



Business Loan Protection Guidelines

# Help business owners avoid loan defaults during a disability



If a business owner becomes totally disabled and can't work, how do they make their business loan payments? Principal® can help. The Business Loan Protection (BLP) rider<sup>1</sup> from Principal helps business owners worry less by allowing them to continue paying their loans and keep their business open.

Here's how to determine if clients qualify for the BLP rider.

## Loan criteria

### Amount

- Up to \$2 million total
- Up to \$20,000 in monthly payments
- Larger loan amounts may also qualify, but with partial coverage

### Type

- Term
- Balloon<sup>2</sup>
- Variable rate<sup>3</sup>
- Commercial mortgage
- Lease-financing
- Loans for working capital or to increase inventory
- Financial obligation of the loan must be three or more years

### Purpose

- Buy a new or existing business or practice
- Buy expensive equipment, buildings, or land
- Expand or renovate
- Increase working capital
- Meet other business-related needs

### Borrower eligibility

- Healthy<sup>4</sup> and between the ages of 18-60
- A maximum of eight owners for fee-for-service professionals (e.g., dentists, attorneys, CPAs, etc.)
- A maximum of four owners for other small businesses



**TIP:** If a loan requires life insurance, it's a good idea to also protect the loan with disability insurance. Why? **One in every four** individuals is likely to become disabled before retirement,<sup>5</sup> and disability insurance offers further security to clients.

If a business owner meets the previous requirements and would like to apply for the BLP rider, the following information may be requested to help process the application.

## Application requirements

- Loan duration
- Loan amount
- Loan type
- Loan number
- Loan officer contact information

## Loan confirmation requirements at policy issue

### When the loan hasn't closed:

Principal® requires a dated and signed commitment letter, promissory note, or letter or email from bank personnel that includes:

- Borrower's name
- Lender's name
- Monthly payment amount
- Initial payment date
- Loan duration
- Loan purpose
- Expiration date of the letter, note, or offer

### When the loan has closed:

Principal requires a copy of the dated executed loan agreement signed by all parties that includes:

- Borrower's name
- Lender's name
- Loan number
- Total loan amount and monthly payment amount
- Initial payment date
- Loan duration
- Loan purpose

When business owners are too sick or injured to work, it's important to have their business covered. Find out more about how a Business Loan Protection rider from Principal can help.



Contact your local Principal representative.

- <sup>1</sup> The Business Loan Protection rider is available on Principal Life's HH702 and HH789 Overhead Expense Insurance policy at an additional cost (however an Overhead Expense policy does not need to be purchased in order to purchase BLP). The policy is owned by the business owner.
- <sup>2</sup> Balloon loans are written for a specific number of years, with a balloon payment at the end of the period. These loans may be amortized over a longer period of time. The BLP rider covers the amount of the payment for the contractual time period as stated in the loan agreement (minimum of three years) rather than the amortized payment over the longer time period.
- <sup>3</sup> Variable interest rate loans can result in fluctuations in the monthly loan payment. The eligible monthly BLP amount is calculated using the lowest interest rate stipulated in the loan agreement.
- <sup>4</sup> Certain health conditions may result in coverage being declined, such as: bipolar disorder, cirrhosis, chronic fatigue, fibromyalgia, Type 1 diabetes, kidney disease, heart attack, hepatitis C, multiple sclerosis, rheumatoid arthritis, systemic lupus.
- <sup>5</sup> Social Security Fact Sheet, Social Security Administration, April 2022, <http://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>, viewed 4/22.

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Insurance issued by Principal Life Insurance Company®, a member of the Principal Financial Group®, Des Moines, IA, 50392.

Disability insurance has limitations and exclusions. For cost and coverage details, contact your Principal® representative. The Business Loan Protection rider is not approved in all states, and is not available in California. This flyer is not approved for use in Arizona or New Mexico. Oregon policy forms HH789OR and HH777.

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Not insured by any Federal government agency**

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