**Policy 7140: Loan Add On Products**

**Model Policy Revised Date: 5/6/2025**

**General Policy Statement:**

[[CUname]] (Credit Union) offers credit life, credit disability, debt protection, and guaranteed asset protection (GAP) insurance to borrowers in certain circumstances. The option of purchasing credit life or disability insurance will be offered to every eligible member. The purchase of credit life and credit disability insurance is at the member's discretion. Under no circumstance will the Credit Union refuse to extend credit or terminate an account because credit life or disability insurance is not available on the basis of the applicant's age.

Add on products are optional and do not affect the consumer’s application for credit or the terms of any credit agreement required to obtain a loan. There are eligibility requirements, therefore conditions and exclusions may apply.

1. **CREDIT LIFE.** Members may purchase credit life insurance on all loan types for which the credit union offers coverage. There is a prohibition on **financing** premiums or fees for credit insurance in connection with a consumer credit transaction secured by a dwelling (including a home equity line of credit). The prohibition does not apply to credit insurance for which premiums or fees are calculated and paid in full on a monthly basis.  Credit life insurance provides insured borrowers with life insurance that pays off the balance of the loan in the event of death.

	1. **Eligibility.** Eligible members must be primary borrowers under the age of [[7140-1]]. Coverage will discontinue when the insured reaches age [[7140-2]].
	2. **Premiums.** Insurance premiums are automatically added to the member's loan payment each month until the member pays off the loan or cancels insurance coverage.
	3. **Coverage Limits.** The maximum amount of credit life insurance per loan is limited as follows:

		1. Consumer Loans: [[7140-3]].
		2. Home Equity Loans: [[7140-4]]
2. **CREDIT DISABILITY.** Members may buy credit disability insurance on all loan types for which the credit union offers coverage. There is a prohibition on **financing** premiums or fees for credit insurance in connection with a consumer credit transaction secured by a dwelling (including a home equity line of credit). The prohibition does not apply to credit insurance for which premiums or fees are calculated and paid in full on a monthly basis.  Credit disability insurance provides for the continued payment of the insured borrower's loan in the event of total disability resulting from a covered accident or sickness.

	1. **Eligibility.**

		1. Primary borrower must be under the age of [[7140-5]]. Coverage will discontinue when the insured reaches age [[7140-6]].

		Note: See contract provisions of Insurance policy as coverage will vary from state to state.
		2. Primary borrower must be actively employed and performing the usual duties of a full-time occupation on the date of the loan.
	2. **Premiums.** Insurance premiums are automatically added to the member's loan payment each month until the member pays off the loan or cancels insurance coverage.
	3. **Coverage Limits.** The maximum amount of credit disability insurance per loan is limited as follows:

		1. Consumer Loans: [[7140-7]]
		2. Home Equity Loans: [[7140-8]]
3.
4. **GUARANTEED ASSET PROTECTION (GAP).** The Credit Union will offer GAP to eligible members. Premiums will be paid in accordance with the contract.

	1. The Credit Union will have processes in place to provide refunds of GAP back to members when loans are paid off early, or the car is repossessed before the loan is paid off. This includes indirect loans where GAP may not have been added by the Credit Union.
	2. The Credit Union will follow their applicable state laws and requirements for refunding the member and measuring the calculation for the refunded amount.
	3. To ensure compliant process, the credit union will work with their GAP provider to administer product refunds.
5. **DEBT PROTECTION (DEBT CANCELLATION AGREEMENTS)**. Members may buy a debt cancellation policy on all loan types for which the credit union offers coverage. There is a prohibition on financing premiums or fees for debt cancellation in connection with a consumer credit transaction secured by a dwelling (including a home equity line of credit). The prohibition does not apply to debt cancellation for which premiums or fees are calculated and paid in full on a monthly basis. Depending on the product's terms and conditions, a qualifying event may trigger cancellation of the total balance or the minimum monthly payment, or may suspend monthly payments for a period of time. The credit union will follow their applicable procedures and if applicable, work with their third-party provider if an event is triggered for a member.
6. **DISCLOSURE.** The following disclosures will be provided to applicants wherever loan insurance products are advertised or offered:

	1. Insurance products sold through or in the credit union are not insured by the National Credit Union Administration and are not issued, guaranteed, or underwritten by the Credit Union or the National Credit Union Administration or any other federal government agency; and
	2. That there is no requirement or obligation to purchase insurance from the Credit Union or any subsidiary, affiliate, or particular unaffiliated third party as a condition to obtaining a loan, and a decision as to insurance agents will not affect the credit terms in any way. The Credit Union may not condition an extension of credit on an agreement not to obtain, or a prohibition on the applicant from obtaining an insurance product or annuity from an unaffiliated entity.”
7. **HOEPA DISCLOSURE.** The Home Ownership & Equity Protection Act (“HOEPA”) requires that if the amount borrowed includes premiums or fees for credit life, disability, or debt cancellation coverage, that fact must be stated on the disclosure required under 12 CFR 1026.32(c).