

Medical Rules

Starting April 1, 2006

- Can you deny a loan application because of a customer's terminal illness?
- Answer: No. Federal law now prohibits the use of medical information as a basis for a loan denial.

Medical Rules

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- If a customer has a terminal illness, can you make a loan conditional on his/her purchase or assignment of life insurance to the bank?
- Answer: Only if this type of insurance is required for all consumers.

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- For a loan to someone with a history of mental illness (he now has a good job), can you factor in his illness when evaluating his loan request?
- Answer: Under Federal law, you may not negatively use this information against the customer.

Medical Rules

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- The loan restrictions shown in the previous slides are the result of a new federal law which prohibits the use of medical information for credit eligibility determinations.
- This rule is similar to fair lending laws which prohibit the use of race, gender, age, national origin, etc. in making loan approval determinations.

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- Although this Federal Law is part of the Fair Credit Reporting Act, its restrictions apply to any medical information you learn about a customer even if it did not come from a credit report.

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Specifically here is what you can and cannot do...

- Asking for medical information is prohibited in the same way that asking about a person's religion is prohibited.

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- If the customer states the loan purpose is a medically-related (for example, to payoff medical expenses), this is legally obtained information since it was in response to a legitimate question.
- You may not, however, use this information negatively in your credit assessment.

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- If a consumer volunteers medical information, this does not violate the rule.
- This information can't negatively be used when evaluating whether the loan should be made.

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- You may use the amount of any medical debt to calculate the debt to income ratio.
- You may deny a loan request if the credit history shows delinquent medical debt payments and this delinquency exceeds the bank's underwriting criteria.

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- You may verify any medical disability income in order to determine the customer's ability to repay the loan.
- You may check to verify the cost of a medical service being financed or the cost of medical equipment being used for collateral.

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- You may not deny a loan request because of health issues if the applicant meets the bank's established requirements for the requested loan amount.

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- You may not charge a higher interest rate or additional fees solely because of the applicant's medical condition.
- Medical debt or income cannot be considered differently than non-medical debt or income when determining credit eligibility.

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- You may use medical information:
 - to determine if a power of attorney can be used,
 - to comply with government agencies about possible financial abuses of consumers,
 - to determination qualifications for a legally permissible special credit program, or
 - to prevent or detect fraud.

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- You may not disclose a consumer's medical information to other employees unless there is a "need to know".

Medical Rules

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- You may not provide consumer medical information to any person or entity.
- You must ensure that files containing consumer medical information are kept secure and carefully protected.

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**The general
prohibition under
this new law is that
medical information
has no relevance
to creditworthiness.**

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Please contact your Regional Compliance Officer if you have any questions.