

2 **SB 6525** - S AMD 586
3 By Senator Honeyford

4 ADOPTED 02/16/02

5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. **Sec. 1.** A new section is added to chapter 48.30 RCW
8 to read as follows:

9 (1) Credit insurance may not be sold on the single premium payment
10 method, in connection with a home loan, except under all of the
11 following circumstances:

12 (a) The borrower is provided the opportunity to select a monthly
13 premium payment method in lieu of the single premium payment method;

14 (b) To the extent required by law, the premium rates to be charged
15 under both the single premium payment method and the monthly premium
16 payment method are filed with and approved by the commissioner;

17 (c) Each borrower that purchases credit-related insurance on the
18 single premium payment method must execute, no later than the time the
19 underlying loan is closed, a disclosure and consent form that meets the
20 requirements of subsection (2) of this section. The disclosure and
21 consent form may be separate, or may be attached or integrated into the
22 other documents associated with the underlying loan; and

23 (d) The lender or insurer must retain a copy of each executed
24 disclosure and consent form for a period not less than one year after
25 the expiration or cancellation of the insurance coverage.

26 (2) A disclosure and consent form is acceptable for purposes of
27 subsection (1) of this section, if it contains, in substantially the
28 same format, the following information:

29 CREDIT-RELATED INSURANCE
30 BORROWER'S DISCLOSURE AND CONSENT

31 Attention Borrower: You have indicated that you want to purchase
32 credit-related insurance in connection with this loan. THE PURCHASE OF
33 CREDIT-RELATED INSURANCE IS NOT REQUIRED to close this loan, and the
34 cost of credit-related insurance is being included in your loan at your
35 request. YOU HAVE THE RIGHT TO CANCEL YOUR INSURANCE AFTER PURCHASE.

1 You have indicated that you want the cost of your credit-related
2 insurance included in the principal amount of your loan. You may also
3 elect to have the insurance charge added to each monthly loan payment.
4 By including the cost of insurance in the principal amount of your
5 loan, you are pre-paying for the entire term of the insurance, and the
6 amount financed will be subject to the same terms as other
7 disbursements under the loan.

8 Your regular loan payment without the credit-related insurance
9 would be: \$. Your regular loan payment with the charge for
10 credit-related insurance included in the principal amount would be:
11 \$. during the term of your loan.

12 By executing this form you are affirming your decision to have the
13 charge for your insurance included in the principal amount of your
14 loan. IF YOU DO NOT WANT TO PURCHASE CREDIT-RELATED INSURANCE, OR
15 PREFER TO PAY FOR THE INSURANCE ON A MONTHLY BASIS, DO NOT EXECUTE THIS
16 DISCLOSURE AND CONSENT STATEMENT.

17 I, (borrower) have read the above disclosure and
18 consent statement, and want the full charge for my credit-related
19 insurance to be included in the principal amount of my loan.

20 Signed: (borrower) Date:
21 (lender's representative) Date:

22 (3) For purposes of this section:

23 (a) "Credit-related insurance" means life insurance; disability
24 insurance, including accident and health; involuntary unemployment
25 insurance; or any debt deferment or debt cancellation product covering
26 similar risk or risks of loss; when the insurance or product covers
27 amounts due or to be due under a specific credit transaction, and when
28 that credit transaction is entered into for personal or household
29 purposes.

30 (b) "Home loan" means a loan made for personal, family household,
31 or purchase money purposes that is secured by a deed of trust or
32 mortgage on land located in the state of Washington that is improved by
33 an owner-occupied, one-to-four unit dwelling structure.

34 (c) "Monthly premium payment method" means a method of premium
35 collection by which the premium charge applicable for the selected term
36 of insurance coverage is collected from the borrower monthly or on the
37 same periodic basis as principal and interest installments for the
38 underlying loan, and when finance charges are not assessed on the

1 premiums. The periodic premium charge under the monthly method may be
2 calculated based on (i) the outstanding loan balance during the current
3 payment period; (ii) by dividing the total premium for the applicable
4 term of insurance by the number of scheduled loan payments that will be
5 due during the term of insurance coverage; or (iii) by any other method
6 approved by the commissioner.

7 (d) "Single premium payment method" means a method of premium
8 collection by which the total premium charge applicable for the
9 selected term of insurance coverage is included as a lump sum in the
10 principal amount of the loan.

11 (4) With respect to credit life insurance, credit disability
12 insurance, or credit involuntary unemployment insurance, this section
13 is applicable on the later of (a) July 1, 2003; or (b) ninety days
14 after the insurance commissioner, by public notice, certifies that a
15 sufficient quantity of forms and rates based on the monthly premium
16 payment method are approved and available in the state of Washington
17 for sale in connection with closed-end home loans. With respect to
18 debt suspension or debt cancellation products, this section is
19 applicable on the effective date of this section."

20 **SB 6525** - S AMD 586
21 By Senator Honeyford

22 ADOPTED 02/16/02

23 On page 1, after line 1 of the title, strike the remainder of the
24 title and insert "and adding a new section to chapter 48.30 RCW."

--- END ---