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ADDRESS REPLY TO:
CONSUMER PROTECTION DIVISION
HOOVER BLDG., SECOND FLOOR
1300 EAST WALNUT
DES MOINES, IOWA 50319
515/281-5926

May 9, 1984

RE: Lenders Single Interest Insurance Paid by Banks & Possible
Discrimination Claim

Dear

Please excuse the delay in responding to your inquiry concerning the manner in which a bank may charge for Lenders Single Interest Insurance. The question you posed is essentially concerned with whether the following two alternative methods of a bank's paying the insurance would constitute discrimination:

A. If the bank insures all financial instruments, both direct and indirect, and passes the cost back to the customers in all cases except the contracts purchased from the one dealer, will they be discriminatory?

B. If the bank insures all financial instruments both direct and indirect, passing the cost back to the customers on all contracts except those purchased from the one dealer, and in that case, pays the \$7.50 cost per contract and considers it an expense, will the situation constitute discrimination?

Before a creditor is liable for discrimination under the Iowa Consumer Credit Code § 537.3311 or under the Iowa Civil Rights statute (§ 601A.10), the difference in terms imposed on

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some consumers must be applied to consumers of:

Similar economic background because of the age, color, creed, national origin, political affiliation, race, religion, sex, marital status or disability of the consumer, or because the consumer receives public assistance, social security benefits, pension benefits or the like, or because of the exercise by the consumer of rights pursuant to this chapter or other provisions of the law.

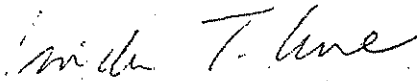
§ 537.3311, The Code, 1983

As you present the methods which may be used by the bank, so long as the only basis for the distinction between the methods is the refusal of one contract dealer to have customers pay the insurance costs, there would appear to be no grounds for a discrimination claim.

The bank would, of course, have to adequately disclose the charge so long as it was a cost of credit to the consumer.

I hope this information answers your inquiry. Please be advised that this response is informal advice only and is neither a formal opinion of the attorney general nor a ruling by the ICCA Administrator.

Sincerely,



LINDA THOMAS LOWE
Assistant Attorney General

cf

Enclosure: § 537.3311, The Code
§ 601A.12, The Code