

Frequently Asked Questions

Help answer common member questions



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From time to time, your members may have questions about debt protection.

To help answer your members' commonly asked questions, reference this information.

General Debt Protection Questions

Member Question • What is debt protection?

Credit Union Answer • Debt protection is an agreement between you and us (your credit union). Depending on the package you select, debt protection can cancel or postpone the principal and interest (or interest only) portion of your loan payment (up to the agreement maximum) if you become involuntarily unemployed, disabled or take a family leave. It can also cancel your loan (up to the agreement maximum) in the event of loss of life.

Member Question • Does debt protection pay off my debt?

Credit Union Answer • The benefit of debt protection is that it either cancels or postpones your loan payments. Debt protection offers the following protection:

1. *Balance cancellation*—cancels a debt (up to the agreement maximum) if you die.
2. *Payment cancellation*—cancels the principal and interest portions of your loan payment (up to the agreement maximum) if you die or become disabled or a victim to another covered event such as involuntary unemployment. The amount is applied to the loan balance as if the payment has been made.
3. *Interest cancellation*—defers the principal portion of a payment and cancels the interest portion up to the agreement limit (the loan balance does not decline). Program fees may or may not be waived under interest cancellation.
4. *Payment postponement*—(sometimes referred to as “skip payment”) defers a payment (along with any program fees) and interest continues to accumulate and the outstanding balance increases.

Member Question • Is debt protection expensive?

Credit Union Answer • The fee is specific to the amount and term of your loan and the protection package you select. The fee is automatically scaled to the amount of protection you select since it is calculated against the outstanding loan balance.

Member Question • Do I have to qualify for debt protection?

Credit Union Answer • <Note to credit union staff: check with your program administrator to see if medical screening questions or age maximums apply.>

Select one of the following responses:

1. No. Enrollment procedures are part of the loan process. However, if you enroll 30 days after the loan event, you may be required to complete two medical questions.
2. Yes. Enrollment is simple and part of the loan application process. Our credit union asks two basic medical screening questions. Asking these questions helps keep product costs down for all members. (Note to credit union staff: If your Debt Protection program currently has age maximum as a requirement, you need to inform your member of that maximum.)

Need for Debt Protection Questions

Member Question • Why would I need this protection if I have disability benefits through my employer?

Credit Union Answer • Employer disability benefit packages may cover only a portion of your salary (typically 60% or less) or offer no protection at all. You should check with your employer on your disability benefits. And, there are typically longer waiting periods (491 days in 2009) before you receive Social Security disability benefits. (Sources: www.ssa.gov/pressoffice)

Member Question • My spouse works. Why should I get debt protection?

Credit Union Answer • If you currently rely on two incomes to maintain your family's current standard of living, losing one income or a portion of one's income can impact your family's lifestyle or make it difficult to meet basic living expenses. Loans protected with debt protection can be canceled or postponed, alleviating the need to use savings to make loan payments. The more loan payments you can cancel with our debt protection, the more income you'll have left to pay for other monthly expenses. This may help preserve your savings.

Loans and Life-Event Questions

Member Question • What types of loans can be protected?

Credit Union Answer • Debt protection is typically offered on open- and closed-end consumer loans, credit card balances and home equity/line-of-credit loans, second mortgages, but NOT on first purchase mortgage and other similar real estate loans.

Member Question • I have an existing loan with your credit union. Can I protect that loan with debt protection, too?

Credit Union Answer • Yes. You may enroll at any time. (A borrower typically doesn't have to complete health questionnaires if protection is elected within 30 days of loan disbursement.)

Member Question • Can I protect my home equity loan with debt protection? <Note to credit union staff: verify that your credit union offers this benefit as a product feature.>

Credit Union Answer • Yes. If we offer debt protection on home equity loans. Debt protection can protect high balance, longer-term loans. Home equity loans are one of the fastest growing classes of loans in the financial services marketplace with billions in outstanding loan balances.

Member Question • What types of life events are protected?

Credit Union Answer • The most common life events you can protect with debt protection are loss of life, disability, involuntary unemployment, and family leave.

Member Question • Can I receive debt protection benefits more than once during the life of the loan?

Credit Union Answer • Yes. When you enroll in debt protection, it's for the entire duration of the loan. So, you could receive benefits multiple times during the loan term. However, the benefit period or amounts for loss of life, disability, family leave, or involuntary unemployment events are limited to the benefit maximum. A recurrent event period also applies to some protected events.

Member Question • Can I cancel protection? How?

Credit Union Answer • You may cancel debt protection at any time during the life of a loan by providing us (the credit union) with a written notification. If you decide to cancel protection within the first 30 days after purchase, we (the credit union) will refund any program fee that may have been charged to the loan(s) during those 30 days.

Joint Debt Protection Questions (if applicable)

Member Question • Can I get joint debt protection (for me and my spouse)?

Credit Union Answer • Yes. Protection for co-borrowers is available.

Benefits Questions

Member Question • Are my debt protection benefits taxable?

Credit Union Answer • There is no definitive IRS position on the taxability of debtor benefits under debt protection contracts. The Internal Revenue Code states that "amounts received through accident or health insurance (or through an arrangement having the effect of accident or health insurance)" are not included in gross income. We recommend you should seek tax advice if you're uncertain or unclear about tax implications.

Credit Card Questions

Member Question • If a charge had not been posted to my credit card balance but charged before the event, would it be covered?

Credit Union Answer • Yes. We would look at the transaction date and if it was prior to the event, that amount would also be protected.

Member Question • If I lose my credit card, will debt protection transfer to my new card?

Credit Union Answer • Yes.

Claims Questions

Member Question • Who do I call if I have questions about my benefit activation (a.k.a. claim)?

Credit Union Answer • Call us (the credit union) to file a claim. *<Note to credit union staff: after the claim has been filed, your credit union should contact CUNA Mutual Group at 800.621.6323.>*

Member Question • What documents should I provide when activating benefits under my debt protection agreement with you (the credit union)?

Credit Union Answer • Documentation differs depending on the type of loss you incur. CUNA Mutual staff will determine what is needed to verify the claim and will work with us (the credit union), you, and your doctor (if needed) to obtain the required documentation.

Member Question • How long must I have debt protection before I can activate my benefits?

Credit Union Answer • It varies by life event. A request for benefits can be submitted immediately on some life events, such as loss of life. There are other life events that have waiting periods, depending on the product. Loss of life and disability protection typically have a six-month, pre-existing condition clause that prevents claims for a period of time on medical conditions you were aware of before purchasing the protection. You should still submit your request to confirm whether your loss is protected. Family leave and involuntary unemployment often have six-month waiting periods which would prevent claims on those life events for the first six months after the effective date of protection for the advance. Your debt protection member agreement/contract fully describes waiting periods.

Medical-Related Questions

Member Question • What is considered a pre-existing condition?

Credit Union Answer • If you received advice, diagnosis, or treatment (including medication) from a physician six months prior to the effective date of protection, a loss under your debt protection agreement that was caused by that same condition wouldn't be protected if it occurred during the six months after the effective date of protection. *<Note to credit union staff: if you ever question whether a medical issue is pre-existing or not, always submit the claim and have CUNA Mutual Claims Adjusters make the determination.>*

Involuntary Unemployment Question

Member Question • How do I qualify for the involuntary unemployment protection?

Credit Union Answer • If you are a permanent full-time employee (25 hours per week) and become involuntarily unemployed and qualify for state involuntary unemployment benefits, you could be considered for benefit activation.

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