



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

Office of General Counsel

GC/RRD:sg
SSIC 3228
89-0707

July 31, 1989

Mr. George Schoel
2519 Buena Vista Dr.
Arlington, TX 76010

Re: Age Discrimination (Your July 8, 1989, Letter)

Dear Mr. Schoel:

You have asked whether a creditor's failure to provide credit life or loan protection insurance coverage due to the borrower's age is illegal age discrimination. The practice you describe does not violate the Federal Credit Union Act or the National Credit Union Administration's ("NCUA") Rules and Regulations. Regulation B, issued by the Federal Reserve Board ("FRB"), prohibits denial of credit based upon the unavailability of credit-related insurance. However, you describe a creditor's refusal to offer credit life insurance, not refusal of credit. This practice is not prohibited by Regulation B. Lastly, state law may provide you with consumer protections in addition to Federal law. We suggest that you contact the appropriate state agencies for information and guidance.

BACKGROUND

You have noted that some banks, savings and loan institutions, and credit unions, as well as other lenders, offer credit life insurance coverage to all of their borrowers, regardless of age. The insurance is intended to pay the debt in the event of the borrower's death. You note further that some creditors only offer such credit life insurance to borrowers under a certain age. You have asked whether the latter practice is illegal.

WIA
Vol. III

Part B(10) availability of Credit-life insurance

We should point out that, in our experience with credit life insurance, it is the insurance provider (company), that determines eligibility, not the financial institution.

ANALYSIS

The NCUA's Regulations apply to Federal credit unions ("FCU's"). Federally-insured state-chartered credit unions ("FISCU's") must comply with some of NCUA's Regulations. Other Federal and state agencies regulate banks and savings and loan institutions. FCU's and FISCU's are also subject to other Federal and state law. We will address your question with respect to FCU's.

An FCU which offers credit life insurance to some borrowers and not others does not violate the FCU Act or the NCUA's Regulations. An FCU may be in violation of other Federal law if credit is denied an individual based upon the availability of credit life insurance. Most Federal consumer protection regulations are promulgated by the FRB. FCU's and other lending institutions must comply with the Equal Credit Opportunity Act ("the Act") and Regulation B (15 U.S.C. §1691 and 12 C.F.R. Part 202). NCUA is the enforcement agency for FCU's with respect to the Act and Regulation B. The FRB interprets and provides guidance for compliance with the Act and Regulation B. Regulation B is designed in part to promote the availability of credit to all creditworthy applicants without regard to race, color, religion, national origin, sex, marital status, and age.

Section 202.7(e) of Regulation B (12 C.F.R. §202.7(e)) provides:

A creditor shall not refuse to extend credit and shall not terminate an account because credit life, health, accident, disability or other credit-related insurance is not available on the basis of the applicant's age.

Supplement I to Regulation B (the Official FRB Staff Interpretations) interprets Section 202.7(e) as follows:

Differences in the availability, rates, and other terms on which credit-related casualty insurance is offered or provided to an applicant does not violate Regulation B.

Hence, Regulation B does not prohibit a creditor from determining whom it will provide with credit life insurance based on the applicant's age. It does prohibit a creditor's

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refusal to extend credit because credit life insurance is unavailable based on the applicant's age. You may wish to contact the FRB concerning this issue at:

Board of Governors of the
Federal Reserve System
Consumer Affairs Division
Washington, D.C. 20551

Lastly, state and local laws may prohibit such practices. State and/or local authorities may be available for information and guidance.

Sincerely,



HATTIE M. ULAN
Assistant General Counsel