

**189—5.12(533) Exception for Guarantee Automobile Protection or Guarantee Asset Protection (GAP) and other debt cancellation products offered by credit unions through unaffiliated, nonexclusive agents.**

**5.12(1)** Credit unions offering Guarantee Automobile Protection or Guarantee Asset Protection (GAP) and other debt cancellation products through unaffiliated, nonexclusive agents, most notably on vehicle loans made available through automobile dealers, are exempt from compliance with respect to:

- a.* The requirement to notify the superintendent of the existence of the Guarantee Automobile or Asset Protection (GAP) or other types of debt cancellation products in subrule 5.3(5);
- b.* The requirement that a credit union which offers a borrower a debt cancellation product without a refund also must offer a borrower a bona-fide option to purchase a comparable debt cancellation product that provides for a refund in subrule 5.5(1);
- c.* The requirement to provide the long-form disclosure in rule 189—5.10(533); and
- d.* The requirement to obtain a borrower's written acknowledgment of receipt of disclosures in subrule 5.7(4).

**5.12(2)** Credit unions offering GAP debt cancellation products through unaffiliated, nonexclusive agents remain subject to the following requirements:

- a.* The credit union may not extend credit or alter the terms or conditions of an extension of credit when the extension or alteration is conditioned upon the borrower's purchase of a debt cancellation product;
- b.* The credit union may not engage in any practice or use any advertisement that could mislead or otherwise cause a reasonable person to reach an erroneous belief with respect to information that must be disclosed under this rule;
- c.* The credit union may not offer a debt cancellation product that contains terms giving the credit union the unilateral right to modify the contract unless the modification is favorable to the borrower and is made without additional charge to the borrower; or unless the borrower is notified of any proposed change and is provided a reasonable opportunity to cancel the contract without penalty before the change goes into effect;
- d.* If a debt cancellation product is terminated, the credit union must refund to the borrower any unearned fees paid for the contract unless the contract provides otherwise;
- e.* The credit union shall calculate the amount of a refund using a method at least as favorable to the borrower as the actuarial method;
- f.* If the credit union offers the borrower the option to finance the fee for a debt cancellation product, the credit union must disclose to the borrower whether, and, if so, the time period during which, the borrower may cancel the contract and receive a refund;
- g.* At the time of the initial solicitation of the debt cancellation product, the credit union must provide to the borrower the short-form disclosure described in rule 189—5.9(533), as modified to reflect nonapplicability of those items described in subrule 5.12(1). The form of the short-form disclosures must be readily understandable and meaningful, and must be included in advertisements and other promotional material for debt cancellation products, unless the advertisements and promotional material are of a general nature;
- h.* Before entering into a contract, the credit union must obtain a borrower's written affirmative election to purchase the debt cancellation product. The written election must be conspicuous, simple, direct, and readily understandable and must be designed to call attention to its significance;
- i.* A credit union that does not provide the long-form disclosures will conspicuously inform borrowers that they will receive a copy of the contract before the borrowers are required to pay for the debt cancellation product; and
- j.* A credit union must manage the risks associated with the debt cancellation product in accordance with this rule.