

ICCC Advisory



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Department of Justice

CONSUMER PROTECTION DIVISION

January 23, 1986

RE: Whether a Creditor May Tie the Purchase of Credit Life
to the Purchase of Credit Accident & Health

Dear

You have requested the advice of this office on whether a creditor in a consumer credit transaction may require a consumer who desires credit life insurance to also purchase credit accident and health insurance. This letter is advice of the ICCC Administrator and is not an ICCC rule nor is it an opinion of the Attorney General.

The Iowa Consumer Credit Code, § 537.2501(2)(b) provides that an additional charge may be made for consumer credit insurance providing life, accident, or health coverage if the insurance coverage is not required by the creditor. This same voluntariness requirement is found in Regulation Z of the Truth-In-Lending Act. (See: 12 C.F.R. § 226.4[d][i].) The official Federal Reserve Board commentary to Regulation Z (see: 12 C.F.R. § 226, Supp. 1, 1-1-85, Comment 4[d] par. 5) states that "whether the insurance is in fact required or optional is a factual question."

Nothing in the Truth-In-Lending Act and Regulation Z or the Iowa Consumer Credit Code specifically addresses the issue of whether two types of "optional" credit insurance may be offered only as a package such that some consumers may be required to purchase a type of insurance which they do not want. However, we should note that the model truth-in-lending forms

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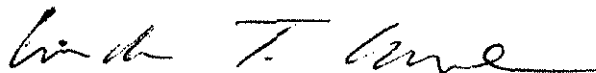
of the Federal Reserve Board (see: 12 C.F.R., Part 226, App. H, 1-1-85) provide for a separate choice for each type of optional credit insurance as well as a combination of credit life and credit accident and health. It could be inferred from the form that it is not permissible for a creditor who offers credit life and credit accident health together to refuse to offer each of them separately. Of course, use of these forms is not mandatory.

It is the advice of this office that the type of "tying" practice referred to in your letter is in violation of the Iowa Consumer Credit Code, Iowa Code § 537.2501(2)(b) (1985). Such a practice, in effect, requires the consumer to purchase a type of credit insurance which they do not want. If a consumer creditor uses this method of selling consumer credit insurance, the cost of the insurance which the consumer did not want must be included in the finance charge.

In addition, for your information, we did recently survey the several members of the American Conference of Uniform Consumer Credit Code States (ACUCCCS) and received six replies (Wisconsin, Oklahoma, Kansas, Maine, Wyoming and Colorado), five of which said the practice was impermissible.

Please let us know if you wish any further clarification of this issue.

Sincerely,



LINDA THOMAS LOWE
Assistant Attorney General

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