15. What is the scope of the prohibition on financing credit insurance? (§ 1026.36(i))

If you are a creditor, you may not finance, directly or indirectly, any premiums or fees for credit insurance in connection with a closed-end consumer credit transaction secured by a dwelling (except for certain time-share plans) or for a HELOC secured by the consumer's principal dwelling.

- ☐ A creditor finances premiums or fees for credit insurance if it provides the consumer the right to defer payment of a credit insurance premium or fee owed by the consumer beyond the monthly period in which the premium or fee is due. (§ 1026.36(i)(2)((ii))

- ☐ For single-premium credit insurance, a creditor violates the prohibition by adding the credit insurance premium or fee to the amount owed at closing. (Comment 36(i) –1)

This prohibition does not apply to credit insurance when the premiums or fees are calculated and paid in full on a monthly basis.

- ☐ Premiums are calculated on a monthly basis if they are determined mathematically by multiplying a rate by the actual monthly outstanding balance. (§ 1026.36(i)(2)((iii))

- ☐ The prohibition is violated for monthly-pay credit insurance if, upon the close of the monthly period in which the premium or fee is due, the creditor includes the premium or fee in the amount owed. (Comment 36(i) –1)

"Credit insurance" is any credit life, credit disability, credit unemployment, or credit property insurance, or any other accident, loss-of-income, life, or health insurance, or any payments directly or indirectly for any debt cancellation or suspension agreement or contract. *See exclusion for certain unemployment insurance discussed below.*