
Frequently Asked Questions



Common Purpose. Uncommon Commitment.

What is debt protection?

Debt protection is an agreement between you and us (your credit union). Depending on the option you select, debt protection can cancel the principal and/or interest portion of your loan payment up to the agreement maximum if you become involuntarily unemployed disabled. It can also cancel your loan or your loan payment up to the agreement maximum in the event of your loss of life.

Does debt protection pay off my debt?

Debt protection offers the following protection (note your credit union's program may not include all 3 protection types):

1. *Balance cancellation*—cancels a debt up to the agreement maximum if you die.
2. *Payment cancellation*—cancels the principal, interest and program fee portions of your loan payment up to the agreement maximum if you die or become disabled or a victim to another protected 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 will be waived under interest cancellation.

Is debt protection expensive?

The program fee is specific to the amount and term of your loan and the protection option you select. The fee is automatically scaled to the amount of protection you select since it is calculated against the outstanding loan balance.

Am I eligible for debt protection?

Yes. Enrollment in optional debt protection is easy and part of the loan application process. The credit union will ask if you and your co-borrower, if applicable, are working 25 hours or more per week.

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

Employer disability benefit packages may cover only a portion of your salary or offer no protection at all. You should check with your employer on your disability benefits.

My spouse works. Why should I get debt protection?

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 have the potential to have the loan balance or loan payments cancelled, 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 helps preserve your savings.

What types of loans can be protected?

Debt protection is typically offered on open-end 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.

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

Yes. You may elect debt protection at any time.

Can I protect my home equity loan with debt protection?

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.

What types of life events are protected?

The most common life events you can protect with debt protection are loss of life, disability, and involuntary unemployment.

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

Yes. When you elect 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 or involuntary unemployment events are limited to the benefit maximum. A recurrent event period also applies to some protected events.

Can I cancel protection? How?

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.

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

Yes. Protection for co-borrowers is available.

Are my debt protection benefits taxable?

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 seek tax advice if you're uncertain or unclear about tax implications

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

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

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

Yes.

Who do I call if I have questions about my protection activation (a.k.a. claim)?

Call us (the credit union) to notify us of a protected event. Note to credit union staff: after the member has notified you of a protected event, your credit union should contact CUNA Mutual Group at 800.621.6323.

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

Documentation differs depending on the type of loss you incur. CUNA Mutual Group 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.

How long must I have debt protection before I can activate my protection?

It varies by life event. 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. Involuntary unemployment often has a three-month waiting period which would prevent claims on those life events for the first three months after the effective date of protection. Your debt protection member agreement fully describes waiting periods.

What is considered a pre-existing condition?

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 Group Claims Adjusters make the determination.

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