

# Lender Liability

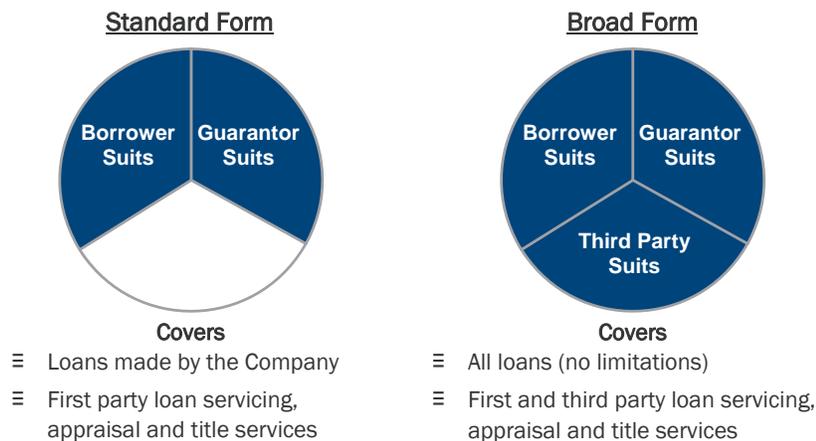
**Lender Liability** coverage protects against losses relating to extensions of credit, agreements or refusals to extend credit, loan servicing, or the collection or restructuring of any extension of credit.

## Availability

Directors and officers are automatically covered under the D&O Policy.

**Lender Liability** coverage is extended to the financial institution via Broad Form Company Liability or the Lender Liability Endorsement. There are two Lender Liability endorsement options:

- ≡ The Standard Form covers suits brought by borrowers and guarantors only (no third-party protection).
- ≡ The Broad Form covers suits brought by borrowers, guarantors, and other third parties (e.g. other financial institutions, contractors, spouses, etc.)



## For Example

### Standard or Broad Form

- ≡ A bank makes a construction loan to a customer. The proceeds of the loan are issued to a contractor, but the contractor does not pay a subcontractor. The subcontractor sues the bank. This claim would be covered under either the Broad Form Lender Liability or the Standard Form Lender Liability.
- ≡ A class action alleging TILA violations is filed after the bank erroneously sends borrowers the incorrect Notice of Right-to-Cancel forms. This claim would be covered under either the Broad Form Lender Liability or the Standard Form Lender Liability.

### Broad Form Only

- ≡ A bank is sued by another bank that alleges that the bank is wrongfully asserting that it has a superior lien on property on which the plaintiff bank is foreclosing. This claim would be covered under the Broad Form Lender Liability, but not under the Standard Form Lender Liability.
- ≡ A community bank represents to a foreign bank that it is willing to participate in a local loan transaction. The local institution then sells off its participation and is subsequently sued by the loan originator when the borrower defaults. This claim would be covered under the Broad Form Lender Liability, but not under the Standard Form Lender Liability.