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Ms. 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-1367: Proposed Rule on Regulation Z
Open-End Home Secured Credit (HELOCs)

Dear Ms. Johnson:

I am writing on behalf of Aon Integramark, a debt cancellation service provider for the lending industry. Our comments relate to the proposed revisions to Regulation Z that impact the offering of debt cancellation on open-end home secured credit (HELOCs). Aon is requesting that a revision be made to Section 226.5b(f)(3) consistent with the telephone sales rule in Section 226.4(d)(4) for the reasons explained below. While we have discussed our comments in regard to debt cancellation, our comments apply equally to debt suspension.

The Board proposes to extend the telephone sales rule for credit insurance and debt cancellation, as adopted in the January 2009 revisions to Regulation Z applicable to open-end non-real estate secured credit, to HELOCs. Under the proposal Section 226.4(d)(4) would be amended to apply to all open-end credit, not only open-end non-home secured credit. In the explanation to the proposed revision the Board states that the proposed telephone sales rule contains safeguards to ensure that the purchase is voluntary. The proposal, if adopted, would permit consumers who purchase debt cancellation on an existing HELOC over the telephone to receive the Section 226.4(d) disclosures required to exclude the debt cancellation fee from the finance charge orally if the creditor follows the procedure in Section 226.4(d)(4). 12 C.F.R. § 226.4(d)(4). The procedures in Section 226.4(d)(4) require that the creditor maintain evidence of the consumer's oral election to purchase coverage and require the creditor to mail the required disclosures within three business days after the telephone purchase. *Id.* In the explanation of the telephone sales rule in the open-end non-real estate secured proposed rule, the Board explained that allowing for telephone sales was consistent with the Office of the Comptroller of the Currency rule regarding the sale of debt cancellation and permitting the required disclosures to be made orally with similar safeguards. 72 Fed. Reg. 32948, *referring* to 12 C.F.R. Part 37.

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Consistent with the OCC debt cancellation rule permitting telephone sales and the proposed revisions to Section 226.4(d) permitting oral disclosures to exclude debt cancellation fees from the finance charge for telephone sales on HELOCs, Aon is requesting a similar revision to Section 226.5b(f)(3)(iii). Section 226.5b(f)(3) generally prohibits a creditor from changing any term of a HELOC plan after it is opened subject to certain exceptions. 12 C.F.R. § 226.5b(f)(3). One of the exceptions is when the consumer specifically agrees in writing to the change. *Id.* § 226.5b(f)(3)(iii). In the Commentary to Section 226.5b(f)(3), Comment 1 states that, for example, a creditor may not increase any fee or impose a new fee once the plan has been opened, even if the fee is charged by a third party. *Id.*, Supp. I, Comment 1. This comment also provides that the change-in-terms prohibition applies to “all features of a plan,” even if the features are not required to be disclosed under Section 226.5b (*i.e.*, on the application disclosures). *Id.* Supp. I, Comment 2. Based on Section 226.5b(f)(3)(iii) and the Comments, the purchase of debt cancellation on an existing HELOC may be subject to Section 226.5b(3)(f)(iii) and require a written agreement under the existing regulations. Thus, there is a potential inconsistency between Section 226.4(d)(4) and the OCC debt cancellation rule, both permitting telephone sales, and Section 226.5b(f)(3)(iii) that requires a written agreement to change any term of a HELOC.

Aon is requesting that a provision allowing a consumer to agree over the telephone to a change that is the purchase of debt cancellation on an existing HELOC be provided for in Section 226.5b(f)(3). The revision should contain the same safeguards found in Section 226.4(d)(4) and the OCC debt cancellation rule. Under the requested revision the consumer would be permitted to specifically agree to the addition of debt cancellation to an existing HELOC orally over the telephone. Consistent with the telephone sales rule in Section 226.4(d)(4), if the consumer agrees orally, the creditor would be required to maintain a record of the consumer’s oral acceptance of the change and mail written confirmation of the change to the consumer. Such a revision to Section 226.5b(f)(3)(iii) would be consistent with the other provisions applicable to the sale of debt cancellation over the telephone.

Aon Integramark and I appreciate your consideration of this comment letter as part of the Board’s review of the open-end real estate secured credit provisions of Regulation Z. Please do not hesitate to contact me if you have any questions or would like additional information.

Very truly yours,



Elizabeth L. Anstaett

cc: Tom Ostenson, Esq.
Darrell L. Dreher, Esq.