

March 28, 2005

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Regulation Z; Docket No. R-1217

Dear Ms. Johnson:

This letter is submitted in response to the Board of Governors' request for comment on open-end credit rules set forth in Regulation Z. The letter is submitted on behalf of a coalition of companies that either issue or administer debt cancellation contracts ("DCCs") and debt suspension agreements ("DSAs"). We appreciate the opportunity to provide this information.

Conforming Section 226.4(d)(3) of Regulation Z to Current Market Practices

Currently, section 226.4(d)(3) of Regulation Z provides that the fees paid in connection with a DCC may be excluded from the disclosed finance charge if the following disclosure and affirmative election requirements are met:

- (1) The consumer is told, in writing, that the purchase of the product is not required;
- (2) The fee for the initial term is disclosed. (If the term of the contract is less than the term of the loan, the term of the contract also must be disclosed. The fee may be disclosed on a unit-cost basis in open-end credit transactions, closed-end transactions conducted by mail or telephone, and certain closed-end transactions involving a contract that limits the total amount of indebtedness subject to the contract.); and
- (3) The consumer signs or initials an affirmative request for the contract after receiving the required disclosures.

This section does not accurately reflect current market practices for DCCs and DSAs. It only references fees paid in connection with DCCs, and is limited to DCCs that provide for the cancellation of all or part of a debtor's liability ... "in the event of the loss of life, health or income or in the case of accident." We respectfully recommend that the provision be modified to cover DSAs in addition to DCCs, and that the scope of triggering events for DCCs and DSAs be expanded to refer to any "specified event." DSAs are issued widely in connection with credit card loans, and, to some extent, with other loan products; therefore, the regulation should explicitly recognize DSAs. Also, DCCs and DSAs increasingly are linked to a variety of events in the life of a borrower, not just death, disability or loss of income (such as family leave, military leave, etc.). Our proposed use of the term "specified event" would be consistent with the OCC regulation (see 12 C.F.R. 37.2(f) and (g)). If these proposed changes are made to

Ms. Jennifer Johnson
March 28, 2005
Page 2 of 2

section 226.4(d)(3), corresponding clarifying changes should be made to sections 226.4(b)(10) and 226.18(n).

We also recommend that section 226.4(d)(3) be revised to clarify that, in certain cases, the affirmative request may be provided orally. The new OCC DCC/DSA regulation permits oral consent for telephone solicitations and telephone responses to mail inserts or “take one” applications if certain requirements listed at 12 C.F.R. 37.7(b)-(c) are satisfied. We propose that Regulation Z be amended to permit oral consent in those situations described in the OCC regulations.

In conclusion, we appreciate the opportunity to address the treatment of DCCs and DSAs under Regulation Z.

Sincerely,

James C. Sivon

James T. McIntyre