpful to understanding the content of each document.

- **Loan Checklist:** The loan checklist document is a form that identifies items required to close a loan. The borrower and loan officer together review all items for accuracy and content.
  - **Entry Omissions Warning to Lender Section:** There should not be warnings listed in this section. If this is not the case, immediately contact the loan administrator.
  - **Advisory Warnings to Lender Section:** Attend to warnings (if any).
  - **Critical Warning to Lender Section:** If warning(s) are listed in this section, you cannot close the loan.
  - **Checklist Warning Section:** Contact the loan administrator if warning(s) are listed in this section.

- **Loan Request Summary:** This document identifies critical loan information.
  - **Principal:** The amount of monies (without interest or fees) borrowed.
  - **Loan Date:** The loan origination date. Also known as the loan closing date.
- **Maturity Date**: The date the loan is scheduled to be paid in full, according to original loan terms.
- **Loan Number**: The number assigned by the national office to identify the loan.
- **Call/Coll**: Code assigned by national office to identify type of collateral.
- **Account**: The Ways to Work loan system does not utilize this section.
- **Officer**: The number assigned by the national office to identify the loan officer.
- **Initials**: The Ways to Work loan system does not utilize this section.
- **Borrower**: Borrower’s name and address.
- **Lender**: Lender’s name and address.
- **Installment Loan**: A fixed rate loan based on payment of equal installments, set interest rate, payable monthly, on a 365-day calculation.
- **APR (Annual Percentage Rate)**: Reflected as a percentage, the APR identifies the actual cost of borrowing and includes interest plus fees that are financed.
- **Finance Charge**: The total dollar amount of interest charged to the borrower during the loan term.
- **Amount Financed**: The principal amount borrowed without fees or interest.
- **Total of Payments**: The total of the finance charge plus amount financed.
- **Collateral**: The property used to secure (guarantee) the loan.
- **Transaction number**: The number assigned by the national office for loan monitoring purposes.
- **Amortization Schedule**: The schedule of payments for paying off a loan, in accordance with loan terms. The schedule is an estimate based upon the terms and conditions of the loan documents. The amount paid and date of payment can alter the schedule.
- **Disclosure Statement**: This is a statement of certain loan conditions and information and the borrower must sign this form.
  - **Property Insurance**: Vehicle insurance may be purchased by a provider of the borrower’s choice that is reasonably acceptable to the lender.
- **Promissory Note**: A legally binding contract between the lender and the borrower that contains terms and conditions.
  - **Promise to Pay**: Borrower agrees to pay back Ways to Work principal balance at agreed upon interest rate, starting from loan date until it is paid.
  - **Payment**: Borrower agrees to monthly payment amount.
  - **Prepayment**: There is no prepayment penalty for early payment.
  - **Late Charge**: Identifies late charge (if any). **Note**: This is a state-specific line item.
  - **Interest after Default**: Interest can continue to accrue after default.
  - **Covenants**: Borrower agrees not to take any action that will impede payment of the loan.
• **Expenses**: Lender may hire third party to collect this loan, as well as legal expenses, and court costs.

• **Governing Law**: The note will be governed by federal and applicable state law.

• **Right of Setoff**: If Ways to Work becomes a depository institution (“bank”), Ways to Work can setoff all borrower accounts within that institution. **Note**: This is not applicable, because Ways to Work is not a bank.

• **Collateral Note**: Secured by collateral described in the Consumer Security Agreement.

• **Successor Interest’s Note**: Binding to all successor’s heirs and representatives of the borrower, as well as the lender’s successors and representatives.

• **Notify Us of Any Inaccurate Information**: Request by lender for borrower to notify Ways to Work of loan-related credit reporting agency inaccuracies.

• **General Provision**: The note binds borrower to fulfill legal obligations under the law and lender may modify any portion of the note without notification.

• **Consumer Security Agreement**: The agreement used to create a security interest in personal property, such as a motor vehicle.
  
  • **Ownership**: Borrower is owner of the property.
  
  • **No Sale**: Sale of property requires the lender’s written approval.
  
  • **Location of the Property**: Location of the property will be borrower’s legal address.
  
  • **Maintenance and Insurance**: Borrower agrees to maintain vehicle in good condition and repair. Borrower agrees to immediately notify lender if property is damaged, lost or stolen. Borrower agrees to properly insure the property satisfactory to the lender.
  
  • **Licensing and Governmental Regulations**: Borrower agrees to keep vehicle properly licensed at all times.
  
  • **Inspection**: The lender or agent has right to inspect the property.
  
  • **Financing Statements**: Authorizes lender to file copy of this agreement to perfect lender’s security agreement.

• **Lender’s Authority to Perform**: After lender provides written notice of non-performance and provides the borrower a reasonable opportunity to respond and react, lender (though not required to) may take action the lender believes to be appropriate to protect lender’s interests. This assumes borrower fails to maintain insurance on the property. All such expenses will become a part of the borrower’s indebtedness.

• **Default**: Defines default. Borrower is in default if: (A) outstanding amount exceeding one full payment has remained due for more than 10 days after due date, or borrower fails to pay the first payment or the last payment within 40 days of due date, or (B) borrower fails to observe any Note covenant or obligation, which materially impairs borrower’s ability to pay any amounts due under the Note.
Lender’s Rights: In the event of default (conditions outlined in note area), lender has the following rights—those include accelerate loan balance in full, sell property, file legal proceeding as allowed by law. Lender is also allowed reasonable legal expenses to collect the debt.

Amendments and Interpretation: Agreement may not be changed except by another written agreement between borrower and lender. If more than one signature, e.g. co-signer or co-maker, the obligations are joint.

Expenses: Borrower agrees to pay all of lender’s costs, including legal expenses, incurred in connection with the enforcement of the agreement.

Notices: Borrower agrees to keep lender informed at all times of current address.

No Waiver by Lender: Lender will not give up any of lender’s rights, unless done in writing.

Severability: A section of this agreement (if deemed invalid) does not invalidate any of the other provisions.

Disbursement Request and Authorization: This document states both the purpose of the loan and how the proceeds will be disbursed. Primary purpose of loan is for “personal, family, or household purposes or personal investment.” The specific purpose is “vehicle purchase.” The amount paid (principal) plus the provider’s name and address is listed.

Credit Insurance Disclosure: Credit insurance is not available from lender.

Boarding Data Sheet: This document is used by the loan administrator to enter loan information into the loan system. The loan coordinator reviews this document for accuracy.

Ways to Work Privacy Policy: This document details how and when personal information is gathered and usage conditions.

Power of Attorney: A legal instrument authorizing one to act as another's attorney or agent. The notary must affix raised seal to one Power of Attorney form.

State Specific Documents: In certain cases, state specific documents not previously listed may be part of the loan closing packet. Please contact the national office’s loan administrator to review the content of these documents.

Glossary

Accrue: To accumulate interest charges.

Accrued Interest: Interest on a loan that has accumulated to date.

Amortization: The reduction of debt by regular payments of principal and interest over a period of time.

Amount Financed: The amount of credit provided by the financial institution.
• **Annual Percentage Rate (APR):** A measure of the cost of credit expressed as a nominal yearly rate. Lenders are required by law to disclose the APR, and the rate is used as a benchmark for various loans so that even simple interest and compound interest loans may be compared.

• **Application:** An initial statement of personal and financial information that is required for loan approval.

• **Assets:** Item(s) you own that have financial value.

• **Automated Clearing House (ACH):** A nationwide electronic funds transfer network which enables participating financial institutions to distribute electronic credit and debit entries to bank accounts and to settle such entries.

• **Balance:** The amount in an account or owed on a loan. The balance in a checking account is the amount of money in that account. The balance on a loan account is the amount remaining to be paid back.

• **Bill of Sale:** A document that shows the details of a sale. Your dealership will prepare a bill of sale to document your purchase.

• **Borrower:** An individual who obtains credit from a lender with the agreement that it will be repaid, with interest, within a defined timeframe.

• **Buyer:** An individual who purchases a vehicle, and is primarily liable for repayment of the loan.

• **Collateral:** Property that you pledge as security for a loan, which is given up if you default on the loan.

• **Contractual Obligation:** The legal responsibility of a borrower to repay a loan.

• **Co-Signer:** An individual who agrees to pay the amount due and to perform all the agreements stated on a loan or contract if the buyer fails to meet contractual obligations.

• **Credit Bureau:** A private company that collects information about consumers from public records and reports from banks, creditors, etc.

• **Creditor:** A financial institution that extends credit.

• **Debt:** An obligation resulting from borrowing money.

• **Deferment:** Up to 3 postponement of the note’s term. Can be used one time during the life of the loan.

• **Delinquent:** The failure to make a loan payment by a borrower at a scheduled time.

• **DMV:** Department of Motor Vehicles.

• **Due Date:** An established date each month at which a loan payment is due.

• **Extension:** A change to a contract that extends its maturity date.

• **Finance Charge:** The cost of credit to the consumer, expressed in a dollar amount.

• **Fixed Rate Loan:** A loan in which the interest rate remains constant throughout the life of the contract.

• **Installment Loan:** A method of buying personal property on credit and making payments at regular intervals for a specific term.

• **Insurance:** A legal agreement with an insurance company that provides for reimbursement in the case of damage or theft to collateral.

• **Interest:** A sum paid or charged for the use of money or for borrowing money. Interest is expressed as a percentage rate for a period of time.
◆ **Interest Rate:** The periodic charge expressed as a percentage for use of credit.
◆ **Late Fee:** A charge assessed by a financial institution for payments received after a specific due date. These charges are typically governed by state laws.
◆ **Lender:** Financial institution that provides credit to consumers with the understanding that the money borrowed will be repaid, with interest, on a defined schedule.
◆ **Liability Insurance:** Protection for a policy holder, up to an established figure, for amounts payable to another individual for personal (bodily) injury or property damage.
◆ **Loan:** A form of financing whereby you borrow money to purchase a vehicle.
◆ **Loan Balance:** The amount owed on a loan, less the amount of payments made.
◆ **Loan Agreement:** The written agreement between a borrower and a financial institution identifying the terms of the loan.
◆ **Maturity Date:** The date on which the balance of the loan becomes due and payable.
◆ **Monthly Payment:** The amount of principal and interest you are obligated to pay each month under the terms of the finance contract.
◆ **Payment:** The amount of principal and interest you pay each month.
◆ **Principal:** The amount of the original loan paid to the borrower by the creditor.
◆ **Rate:** The amount of interest on a loan, expressed as an annual percentage of the principal.
◆ **Secured Loan:** A loan that is secured by collateral.
◆ **Security:** Assets or personal property used as collateral to secure a loan.
◆ **Tax:** A percentage of the final sales price that is required to be paid to local, state, and/or federal governments.
◆ **Term:** The period covered by a vehicle loan—typically 24 months.
◆ **Title:** A certificate issued by the State Department of Motor Vehicles that proves ownership of a vehicle. Sometimes called a “pink slip.”
◆ **Vehicle Identification Number (VIN):** A seventeen-character code that uniquely identifies each vehicle manufactured in the world. A VIN can usually be found mounted on the dashboard of the driver’s side, visible through the windshield, or stamped on the vehicle’s firewall.