



Risk Resource
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Best Practices for Optimizing Product Refunds

Lenders are reexamining their processes and liabilities in light of growing scrutiny. The following outlines the product refund process and what's required should your organization elect to handle this complex process in-house.

Internally Managing Product Refunds: What Does It Take?

WHAT AN OPTIMIZED PRODUCT REFUND SOLUTION SHOULD INCLUDE:

- ✓ API integrations with third-party ancillary product providers
- ✓ Accurate calculation formula and timely delivery of refunds to maintain compliance with regulatory guidance
- ✓ Ability to manage and process refunds despite dealer exceptions (i.e. dealer went out of business, merged, or there was an incorrect distribution of funds)
- ✓ Centralized refund payments to collect, log, and remit refund payments to your borrowers
- ✓ Dealer follow ups to ensure refund accuracy and proper management of dealer reserves
- ✓ Lookback services for full remediation of past product refunds
- ✓ Proof of refunds as a trail of evidence for auditors

Regulatory guidance surrounding product refunds is evergreen. A lack in training and technology could lead to significant financial penalties and brand damage.

BEST PRACTICES FOR INTERNAL STAFF

- ✓ Educate lending staff on indirectly sold ancillary products and the requirements around these products
- ✓ Estimate how many ancillary products will need to be refunded per month (include direct and indirect product sales)
- ✓ Review Federal and state regulations frequently for new or expanded guidelines and best practices impacting product refund liability. Ensure legal, operations, and accounting teams are in sync with changing guidance
- ✓ Invest in technology to manage the product refund process, start to finish
- ✓ Establish a process for handling dealer exceptions (e.g., change in business status, mergers, acquisitions, incorrect distribution of funds)

How Does Allied Solutions Support Product Refund Compliance?

Allied has developed RefundPlus®, the only end-to-end product refund solution available to help you enhance compliance while freeing up staff to focus on other priorities.

RefundPlus® is a 2021 NAFCU Services Innovation Award winner. The annual NAFCU Services Innovation Awards program recognizes some of the most valuable contributions to the credit union industry and gives credit unions a set of vetted and tested solutions to continue building their competitive advantage.

