



By electronic delivery

December 23, 2010

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Docket No. R-1390 – Regulation Z, Proposed Rules Concerning Change to Debt Cancellation Disclosures

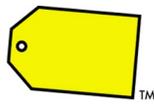
Dear Ms. Johnson,

Best Buy Stores, L.P. (“Best Buy”), one of the largest specialty retailer of consumer electronics and an industry leader with more than 40 years of history, respectfully submits these comments in response to the rule proposed and published by the Federal Reserve Board (the “Board”) on September 24, 2010, which proposed rule would amend those provisions of Regulation Z that apply to providing disclosures on credit applications for debt cancellation plans and other similar products.

With our financial services partners, we offer millions of consumers a wide variety of credit options every year. We strongly support the need for all consumers to fully understand the nature and responsibilities of all credit products they elect to obtain, including debt cancellation plans. As such, we value the Board’s commitment to consumer protection and to practical and workable solutions for the implementation of the regulations. Additionally, we are grateful for the opportunity to provide comments on the proposed rule set forth in Docket No. R-1390, in particular, comments regarding the proposed changes to the required disclosures of debt cancellation products. Specifically, we would like to provide comments on how such proposed changes could impact the retail sector, our credit card programs and consumer spending as a key to economic recovery.

Debt cancellation is an optional program offered in conjunction with both our private label credit card and our co-branded credit card. These optional debt cancellation products offer consumers affordable protections against unforeseen circumstances, such as unemployment, disability and/or death that may prevent the consumers from being able to make payments on their credit obligations. We support clear, concise and factual disclosures for all potential consumers considering these products – such as recent CARD Act regulations from the Federal Reserve – and herein offer a proposed alternative example to the sample disclosures in the proposed rules.

First, we believe the proposed disclosures imply a strong bias against such products that borders on a recommendation against the election of such debt cancellation



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products. While we understand and support the need for proper disclosure of the terms and conditions of the products, the proposed disclosures suggest that debt cancellation plans are worthless and without benefit.

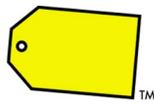
Best Buy believes that debt cancellation products provide benefits to consumers, including but not limited to:

- 1) Providing cost effective protection to the consumer that is based upon the consumer's outstanding balance rather than for a set minimum benefit that the consumer may not need;
- 2) Providing optional coverage that can be cancelled at any time, giving the consumer maximum flexibility in determining what is necessary for coverage at any given time with such flexibility being paramount to good financial planning;
- 3) Covering a broader range of incidents than common life insurance, including: unemployment, disability and a range of other qualifying events; and
- 4) Providing peace of mind as well as substantial benefits during what can be otherwise trying circumstances.

As you know, Regulation Z already requires creditors to take steps to ensure that consumers are informed about the elective debt cancellation plans, including:

- 1) A written disclosure that debt cancellation coverage is not required by the creditor;
- 2) The fee or premium for the initial term of coverage is disclosed in writing;
- 3) A written disclosure that the obligation to pay loan principal and interest is only suspended, and that interest will continue to accrue during the period of suspension (if applicable); and
- 4) A requirement that the consumer signs or initials an affirmative written request for coverage after receiving the disclosures.

We believe these existing disclosures are clear and concise and serve to alert the consumer of the possible need to ask questions concerning their understanding and the appropriateness of the product to their particular circumstances, prior to signing up for such coverage. In addition, many debt cancellation programs (including the program offered by the Best Buy card issuer) offer a 60-day "trial period" which, among other purposes, (1) provides consumers with sufficient time to further review the disclosures and verify their understanding of the benefits; and (2) entitles the consumers to cancel



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the program during the trial period without risk as they receive a refund of any amounts paid for the debt cancellation plan.

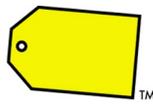
We respectfully submit that the proposed changes to the disclosures, by contrast, require statements that in many instances, particularly for retail credit, are simply misleading and would provide a disservice to consumers.

For example, the proposed statement, “Other types of insurance can give you similar benefits and are often less expensive” does not apply well to retail credit. Credit balances for retail credit products are relatively small revolving balances separate from some of the other secured products in other areas of the proposed regulations. Contrary to the quoted disclosure from the proposed rule, it would be very difficult for a consumer to find an affordable life or disability insurance product that would cover such a small balance amount at a lesser cost to the consumer. Finding a policy offered by an insurance company to pay off some or all of a credit balance in case of involuntary unemployment may also be extremely difficult for a consumer.

Additionally, the new rule would require retailers who offer open-end credit to disclose the maximum amount the consumer would have to pay under the plan. This is not tenable for revolving credit. Requiring the disclosure of the maximum amount to be charged would be confusing and misleading because that would require a disclosure based upon what the maximum credit line would be. Most consumers only utilize a portion of their credit line, making the amount disclosed under the proposed rule to be overstated. The proposed disclosure would therefore mislead the consumer into believing the cost for the debt cancellation product is higher than it would actually be

Similarly, the requirement to disclose the maximum benefit is not applicable to the type of debt cancellation products offered by the Best Buy credit card issuer. The maximum benefit is always applicable. If the consumer makes the premium payments and a triggering event occurs, that consumer’s balance is paid down as disclosed. We believe the requirement that a credit issuer make the statement, in bold and underlined, **“You may not receive any benefits even if you buy this product.”** is unduly biased and unnecessarily discourages the purchase of this product. Best Buy believes there should be a key distinction between ensuring that proper disclosures are made by credit issuers and making recommendations on what debt cancellation products consumers should purchase. The statement quoted above, coupled with the overall tone of the proposed disclosures, serves to strongly discourage the purchase of debt cancellation products rather than to inform the consumer as to the key terms of the products.

Finally, the proposed rule seems to suggest that if the consumer does not meet the age or employment eligibility requirements that they will not be allowed to purchase the product even if other coverage under the plan may be of value to them. In the case of the debt cancellation coverage offered by Best Buy’s credit issuer, these restrictions could really do a disservice to the customer. Our debt cancellation product offers



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protection against many more qualifying events other than death and/or unemployment. Coverage is also extended to customers in the event of:

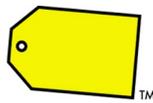
- 1) Property damage
- 2) Life events (marriage, birth of child, new job, etc.)
- 3) Identity theft
- 4) Hospitalization
- 5) Leave of absence
- 6) Disability (temporary or permanent)

We ask the Board to reconsider the implementation of these proposed rules. We believe the disclosure standards detailed in §226.4(d) are more than adequate in protecting the consumer. These standards are clear and conspicuous, as well as fair and unbiased. If the Board believes that changes are necessary to ensure consumer protection, then Best Buy respectfully requests that (1) the proposed disclosures be modified so as not to suggest that the plans are worthless or ill-advised, or (2) the Board consider, in lieu of changes to the disclosures, the need for reminders to policy holders of potential events triggering coverage and notices by issuers prior to closure of trial offer periods, or (3) a requirement for website disclosures offered by the provider of the debt cancellation products for their unique information made available via a Federal Reserve site similar to what is required under the CARD Act.

As an alternative to the Board's recommended disclosure, attached please find an alternative sample disclosure in tabular format that Best Buy believes would be based more on factual aspects of debt cancellation products and could provide important information to consumers.

On behalf of Best Buy, I thank you for this opportunity to comment on the Board's proposed rule to amended Regulation Z's provisions as they relate to debt cancellation disclosures. If you have any questions concerning our comments, or if we may otherwise be of assistance in connection with this issue, please do not hesitate to contact me at dan.olstad@bestbuy.com or Stephen Bowe, Best Buy Corporate Counsel, Financial Services Compliance, at stephen.bowe@bestbuy.com.

Dan Olstad
Senior Director of Financial Services
Best Buy Stores, L.P.



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ATTACHMENT – SAMPLE DISCLOSURE

Option to purchase Debt Cancellation Coverage

Do I need this product?	This product is an optional account feature and debt cancellation program that supplements your credit card account. Whether or not you purchase debt cancellation will have no impact on your application for credit or the terms of any existing credit agreement you have with the issuing bank. In return for a fee and subject to certain conditions described in the Terms & Conditions, this program can cancel a portion of your credit card balance, cancel minimum monthly payments, or cancel your eligible balance.	
How much does it cost?	\$1.39 per \$100 of your average daily balance. For example, if you have a credit card with a \$5,000 limit and you have a \$1,000 balance on that credit card during the current billing cycle, the cost of your debt cancellation coverage will be \$13.90 for that billing cycle.	
What is the maximum benefit amount?	Qualifying Event	Maximum Benefit
	Property Damage or Loss	Cancels the cost of repairing or replacing merchandise up to \$10,000
	Loss of Life	Cancel full outstanding Balance up to \$10,000
	Life Events	Cancel Minimum Payments for up to 3 months
	Involuntary Unemployment	Cancels 10% of eligible balance every month up to the outstanding balance.
Can I receive benefits?	In order to qualify for certain benefits listed above, there are requirements that you must meet. For example, there are certain employment eligibility requirements you must meet in order to qualify for any benefits associated with Involuntary Unemployment. For all benefits, coverage must be in force immediately prior to and at the beginning of the related Qualifying Event.	
Where Can I get more information	Go to Federal Reserve.gov/debtCancellation to learn more about this product.	