



STATE OF TEXAS

OFFICE OF CONSUMER CREDIT COMMISSIONER

SAM KELLEY, Commissioner

2601 NORTH LAMAR
AUSTIN, TEXAS 78705-4207

(512)479-1280
(214)263-2016
(713)461-4074

June 13, 1985 85-6

Mr. Kenneth S. Carroll
Attorney at Law
1355 Dallas Building
1807 Commerce Street
Dallas, Texas 75201-5177

Re: Request for Opinion Letter on
Tex. Rec. Civ. Stat., Art. 5069-4.01, et seq.

Dear Mr. Carroll:

This is to acknowledge receipt of your letter dated May 15, 1985 wherein you inquire whether a lender may charge an obligor on a loan made pursuant to Article 5069 - Chapter 4, V.T.C.S. a charge for a premium paid for residual value insurance in connection with a motor vehicle taken as collateral for such loan.

Chapter 4 authorizes only credit life insurance, credit accident and health insurance and property insurance to insure property taken as security for a loan. It does not authorize residual value insurance or any other kind not set out in the statute. Article 4.02(9) specifically prohibits any charge for any type of insurance not authorized by Chapter 4 and Article 4.01(7) also prohibits any charge being made to a borrower not specifically authorized by Chapter 4.

In view of the foregoing, I believe it is clear that a borrower should not be charged for residual value insurance in connection with a Chapter 4 loan and any lender doing so would be subject to the penalties set out in Chapter 8 of Article 5069.

Sincerely,


Sam Kelley
Consumer Credit Commissioner

