

INSURANCE DISCLOSURES – TWO TYPES

NOTE: THESE TWO DISCLOSURES ARE SEPARATE AND ONE CANNOT BE USED AS “PARTIAL” DISCLOSURE OF THE OTHER’S REQUIREMENTS.:

REG Z INSURANCE DISCLOSURES <i>[12 CFR 226.4 and Commentary]</i>	“CONSUMER PROTECTION IN SALES OF INSURANCE”- DISCLOSURES <i>[12 CFR 208 and OCC’s 12 CFR 14]</i>
<i>AFFECTS FINANCE CHARGES and APR!</i>	<i>DOES NOT AFFECT FINANCE CHARGES AND APR!</i>
<ul style="list-style-type: none"> ▪ Made prior to or at closing ▪ Must be outside the TIL’s Fed Boxes ▪ May be on a separate sheet <p>(A) IF INSURANCE IS <u>REQUIRED</u> BY THE BANK.</p> <ul style="list-style-type: none"> ▪ No disclosures are necessary other than a statement that it’s required. ▪ The premium must be included in the F/C <p>(B-1) IF THE INSURANCE IS <u>VOLUNTARY</u>.</p> <ul style="list-style-type: none"> ▪ To EXCLUDE the premium from the F/C, then the TIL or a separate sheet must show the following disclosures: <ol style="list-style-type: none"> (1) Statement that the insurance is <u>optional</u> (2) There is a place to enter the premium (3) There is a place for the customer to sign/initial indicating they want it... 	<ul style="list-style-type: none"> ▪ Made at application ▪ May be on application – or separate sheet. ▪ Face-to-face applications require disclosure and acknowledgment (signed) at application. ▪ Phone, mail and e-apps have different requirements for the delivery and acknowledgement. See .40(c) <p style="background-color: #d3d3d3;">For DEPOSIT and CREDIT, must state <i>[.40(a)]:</i></p> <ol style="list-style-type: none"> (1) The product is not a deposit or other obligation of, the bank or an affiliate of the bank AND (2) The product is not insured by the Federal Deposit Insurance Corporation (FDIC) (3) The product is not insured by any other (agency of the United States, the bank [or (if applicable) an affiliate of the bank] AND (4) The product is not guaranteed by the bank or an affiliate of the bank AND (5) <i>If the product involves an investment risk, that.</i> There is an investment risk associated with the product, including possible loss of value. <p><i>Items above are expanded versions of advertising’s “5 bullets”.</i></p>
PLUS	PLUS ADDITIONAL DISCLOSURES FOR CREDIT <i>[.40(b)]</i>
<ol style="list-style-type: none"> (4) ...and if the term of insurance is less than the loan - a place for the term to be disclosed (5) ...and if <u>property</u> insurance is to be excluded, a statement that the consumer <u>can choose</u> his/her own insurer must be evident <p>(B-2) IF THE INSURANCE IS <u>VOLUNTARY</u></p> <ul style="list-style-type: none"> ▪ and you CANNOT FIND the disclosures (1)-(3) ▪ ...or any of the disclosures above are not evident/completed properly <p>THEN the premium MUST be</p> <ul style="list-style-type: none"> ▪ (INCLUDED in the F/C calculations and we have a violation. 	<ol style="list-style-type: none"> (6) In the case of an application for credit the disclosure must also include the fact that the <u>bank may not condition an extension of credit</u> on either: <ol style="list-style-type: none"> (6a) The consumer purchase of the insurance product (i.e.: Requiring it) OR (6b) The consumer’s agreement not to purchase the insurance elsewhere (i.e: Can’t force them to promise they won’t go outside the bank for insurance.)