

DISSEMINATION BRANCH

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VIA FACSIMILE

October 5, 2000

Communications Division  
Office of the Comptroller of the Currency  
250 E Street, S.W., Third Floor  
Washington, DC 20219  
Attention Docket No. 00-16  
(202) 874-5274

Robert E. Feldman, Executive Secretary  
Attention: Comments/OES  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, DC 20429  
(202) 898-3838

Manager, Dissemination Branch  
Information Management & Services Division  
Office of Thrift Supervision  
1700 G Street, N.W.  
Washington, DC 20552  
Attention Docket No. 2000-68  
(202) 906-7755

**Re: Joint Notice of Proposed Rulemaking – Consumer Protections for  
Depository Institution Sales of Insurance**

Dear Sirs:

Thank you for the opportunity to comment on the proposed new rule regarding consumer protections for depository institution sales of insurance (the "Proposed Rule" or "Proposal") implementing Section 47 of the Gramm-Leach-Bliley Act of 1999 ("Section 47"). Household Bank (Nevada), N.A., Household Bank (SB), N.A., Household Bank, f.s.b., and Household Insurance Group (collectively "Household"), respectfully provide comments to the Proposed Rule.

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General Background:

Through its credit card banks, Household is one of the largest issuers of MasterCard, VISA, and private label credit cards in the United States. In addition, Household Bank, f.s.b. originates auto loans, commercial credit card loans, and both secured and unsecured non-credit card consumer loans. These products may be sold by direct mail, internet, telemarketing, "take-ones," or through a retail establishment in connection with a private label program. Most of the products Household offers may be purchased with credit insurance, which may be provided by Household Insurance Group or a third party. None of the Household banks generally accept any retail deposits by any means, nor do they (or any other affiliate) sell any retail investment products.

While we support some of the provisions of the Proposal that clearly follow the statute and represent good business practices, we are concerned that several of the requirements may be either counterproductive or possibly unworkable in connection with existing and developing technology. As a whole, we view the Gramm-Leach-Bliley Act as an enabling statute that provided for new affiliations between diverse financial services providers. In light of these new affiliations, Section 47 provides new consumer protections that will cover the range of insurance products that can now permissibly sold by depository institutions. However, both financial institutions and insurance products vary significantly, and we are concerned that the "one size fits all" nature of the proposed required disclosures and acknowledgements will not serve consumers or financial institutions in certain cases. The situation most critical to our business, which is nearly entirely composed of consumer loans that are originated outside of traditional "brick and mortar" facilities, is the sale of credit insurance in connection with those loans. Depository institutions have been legally selling credit insurance for decades as part of their consumer loan transactions. It does not generally constitute a new business affiliation authorized by the Gramm-Leach-Bliley Act, nor does it provide the same potential for confusion with investment or depository products that may occur in the sales of other types of insurance. As a result, we fear that the disclosure format proposed by the regulation may cause more harm than good in connection with the sale of credit insurance, while the required acknowledgement form may prove unworkable in a variety of situations.

The statutory language does provide some flexibility in connection with its required disclosures and the acknowledgement of receipt of those disclosures. Our specific comments and suggestions on these issues are outlined below. For ease of reference, citations are to the proposed rule issued by the Office of the Comptroller of the Currency, 12 C.F.R. § 14.

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Required Disclosures:

Section 14.40(a)(1) would require Household's financial institutions to provide a disclosure, upon the sale of credit insurance in connection with a particular loan, to the effect that the credit insurance "is not a deposit or other obligation" of the financial institution selling it or of the Federal Deposit Insurance Corporation ("FDIC"). Section 47(c), which requires these disclosures, only requires them "as appropriate." This choice of words indicates that Congress was aware this specific disclosure should not be necessary in all cases. While the disclosure may be helpful in connection with the sale of certain products such as annuities (and, in fact, is likely already made) or perhaps in an environment where deposits are also being taken, it does not add value in the credit insurance context. Specifically, because of the nature of credit insurance, which pays off the balance of a debt (or a portion thereof) upon certain conditions, we believe that this disclosure is unnecessary and would in fact be confusing to consumers. It is hard to imagine a situation where a credit card or home equity loan applicant would confuse credit insurance fees with an insured deposit such as a savings account. Currently, these customers receive a description of the insurance coverage, including what it will pay and under what conditions. We would not object to a disclosure requirement regarding who the insurer is, for instance, an affiliate of the bank or a third-party provider. However, to say that the insurance is not an obligation of the bank or the FDIC will simply lead to customer confusion rather than clarity.

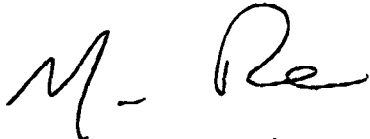
Acknowledgement of Receipt of the Disclosures:

Section 14.40(b)(5) provides that a covered person must obtain from the consumer, at the time a consumer receives the required disclosures (or at the time of purchase), written acknowledgement that such disclosures were received. While Section 47(c)(1)(F) does require "an acknowledgement," it does not require that such acknowledgement be in writing. In a face to face transaction, written confirmation that oral and written disclosures were provided may not raise compliance problems. However, when delivering products by alternative channels such as the telephone, direct mail, and "take-ones," our experience has demonstrated the substantial difficulties that can occur when attempting to convince customers to return written material. In the context of insurance sales, a failure to return the written acknowledgement could result in a consumer incorrectly believing that he is insured. A less troublesome alternative would be to permit compliance with the acknowledgement requirement by recordation of the consumer's oral acknowledgement. This would allow a lender to either call the consumer or provide the consumer with a toll-free number with which to acknowledge his receipt of the disclosures.

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If you should have any questions regarding this letter, please feel free to contact me at (847) 564-7941.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Pampel". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

Martha A. Pampel  
Senior Counsel  
Federal Regulatory Coordination

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