

LeaseMaker® Guide to Credit Insurance

Loan Setup Options – Credit Insurance Plans

Setting the Credit Insurance Rates

This routine is used to enter credit insurance rates for regular finance and balloon loans. You must install the credit insurance rates to enable insurance premium calculations (credit insurance is not available on leases but is available on balloon loans.). If no insurance rates are installed, loans will be calculated without credit insurance.

To compute credit insurance premiums on balloon loans, enable the balloon payment option and then use this routine to install the credit insurance rates. See Setting the Balloon Loan Method in the 627B LeaseMaker User's Guide.

Code = 48 Push [Setup] and enter this code in response to "CODE?".

STATE (1-56)?_ (This prompt appears if the insurance state code was previously set to 0.)

The LeaseMaker has the formulas for all 50 states and the District of Columbia within the program. You need to tell it which state you want by entering the appropriate code number from the Table of States and Credit Insurance Types on page 5. This entry selects the formulas to use to calculate the life and disability insurance premiums.

You can also enter a state code of 0 to indicate no credit insurance.

SS (##)?_ The current state and state code number are displayed.

To keep the same state and review the rates, push [ENTER].

To change the state and enter new rates, enter the new state code and push [ENTER]. See List of States below.

SS Y?_ The selected state abbreviation is displayed and you are asked to confirm that it is the state you want. Push [YES] to confirm, or [NO] to return to the above prompt to reenter the state code.

LIFE PLAN Y/N?_ **Main Credit Insurance Menu.** Select the desired section

A&H PLANS Y/N?_
I UI PLAN Y/N?_
QUIT Y/N?_

from the menu. If the first item which appears is not the desired one, push [NO] to view the second one. Push [YES] to select the desired item. When all rates have been entered, push [YES] to the QUIT item on the menu.

Life Insurance Plan

SGL/YR x. xxx?_
SGL/MOB x. xxx?_

If the displayed single life rate is correct, push [ENTER], otherwise enter the correct single life rate. (The life rate cannot exceed \$5.00.)

JNT/YR x. xxx?_
JNT/MOB x. xxx?_

If the displayed joint life rate is correct, push [ENTER], otherwise enter the correct joint life rate.

LIFE ON RV Y?_

If you want to compute credit life insurance on the residual value (balloon), push [YES], otherwise push [NO].

(This option only affects balloon loans -- if you respond [NO], no life coverage will be calculated on the balloon payment.)

SGL/LVL x. xx?_

(Appears only for certain states and if the residual value is insured.) If the displayed single level life rate shown is correct, push [ENTER], otherwise enter the correct single level life rate.

JNT/LVL x. xx?_

(Appears only for certain states and if the residual value is insured.) If the displayed joint level life rate shown is correct, push [ENTER], otherwise enter the correct joint level life rate.

The routine will return to the main credit insurance menu above.

A&H (Disability) Plans

This section is used to enter and maintain the sets of A&H (disability) rates. You can store one or two sets of A&H rates.

A&H ON RV N?_

(This option only affects loans with a balloon payment.) Push [YES] to provide A&H (disability) insurance on a portion of the balloon payment equivalent to the regular payment, or [NO] if no portion of the residual payment is covered.

This option applies only to the conventional balloon loan which has N-1 payments, e.g., a 36-month balloon loan with 35 regular payments and 1 balloon payment due one month after the last regular payment.

This option has no effect on the N-payment balloon loan which has N payments, e.g., 36 monthly payments and a final balloon payment due at the same time as the last regular monthly payment.

H TABLE 1 Y/N?_
H TABLE 2 Y/N?_
QUIT A&H Y/N?_

A&H Menu. Select the menu item that corresponds to the table of A&H rates you wish to enter or modify. If you are only using one set of A&H rates, select H TABLE 1.

MON STEP 12/6?_

To enter the A&H (disability) rates for each 12-month step and have the calculator calculate the intermediate 6-month steps, enter "12", otherwise enter "6" to enter the A&H rates in 6-month steps.

If you enter annual rates and would like to inspect the calculated 6-month rates, use the Review Credit Insurance Rates routine below after you have entered the rates.

6-M R x. xx?_

(Appears only if you are entering the rates in 6-month steps -- see "MON STEP 12/6" prompt above.) If the 6-month rate displayed is correct, push [ENTER], otherwise enter the correct 6-month rate. (The entered rate cannot exceed \$15.00.)

12-M R x. xx?_

If the 12-month rate displayed is correct, push [ENTER], otherwise enter the correct 12-month rate. (The entered rate cannot exceed \$15.00 and cannot be less than the 6-month rate.)

. . .

xx-M R x. xx?_

Continue to enter the A&H rates until you reach the end of the table, at which point enter a 0 as the next A&H rate to signify that this is the end of the A&H table. (Up to 15 years of rates can be entered.)

IUI (Involuntary Unemployment Insurance) Plan

This section is used to enter and maintain the set of I.U.I. (Involuntary Unemployment Insurance) rates.

MON STEP 12/6?_

To enter the I.U.I. (Involuntary Unemployment Insurance) rates for each 12-month step and have the calculator calculate the intermediate 6-month steps, enter "12", otherwise enter "6" to enter the rates in 6-month steps.

If you enter annual rates and would like to inspect the calculated 6-month rates, use the Review Credit Insurance Rates routine below after you have entered the rates.

6-M R x. xx?_

(Appears only if you are entering the rates in 6-month steps -- see "MON STEP 12/6" prompt above.) If the 6-month rate displayed is correct, push [ENTER], otherwise enter the correct 6-month rate. (The entered rate cannot exceed \$15.00.)

12-M R x. xx?_

If the 12-month rate displayed is correct, push [ENTER], otherwise enter the correct 12-month rate. (The entered rate cannot exceed \$15.00 and cannot be less than the 6-month rate.)

.
. .
.

xx-M R x. xx?_

Continue to enter the I.U.I. rates until you reach the end of the table, at which point enter a 0 as the next I.U.I. rate to signify that this is the end of the I.U.I. table. (Up to 10 years of rates can be entered.)

The routine will return to the Main Credit Insurance Menu above.

This completes the entry of the credit insurance information. You can review the entered data by specifying Setup code 222, or modify the rates by specifying Setup code 48.

Review Credit Insurance Rates

Code = 222 Enter a code of 222 to review the credit insurance plan.

xx	LI	FE	TYPE	##
SGL	LR	x.	xxx	
JNT	LR	x.	xxx	
SGL	LVL	x.	xxx	
JNT	LVL	x.	xxx	
6-M	1	x.	xxx	
.
120-M	1	x.	xxx	
6-M	I	x.	xxx	
.
120-M	I	x.	xxx	

Life state & method
 Single life rate
 Joint life rate
 Single level rate
 Joint level rate

A&H rates by 6-month steps

IUI rates by 6-month steps

After computing a loan with credit insurance, you can enter a setup code of 99 to inspect the single-premium rates for life and disability that were used to compute the loan.

Table of States and Credit Insurance Types

The following table lists the most common types of insurance used in each particular state. In some states, other methods may be in use by certain insurance carriers. The methods listed are current as of this writing, however, states are frequently changing credit insurance regulations and you may find that a LeaseMaker calculator has to be updated to the current version to obtain accurate credit insurance calculations. Calculators can be updated by returning them to PROM Software at the address shown on our web site www.promsoft.com.

This table is updated from time to time, and the table shown here is valid for the program version shown at the bottom of this page. Earlier or later versions of the software may have different values in the table. Make sure to check with your insurance agent or company before using the LeaseMaker to calculate credit insurance.

Code Num	Abbr	Rates ¹	Gross/Net	Max Term ²	Life type ³	IM ⁴	A&H type
0	Code used to indicate no credit insurance and ask sales tax state option.						
1	AK	.49/.81	Gross		1		Interpolate
2	AL	1.23/1.845	Net		7		Interpolate
3	AR	.65/1.10	Gross		1		Interpolate
4	AZ	.44/.66	Gross		1		Interpolate
5	CA	.65/.98	Net		41	4.2%	Interpolate
6	CO	.80/1.32	Gross		2		Interpolate
7	CT	.50/.75	Gross		1		Interpolate
8	DC		Gross		1		Interpolate
9	DE	.65/.98	Gross		1		Interpolate
10	FL	.50/.87	Gross		1		Bracket
11	GA	.45/.675	Gross		1		Interpolate
12	HI	.40/.70	Gross		1		Interpolate
13	IA	.47/.78	Gross		1		Interpolate
14	ID	.54/.89	Gross		1		Interpolate
15	IL	.47/.78	Gross		1		Bracket
16	IN	.65/1.08	Gross		1		Bracket
17	KS	.65/1.08	Gross		1		Interpolate
18	KY	.65/.98	Gross		1		Bracket
19	LA	.80/1.20	Gross		1		Bracket
20	MA	.46/.74	Net		7		Interpolate
21	MD	.56/.94	Gross ⁵		1		Interpolate
22	ME	.50/.84	Net		7	4.5/6.35%	Interpolate
23	MI	.48/.75	Gross		1		Interpolate
24	MN	.40/.667	Net		5		Interpolate
25	MO	.55/.90	Gross		1		Interpolate
26	MS	.80/1.39	Gross		1		Bracket

¹ These rates are typical and not necessarily correct for all insurance carriers or plans. Make sure you confirm these rates with your insurance agent or company before using them to compute credit insurance premiums. Rates marked "Spec" must be obtained from your insurance agent or company.

² The maximum life insurance term is limited to the entry in this column. If no entry appears, the limit is 240 months.

³ The Life Type refers to the formula used to compute the life premium. See our web site www.promsoft.com for details on credit insurance calculation methods.

⁴ If two I&M discounts are shown, the first is for decreasing coverage, and the second for level.

⁵ Maryland uses different life rates based on the term of the loan. You will be prompted for the life rates to be used for terms over 48 months (typically 0.52 and 0.87) in the Setup Routine.

Code Num	Abbr	Rates ¹	Gross/Net	Max Term ²	Life type ³	IM ⁴	A&H type
27	MT	.80/1.40	Gross	60 m	2	4.32%	Interpolate
28	NC	.50/.83	Gross	60 m	1		Interpolate
29	ND	.62/1.05	Gross		2	3.36%	Interpolate
30	NE	.55/.92	Gross		1		Bracket
31	NH	.595/.9246	Gross		2	4.25/6.17%	Interpolate
32	NJ	.62/.93	Gross		2	3	Interpolate
33	NM	.52/.78	Gross		1		Interpolate
34	NV	.65/1.00	Gross		1		Bracket
35	NY ⁶	Spec	Net	120 m	41	5.976%	Interpolate
36	OH	.769/1.346	Gross	60 m	2		Interpolate
37	OK	.68/1.02	Gross		1		Interpolate
38	OR	.72/1.07	Gross	60 m	2		Interpolate
39	PA	.844/1.477	Gross	72 m	2	3.2%	Interpolate
40	RI	.72/1.152	Gross	60 m	2	4.56%	Interpolate
41	SC	.65/1.08	Gross		1		Interpolate
42	SD	.60/.90	Gross		1		Bracket
43	TN	.66/1.00	Gross		1		Interpolate
44	TX	.36/.54	Gross		1		Interpolate
45	UT	.65/1.105	Gross		2		Interpolate
46	VA	.61/1.01	Gross		2	3.63/5.5%	Interpolate
47	VT	.55/.825	Net		41	6.48%	Interpolate
48	WA	.60/1.00	Gross		1		Interpolate
49	WI	.37/.62	Gross		1		Interpolate
50	WV	.65/1.00	Gross		19	3.10%	Bracket
51	WY	.50/.80	Gross		1		Interpolate
52	P2	.844/1.477(PA)	Gross	72	2	0%	Interpolate
53	V2	.75/1.24(VA)	Net		7	4.0%	Interpolate
54	V3	.75/1.24(VA)	Net		46		Interpolate
55	Y2 ⁶	Spec(NY)	Net	84 m	41	5.496%	Interpolate
56	J2	Spec(NJ)	Net		7	3.5%	Interpolate

Single-premium life rates are rounded to 4 decimal places for those states with gross insurance (except in New Hampshire and Virginia where rates are rounded to 5 decimal places), and to 6 decimal places for net insurance. The Setup Code 99 can be used to view the rounded rates used in the most recent loan calculations.

Intermediate A&H rates (rates for loans between 6 or 12-month steps) are either interpolated or bracketed according to the entry in the above table. If interpolated, the

⁶ The "NY" plan uses an I&M discount of 5.976% which includes the 0.48% mortality discount. Use New York plan "Y2" for an I&M discount of 5.496% which excludes the mortality discount.

intermediate rates are rounded to four decimal places per \$100. If bracketed and you enter annual rates, the rates will be bracketed annually. If you enter rates for each 6-month step, the rates will be bracketed on 6-month steps.

You must install credit insurance rates in order to compute credit insurance premiums. If you want to remove the credit insurance rates, enter a state code of "0".

Computing Balloon Loan Payment Factors

The following BASIC program computes the above unpaid balance and balloon factors:

```

CLS
PRINT "Payment & Balloon Factors."
PRINT "Payment factor is multiplied by loan amount."
PRINT "Balloon factor is multiplied by balloon amount."
PRINT "Total payment is difference between the above two results."
PRINT

INPUT "Conventional /N-pmt (0/1) "; Btype
IF Btype <> 1 THEN Btype = 0 ' default to conv

INPUT " Interest rate (%)" ; rate
INPUT " Term (months)" ; term
INPUT " Calendar (360/365)" ; cal

IF cal <> 365 THEN ' default to 360
INPUT "Odd days "; days ' & 0 days
bn = 1 + days / 30
ELSE
cal = 365
INPUT "Days to first "; days ' default to 30 days
IF days = 0 THEN days = 30
bn = days * 12 / cal
END IF
i = rate / 1200
n = term

ubf = (1 + bn * i) * i / (1 - (1 + i) ^ -(n - 1 + Btype)) / (1 + i)
fvf = ((1 + i) ^ -n) * (1 + i) / (1 + bn * i) * ubf
PRINT
PRINT
PRINT STR$(days) + "-day Factors"
PRINT "Unpaid balance factor: "; USING "#.#####"; ubf
PRINT " Fixed value factor: "; USING "#.#####"; fvf

```