KBA
Kansas Bankers Association

November 29, 2010

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

Re: Docket No. R-1390: Proposal on Debt Protection Disclosures

Dear Ms. Johnson:

Thank you for the opportunity to submit comments on the above-referenced proposal regarding new Regulation Z disclosures covering debt protection products. The Kansas Bankers Association is a non-profit trade organization with 317 of the 320 Kansas banks as members.

As you know, currently, Regulation Z requires disclosures to identify that the purchase of credit protection is not a condition of the loan; the premium for the credit protection must be disclosed, and the consumer is required to sign a statement indicating that he or she requested the debt protection. These disclosures have been in place for over thirty years.

Many consumers in those thirty years have benefitted from the protection provided by such products. These products operate as do most insurance-type products, they provide peace of mind for the consumer that a benefit will be paid (in this case, the loan will be paid off) in the event of death, disability or involuntary unemployment. As with other insurance-type products, not everyone who purchases the product will receive a pay out, but consumers understand this as they typically have other types of insurance (health, life or auto). In most cases, consumers buy insurance hoping that they never have to use its benefits, but consumers buy it for the peace of mind it gives them should something unfortunate occur.

Debt protection products such as credit insurance and debt cancellation should be looked upon as useful tools in the consumer's toolbox for protecting themselves and their family should unforeseen events occur. Such products are by no means the only tools available, but should not be discounted or their use discouraged. It is our belief that disclosures should be not only factual, but also objective in their nature. We are concerned that some of the proposed disclosures contain a tone of negativity towards debt protection products that may discourage a consumer from using them.

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An example of a disclosure of concern, is one indicating that if the consumer has other insurance, he or she may not need debt protection to pay off the loan. While this may be factually true, its underlying tone is very negative. In other words, the disclosure could read, "If you have other insurance or savings, you will preserve those assets by purchasing this product which will pay off your loan if you die or become disabled." This disclosure is also factually true and may allow consumers to think positively of the purchase.

Another example of a disclosure that we are concerned about is one indicating that there are other types of insurance that give similar benefits and are often less expensive. With regard to GAP insurance, there is no other alternative. Our concern is that a consumer may decline GAP coverage thinking he or she can obtain it elsewhere and that is not the case. In addition, there is no guarantee that every consumer may obtain life or disability coverage elsewhere, or at a better price. A consumer may forego the option of purchasing it at the time the loan is made, only to find out later it is not available to them from an insurance agent.

Finally, we are concerned about the disclosure that states that a consumer may never receive any benefits from the product purchased. As stated above, that is the case with insurance-type products. Again, this provides a very negative tone about the product which is likely to steer some consumers away from this coverage.

Overall, we would respectfully urge the Federal Reserve to re-think the proposed disclosures to set a neutral tone about the purchase of these very useful products. An example of a viable alternative is one that the OCC requires: "There are eligibility requirements, conditions and exclusions that could prevent you from receiving benefits under this product. You should carefully read our additional information and/or the contract for a full explanation".

As advocates for the banking industry, we would be disingenuous to not also argue that a decrease in the revenue some members receive from sales of these products would come at a time when banks' bottom lines are hurting. Absent concrete evidence of harm being done to consumers, why take away a product that allows banks to generate some fee income?

In conclusion, we believe that the long-term history that some of these products have of protecting consumers when bad things happen to them deserves another look at the potential consequences that negative disclosures could bring about. Our concern is that consumers and banks alike will be disadvantaged by essentially not allowing consumers to consider these tools as a means to help protect them in the case of death, disability or involuntary unemployment.

Thank you, once again, for allowing us the opportunity to comment on this most important issue.

Sincerely,

Charles A. Stones	Paul Porter	Kathleen A. Olsen
President	President	SVP-General Counsel
Kansas Bankers Assoc.	KBA Hodge & Porter	Kansas Bankers Assoc.