



State of North Carolina

OFFICE OF THE COMMISSIONER OF BANKS

ROY COOPER
GOVERNOR

KATHERINE M.R. BOSKEN
INTERIM COMMISSIONER OF BANKS

To: All Consumer Finance Licensees

From: Tara Malone, Deputy Commissioner of Banks for Non-Depository Entities

A handwritten signature in blue ink, appearing to be "Tara Malone", written over the printed name.

RE: Collection of "Origination" Fees Associated with VSI/ CPP Insurance Policies Sold by Consumer Finance Licensees

Date: September 8, 2021

The North Carolina Office of the Commissioner of Banks (NCCOB) is issuing this memorandum to provide guidance related to the selling of credit insurance policies by licensees under the North Carolina Consumer Finance Act (CFA).

CFA licensees may sell certain credit insurance products, pursuant to N.C.G.S. §53-189. Those credit insurance products must be written in accordance with the provisions of Article 57 of Chapter 58 of the General Statutes. Because this area of the CFA involves statutes that fall under the jurisdiction of both NCCOB and the North Carolina Department of Insurance (NCDOI), NCCOB performs a targeted review of the sale of insurance products by CFA licensees and limits its review to items that are directly related to a CFA contract.

During the examination process, NCCOB reviews borrowers' files to determine if all necessary disclosures have been signed by borrowers, whether the licensee is performing all due diligence that is required by the plain language of relevant insurance statutes or the terms of an insurance policy purchased by a consumer, and that the licensee is not charging fees that are not authorized under insurance statutes. CFA licensees may include insurance premiums in the amount financed in a CFA loan. Although CFA licensees may collect premiums, commissions, or dividends from the sale or provision of these insurance policies under N.C.G.S. §53-189, licensees may not charge additional fees for an insurance policy, that are not allowed under the CFA, insurance statutes, or a master insurance policy that has been approved by NCDOI.

NCCOB recently learned that some licensees were charging an "origination" fee in association with the sale of VSI/ CPP insurance policies. NCDOI has confirmed that this origination fee is not allowed under relevant insurance laws. Furthermore, the NCDOI approved master policies for VSI/ CPP insurance do not permit origination fees.

CFA Guidance Memo: VSI/PPP Origination Fees

August 26, 2021

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It is the responsibility of CFA licensees to ensure that the insurance policies they sell have been approved by NCDOI and that any fees they collect comply with master policies that have been approved by NCDOI. *Going forward, as of the date of this memo, licensees should be aware that NCCOB will begin ordering the refund of fees not allowed under the CFA, an approved master insurance policy, or relevant insurance laws.*

Please feel free to contact me with any questions or concerns. You may reach me by email at tmalone@nccob.gov or by phone at (919) 733-6905.