

# LENDER LIABILITY

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**Lender Liability Insurance** protects against claims brought by borrowers or guarantors for allegations of errors, omissions, misstatements, neglect or breach of duty involving:

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## LENDING LAW VIOLATIONS

Some carriers broadly exclude claims arising from violations of federal or state laws relating to extensions or denials of credit, including TILA, ECOA, Fair Credit Reporting Act, Fair Debt Collection Practices Act, Fair Debt Collection Practices Act and other. Our policy does not contain a similar exclusion and except for intentional acts, our policy expressly covers defense costs for violations of law:

### FOR EXAMPLE

- A class action lawsuit alleging TILA violations was filed after the bank erroneously sent borrowers an incorrect Notice of Right-to-Cancel forms. Amount paid: \$2,000,000.
- A class action suit was brought against a bank alleging violations of usury laws when the bank miscalculated interest on commercial loans. Amount paid: \$1,800,000.

## LENDING DISCRIMINATION

Some carriers exclude coverage for lending discrimination. Our policy does not exclude the defense of allegations of lending discrimination.

### FOR EXAMPLE

- The bank was accused of discriminatory pricing of indirect auto loans in a suit brought by African-Americans. Amount paid: \$2,000,000.

## INSIDER LOANS

Most D&O carriers exclude suits arising from insider loans and insider affiliated loans. Be aware that the definition of Insider in these policies can apply to a wide range of individuals and entities. Our policy does not exclude either insider or insider affiliated loans.

### FOR EXAMPLE

- A business partner of an outside bank director sued the bank in connection with a line of credit extended by the bank to the partnership, alleging the bank allowed the director to make improper draws on the line of credit. Amount paid: \$210,000.

## ADDITIONAL CLAIMS EXAMPLES

- A senior loan officer promised a borrower that the bank would fund her loan request. Relying on this commitment, the borrower planned an expansion of her leather goods business. The loan was subsequently not approved, leaving the borrower with no funds to pay off the commitments she already made related to her business expansion. The borrower sued the loan officer who made the funding commitment as well as the bank.
- A borrower obtained an \$800,000 mortgage loan but failed to make property tax payments on the property due to ideological objections. The bank paid the taxes and subsequently increased the borrower's monthly payment to recapture the amount of the payments. The borrower refused to pay the additional amount each month, and ultimately the bank foreclosed on his property. The borrower initiated a wrongful foreclosure claim against the bank.

## BROAD FORM COVERAGE AVAILABLE

Coverage can be expanded to include claims brought by other third parties (e.g. other financial institutions, contractors, spouses, etc.).

### FOR EXAMPLE

- 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.

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Policies are underwritten by Great American Security Insurance Company, an authorized insurer in all 50 states and the DC. All coverage descriptions and claims examples are provided for informational and educational purposes only and are not a representation as to coverage for any other claim. Coverage for any claim is determined upon the specific facts of the claim, the terms and conditions of the policy and applicable law. For details on the coverage provided by your specific contract of insurance, please refer to your policy. Coverage is subject to underwriting guidelines and may not be available in all states. Limits may be capped for underwriting reasons. CS10.092021 © 2021 ABA Insurance Services Inc. dba Cabins Insurance Services in CA (CA license #0G63200), ABA Insurance Services of Kentucky Inc. in KY, and ABA Insurance Agency Inc. in MI. 3401 Tuttle Road, Ste 300, Shaker Heights, Ohio 44122.