



Credit Insurance

Purpose

Credit insurance protects you and your family from unexpected circumstances that could prevent you from paying your loan.

Definition

There are two types of credit insurance, which are called Credit Life and Credit Disability. Credit Life insurance pays off your loan in the case of your death. Credit Disability insurance makes your loan payments if you become disabled due to an accident or illness. Note: The insurance policy will define the words accident and illness.

Credit Life

Credit Life is similar to a type of life insurance called decreasing term insurance. This means that the policy amount is always the same as what you owe on your loan. As your loan balance decreases, the insurance coverage decreases by the amount of your payment. If you should die before fully repaying your loan, the policy pays the loan in full.

Example

You borrow \$2,200 from Ways to Work. A Credit Life policy is issued in the amount of \$2,200. You make your first monthly payment and now your balance is \$2,000. The amount of your Credit Life insurance coverage is also now \$2,000. If you should die after making your first payment, \$2,000 (the loan balance) would be paid to the lender.

Credit Disability

Credit Disability is a specific type of health insurance policy. If you are unable to work due to illness or disability, your monthly payments are made until you return to work or until the loan is paid in full. For example, if you are injured and are unable to work for six months, Credit Disability makes your loan payments during those six months.

Benefits

Credit insurance provides you with the following benefits.

- Frees your family from the responsibility of paying your debt.
- Reduces your monthly costs.
- Provides you and your family with peace of mind.
- Protects you from using or losing your savings.

Convenience and Cost

Credit insurance is included in your monthly loan payment. Generally, credit insurance (for both Credit Life and Credit Disability) will increase your monthly loan payment by a few dollars. You can obtain the specific cost from the bank's loan officer. Also, your loan coordinator can help you determine the specific amount.

Should You Purchase Credit Insurance?

Your loan coordinator can help you identify important issues and options for you to consider. However, only you can determine if credit insurance is a wise choice. Your current level of insurance coverage, employment status, health situation, family circumstances, and financial situation are factors that will influence your decision.