

189—5.3(533) Debt cancellation products.

5.3(1) General. A credit union may offer any debt cancellation product so long as the credit union complies with this chapter. The product may be offered for a fee or as an additional charge under a lease, loan or other extension of credit, and participation by a borrower must be voluntary.

5.3(2) Policies required. A credit union, before offering any debt cancellation product, must adopt written policies approved by its board of directors which establish and maintain effective risk management and control processes over the offering of the product. In addition, the policies must establish:

- a. A reasonable fee structure, if any fee will be charged for the product;
- b. Appropriate disclosures, which shall be given to the borrower in accordance with this chapter; and
- c. Claims-processing procedures, which shall be utilized to process debt cancellation claims.

5.3(3) Additional requirements. A credit union offering any debt cancellation product must:

a. Purchase insurance from an insurance company authorized to do business in Iowa to indemnify the credit union from loss resulting from offering the product. A credit union, before purchasing insurance, shall perform an appropriate level of due diligence to satisfy itself of the selected insurer's financial stability and claims-paying ability;

b. Maintain an adequate loss reserve relating to the debt cancellation product in an amount sufficient to offset potential losses, if any, not covered by the insurance required by paragraph 5.3(3)"a." The superintendent may require any credit union offering a debt cancellation product to provide evidence of the adequacy of the loss reserve related to that product, including, but not limited to, an actuarial opinion assessing the adequacy of the loss reserve; and

c. Not condition the making or alteration of the terms or conditions of a lease, loan or extension of credit upon the borrower's agreeing to purchase a debt cancellation product.

5.3(4) Notification to the superintendent of intent to offer debt cancellation products. A credit union must notify the superintendent in writing of its intent to offer any type of debt cancellation product at least 30 days prior to any such product being offered to borrowers. The notice must contain:

a. A statement describing the type(s) of debt cancellation product(s) the credit union will offer to its membership;

b. The fee structure established for the debt cancellation product, if any. The superintendent may require a credit union to cost justify its fee structure if it appears the fees are not reasonable; and

c. The name of the insurance company from which the credit union will purchase contractual liability coverage or other insurance required by paragraph 5.3(3)"a," along with information describing policy limits, deductible amounts and all limitations on coverage.

5.3(5) Existing debt cancellation products offered prior to March 19, 2008. A credit union offering any type of debt cancellation product prior to March 19, 2008, must, immediately following that date, provide to the superintendent notice of the existence of such product and provide to the superintendent the same information as required in subrule 5.3(4). A debt cancellation product in existence prior to March 19, 2008, may continue in force with a borrower, but all debt cancellation products offered by the credit union on and after March 19, 2008, must meet the requirements of this chapter.