was not given a copy of the master policy nor was one filed with the court. When questioned by the court concerning the insurance, the debtor testified:

"To tell you the truth I didn't know anything about it."

The debtor signed a so-called "Insurance Authorization" in which he purportedly made application to the insurance company, declaring that "the purchase (of insurance) is entirely voluntary and has not been made compulsory by the creditor." It is my conclusion however that the debtor signed the insurance applications without knowledge of their contents, just as he signed all documents placed in front of him. His testimony that the signing "was right fast and right quick" aptly describes the transactions in which the debtor signed financing statements, security agreements, deed of trusts, insurance applications, and possibly other forms, many in triplicate.

This conclusion is fully supported by an examination of one of the documents signed by the debtor. I refer to the so-called deed of trust on his home. This incredible instrument (Ex. 1) provides that a vendor (not otherwise identified in the instrument) for the consideration of $200.00 contracts and agrees to sell to a purchaser (also not identified) certain real estate which in fact is the debtor's home. This instrument further recites a sale price of $7750.00 payable in monthly installments of $90.22 each. Mr. Culvahouse testified that certain language was copied inadvertently from another instrument when this so-called trust deed was prepared. This instrument as well as all other instruments was prepared in the loan company office. The trust deed further provides that the debtor is indebted to Merit in the sum of $2952.00 payable in 36 monthly installments of $82.00 each, "*with interest thereon from date at 6 per cent per annum.*" As heretofore stated, interest amounting to $531.36 had already been added into the $2952.00 note. Again, Mr. Culvahouse testified that the inclusion of interest in the trust deed was a mistake. Yet this is one of the instruments the loan company would have the court believe was signed by the debtor with full knowledge of its contents. These may have been mistakes but clearly it shows that the debtor was signing all instruments placed in front of him by the loan company officials, including an instrument with provisions that even the loan company officials now say are erroneous, without having the slightest knowledge of what he was signing.

Merit's officials testified that the loan in this instance was handled exactly in the same manner as all other loans. I am sure this is true. A review of some nine claims filed by Merit in Chapter XIII proceedings now pending in this court indicates that in every instance life and accident and health insurance premiums have been included, as well as a flat 4 per cent investigation charge, plus interest thereon.

In my opinion, the "tie-in" sale of credit insurance in connection with small loan transactions is being used to evade the statutory limitations on the costs of the loan.[6] The practice followed by Merit is the same practice followed by most, if not all, loan companies in this area. In most instances, if not all, the lenders are profiting by the transactions in that there are "adjustments" between the lender and the insurance company of the premiums charged, if not an actual retention by the company of a part of the premium.

In the case before the court, Mr. Culvahouse, manager of Merit, testified that at the end of the year "so much per cent" of the insurance premiums was returned to Merit's home office by the insurance company. Thus it is clear that Merit is profiting from the insurance transactions.

It is my conclusion that all insurance charges must be stricken from Merit's claim, as well as all interest and investigation fees charged thereon. The life and accident and health insurance policies were issued by Merit without the debtor's consent. This is in violation of the Tennessee statute. T.C.A. 47–2007(k). There is no proof in this record that the debtor was given an opportunity to obtain property insurance which a loan company can require, providing the coverage bears a reasonable relation to the existing hazard or risk of loss. Instead Merit's manager, as agent for the insurance company, issued all policies in question.

In *Hagler* v. *American Road Insurance Company and Ford Motor Credit Company*, ——— Tenn. App. ———, the same individual represented both the credit company and the insurance company. In that case Chancellor Phillips (Sullivan County Chancery Court at Bristol) found that the plaintiff had been required to pay $367.00 for an automobile insurance policy "but in addition thereto was

[6] For an excellent discussion and history of tie-in sales of credit insurance in connection with small loan transactions, see *In the Matter of Richards,* Bk. No. 63–1324, Dist. of Maine, opinion of Referee Poulos.