

**Financing of credit insurance**

**A.** Non-subprime, “conventional”, loans almost never include, much less finance, credit insurance. When credit insurance is paid for up-front, it does little more than strip equity from homeowners. The Federal Reserve has proposed including single premium credit insurance as a criterion for determining which loans are “high cost”, which will further disfavor the practice. (*Quantifying the Economic Cost of Predatory Lending*, p. 6)

**B.** The sale of single-premium insurance products with mortgage loans should be prohibited (financing single-premium credit insurance into a home loan restricts borrowers from shopping for competing insurance products, inhibits borrowers from canceling coverage when no longer needed, and unnecessarily increases the potential for fraud and abuse). (Testimony of Carlos Castro, Loan Counselor, H&CD Hearing, February 21, 2002, p.20, lines 8-16; *Curbing Predatory Home Mortgage Lending*, p. 89, p.91)

**C.** Yolanda Clark, Multicultural Alliance for Urban Change, conducted a survey of refinance loans in Los Angeles and found that the loans charged for life insurance policies which were not needed along with other unnecessary fees. (H&CD Hearing, 2/21/02, p. 31, lines 3-4 and lines 5-6)

**D.** John Sorensen, who spoke for his wife, Linda, a Mandarin-speaker, testified that credit life insurance was part of her loan, and she paid for it up-front. She later found out that she was being double billed - it was part of the loan, and she was being billed for it on a monthly basis. (H&CD Hearing, 9/12/02, p. 26, lines 6-11)