

Before saying 'yes' to a loan, be sure to see your professional insurance agent.

I'm about to make a major purchase that requires financing. Should I speak to my insurance agent?

Absolutely. If you are considering taking out a loan to buy a home, a new car, your own business or some other costly venture, be sure to see us before signing on the dotted line. Our expertise could help you avoid costly mistakes and keep your insurance options open.

We can advise you on the best coverage. In New Jersey, some financial institutions are licensed to sell insurance products. As your insurance advisor, we can help you get the best coverage for your purchase and can help you stay clear of pressure from lenders to buy their insurance policies.

Can a bank force me to purchase its insurance?

In order to grant a loan for a large purchase, such as a home, lenders require proof of insurance. But, under state law, financial institutions cannot require their customers to purchase insurance from any particular producer or insurance company. In fact, lenders are required to notify borrowers of their right to purchase insurance through independent sources.

A bank must accept a client's own insurance policy, except in unusual cases where there is some reasonable basis to reject the policy. Despite these safeguards, national consumer surveys show that borrowers often believe they must buy coverage from the bank to get a loan—NOT TRUE! If an insurance policy is rejected, the bank must list its reasons in a clearly written statement.

In addition, financial institutions cannot charge you a fee for handling an insurance policy that the institution requires for a loan.



How much insurance coverage can a lender require?

Home buyers seeking a mortgage cannot be required by a bank to purchase fire insurance coverage in excess of the replacement value of the actual structure. (In the past, some lenders asked borrowers to carry excess amounts of insurance. Now, the state protects homeowners from unreasonable insurance requirements.) Also, a lender cannot require the borrower to buy credit insurance.

Tie-in sales are illegal.

Be aware that requiring a person to purchase insurance before making a decision on your application for credit is illegal. This is sometimes called a tie-in sale. Tie-ins are strictly prohibited by state law.

What is forced placement?

Another lender practice to watch out for is called "forced placement." Lenders that manage escrow funds sometimes use these funds to buy an insurance policy on the borrower's behalf. Or, lenders may buy a policy and bill the borrower later. Often, these policies provide inferior coverage at higher premiums than are available elsewhere!

Lenders "force place" when they don't receive satisfactory proof that your insurance is being maintained. Be sure to relay any lender requirements or inquiries to your agent—many "forced placement" actions are the result of poor communication or lender mistakes.

Call us first

If you are considering buying a home, car or business, be sure to contact us, your professional, independent insurance agent first. Our agency can help you select the best insurance option from a variety of insurance companies and products.



**Your Professional
Insurance Agent ...
We want you to
know about the insurance
you're buying.**