



BULLETIN

Colorado Division of Financial Services

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Issued to: State-Chartered Credit Unions

Subject: Debt Cancellation Contracts

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It has come to our attention that debt cancellation contracts (“DCCs”) are being marketed to state-chartered credit unions. The position of this office is that providing DCCs to members as a part of loan transactions is an incidental power of state-chartered credit unions, pursuant to §11-30-104(1)(i), Colorado Revised Statutes. The sale and financing of this type of product is viewed as closely related to a credit union’s express authority to make loans to its members.

In conducting examinations and otherwise supervising state-chartered credit unions, the Division will expect credit unions to comply with the following safety and soundness and consumer protection standards:

1. Adequate insurance should be purchased from the appropriate third party to cover all losses from cancelled debt.
2. The credit union should not condition the granting of the loan or its terms on the borrower’s purchase of a DCC from the credit union.
3. The credit union borrower should affirmatively elect to purchase a DCC in writing.
4. The credit union should provide appropriate advance written disclosures to the borrower of the relevant terms, limitations and costs of the DCC.

The Division reserves the right to take appropriate supervisory action if it has evidence that DCCs are being provided in a manner that adversely affects the interests of Colorado citizens or the safety and soundness of state-chartered credit unions.

The foregoing represents an interpretation of Colorado credit union law only. State-chartered credit unions are responsible for determining the status and treatment of DCCs under any other applicable law or regulation, including the state Uniform Consumer Credit Code. Please contact this office if you have questions.