

# Frequently Asked Questions

## Help Answer Common Member Questions

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### General Debt Protection Questions

**Question** • What is debt protection?

**Answer** • Debt protection is an agreement between you and Hawaii Central Federal Credit Union. Depending on the package you select, debt protection can cancel or postpone the principal and/or interest portion of your loan payment up to the agreement maximum if you become involuntarily unemployed or disabled. It can also cancel your loan or your loan payment up to the agreement maximum in the event of your loss of life.

**Question** • Does debt protection pay off my debt?

**Answer** • The benefit of debt protection is that it either cancels or postpones your loan payments. Debt protection offers the following protection (note your credit union's program may not include all 4 protection types):

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 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.
4. *Payment postponement*—(sometimes referred to as “skip payment”) defers a payment (including any program fees) and interest continues to accumulate and the outstanding balance increases.

**Question** • Is debt protection expensive?

**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.

**Question** • Am I eligible for debt protection?

**Answer** • Yes. Enrollment 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.

## Need for Debt Protection Questions

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

**Answer** • 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.

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

**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 helps preserve your savings.

## Loans and Life-Event Questions

**Question** • What types of loans can be protected?

**Answer** • 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.

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

**Answer** • Yes. You may enroll at any time.

**Question** • Can I protect my home equity loan with debt protection?

**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.

**Question** • What types of life events are protected?

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

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

**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, or involuntary unemployment events are limited to the benefit maximum. A recurrent event period also applies to some protected events.

**Question** • Can I cancel protection? How?

**Answer** • You may cancel debt protection at any time during the life of a loan by providing 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

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

**Answer** • Yes. Protection for co-borrowers is available.

## Benefits Questions

**Question** • Are my debt protection benefits taxable?

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

## Claims Questions

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

**Answer** • Call the credit union to file a claim.

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

**Answer** • 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.

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

**Answer** • 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. In other cases, the protection may be accident only in the first six months. You should still submit your request to confirm whether your loss is protected. Involuntary unemployment often has a six-month waiting period which would prevent claims on those life events for the first six months after the effective date of protection. Your debt protection member agreement fully describes waiting periods.

## Medical-Related Questions

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

**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.

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