

disclosed in connection with a purchase money first mortgage. Such mortgages are also exempted from the requirement that the creditor afford a 3-day right of rescission where a lien is placed on the obligor's dwelling. First mortgages are subject to all other requirements imposed under this title, and there are no exemptions for other types of mortgages.

PROPERTY AND LIABILITY INSURANCE

Under section 202(d) of the House-passed bill, all mandatory charges imposed by a creditor in connection with an extension of credit were required to be included in the finance charge. The language left in some doubt the treatment to be accorded charges such as those for various types of insurance as well as other items which, although not charges for credit, were included in a financing package and were not specifically excluded from the finance charge by other provisions of that section. Under section 3(d)(2)(C) of the Senate bill, premiums for property and liability insurance would be excluded from the finance charge if itemized and disclosed by the creditor. Under section 106(c) of the conference substitute, such an exclusion is permitted, but only if the debtor is clearly informed of his right to choose where to buy such insurance.

CREDIT LIFE AND ACCIDENT AND HEALTH INSURANCE

Section 3(d)(2)(D) of the Senate bill also provided an exclusion for credit life, accident, and health insurance premiums if itemized and disclosed. Under the conference substitute, such charges may not be excluded unless the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this is clearly disclosed to the debtor. The creditor must also disclose to the prospective debtor the cost of such insurance, and may not include it in the financing package unless the debtor gives specific affirmative written indication of his desire to have it. If credit life, accident, or health insurance is written in connection with any consumer credit transaction without complying with all of the foregoing requirements, then its cost must be included in the finance charge under section 106(b) of the conference substitute.

OTHER CHARGES

Section 106(d)(4) of the conference substitute permits the Board to approve by regulation the exclusion of any other type of charge which is not essentially for credit. It is not intended that the Board should exercise this authority except in the case of charges which are reasonable in relation to the benefits conferred on the obligor, and where their inclusion in the package makes economic sense from the standpoint of the obligor, apart from the creditor's merchandising convenience.

PREPAYMENTS

The conferees were agreed that the Federal Reserve Board and other regulatory agencies should provide for the disclosure to the obligor at the time of the completion of a consumer credit transaction of any prepayment penalties in connection with real estate mortgages