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Beware of Credit Union special rates

by Gil Van Over

The credit unions stepped up earlier this year to fill a void left by the third party lenders who accepted TARP money and rejected lending.

In many parts of the country, the credit unions have made some significant inroads with dealers by continuing to provide approvals on deals that some captives have turned their noses at.

Unfortunately, it appears at least one credit union may be putting itself at risk of potential Truth in Lending violations with a special rate it is pushing.

Problem with the rate

This credit union is circulating a flier advertising a special 3.99% APR. It is good for up to 60 months, depending on credit worthiness. So far, no problem.

However, in the footnotes, this 3.99% APR is also contingent upon the customer accepting credit life and disability insurance!

Under TILA, credit life, disability and gap insurances must be included in the APR calculation if any of the three are required by the lender.

Now, this credit union may be properly disclosing a higher APR on the final loan documents, and be in compliance with TILA. IF this is the case, I suspect some smart plaintiff's attorney will find fault with the marketing message.

If this credit union is not making the APR adjustment, I suspect some smart plaintiff's attorney will find fault with the faulty TILA disclosure.

Either way, this credit union could be facing some hefty legal bills.

Morale of the story: If a credit union approaches you with a special rate that requires the customer purchase credit life, disability or gap, politely refuse the offer and suggest that the credit union's marketing people check with the credit union's legal people before making such offers.

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