



11/12/2006

## Beware of Credit Insurance Packing with your Home Equity Mortgage

Maybe you have decided it is finally time to get around to that kitchen remodel you have talked about for years. Or maybe your oldest son is off to college and you need some extra funds to pay for that first year of tuition. Or maybe you are ready to get out of debt by consolidating all your obligations into one interest rate and payment. If you need cash for any of the mentioned causes or for any other important financial venture, a home equity mortgage may be just the right solution for you.

Taking advantage of equity (or the difference between the total appraised value of your home and how much you still owe on your first mortgage) can be a great way to tap into your greatest financial asset, your home. If you do decide to apply for a home equity mortgage, not only should you be cautious because you are putting your home up as collateral, but you should be careful to avoid the plethora of home equity mortgage scams out there. One of these is something called "credit insurance packing."

Credit insurance packing is the term for when a lender tacks on or "packs" a credit insurance policy into your home equity mortgage. This credit insurance costs extra money and was not a part of the originally negotiated terms. It is designed to protect the lender by insuring them all or part of the loaned funds if you are unable to repay them due to death, disability, or unemployment. Some mortgage lenders will try to slyly stick this in because generally it is much cheaper for you not to pay it and they will profit by the additional cost.

If you do not want credit insurance in your loan, be assured that it is not required for a home equity loan. In fact, if your mortgage company tries to tell you that you must accept the credit insurance policy, you should report them to the Federal Trade Commission, the state insurance commissioner, or the state attorney general. It is also illegal for a lender to add in credit insurance without making you aware of the inclusion.

If your lender does try to sneak a policy in at the close of your loan, he may be betting on the fact that you will not notice it. You should be vigilant in reading all paperwork and understanding the terms. When you do catch the deception, your mortgage lender may attempt to tell you that it is simply included in the loan terms, making you think that there are no additional fees. If you refuse the insurance, a dishonest lender may use intimidation tactics, like telling you that approval of your loan may be significantly delayed or even overturned if you do not accept the policy. As mentioned above, this is illegal and you should report such deceitful behavior immediately. If you have the time to go through another loan application process, you would probably be better off finding a new lender who will not pressure you into services you do not want or need. You should find a lender you are comfortable with and feel that you can trust. Do your research about a lender before starting the home equity mortgage procedure to avoid possible credit insurance packing scams.