



ABIA Insurance News



Special Edition: March 25, 2011

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## Special Edition

### GAO Report on Debt Cancellation and Suspension Products

Today the Government Accounting Office (GAO) released its report on debt cancellation and suspension products. The following is a brief summary of the conclusions and recommendations. The ABIA will continue to conduct an in-depth review of the report findings in order to provide a more detailed analysis.

The GAO conducted this study in response to a mandate in the Credit Card Accountability Responsibility and Disclosure Act of 2009 and obtained data from three credit insurers and nine credit card issuers, which represented 85 percent of the credit card market.

As part of the study the GAO analyzed the benefits and disadvantages to consumers, the market share of the product, and the level of federal and state oversight; as well as reviewing the product's terms and conditions, the marketing materials, and the applicable regulations.

The GAO found that "Debt protection products and credit insurance can offer consumers several advantages. The products can protect a cardholder's credit rating in times of financial distress, can provide peace of mind, and are widely available and easy to purchase. Regulators have reported relatively few consumer complaints and have cited few formal violations related to debt protection products."

In response to this finding, Kenneth J. Clayton, ABA senior vice president and chief counsel, and Kevin McKechnie, executive director, ABIA stated "The value of the reassurance and peace of mind offered by debt cancellation products will vary from person to person and is difficult to measure. However, as the GAO report indicates, customer satisfaction with these products is very high."

Although the GAO did recognize the advantages these products offer consumers, they also expressed concerns about the cost and level of consumer understanding. The GAO states that the "fees for these products can be substantial, with the annual cost often exceeding 10 percent of the cardholder's average monthly balance."

These concerns are reflected in the GAO recommendations to the new Bureau of Consumer Financial Protection.

#### Report Recommendations

"GAO recommends that the Bureau of Consumer Financial Protection (1) factor into its oversight of credit card debt protection products, including its rulemaking and examination process, a consideration of the financial benefits and costs to consumers, and (2) incorporate into its financial education efforts ways to improve consumers' ability to understand and assess these products. The bureau agreed with GAO's recommendations."

[Read the Full Report](#)

#### Stay Involved and Learn More

ABIA's counsels will discuss the report during a telephone briefing to be held at 2:00 p.m. on Tuesday, April 12.

To register for this telephone briefing [click here](#).

This 90 minute program will provide you with information on:

- Explain the background/history behind the study

- Examine the data upon which the GAO relied in its final report
- Analyze and summarize the GAO's findings and recommendations regarding marketing, suitability and loss rates
- Assess the potential impact of the study on the regulation of debt protection products and credit insurance by the Bureau of Consumer Financial Protection, including recently proposed changes to Regulation Z (Truth in Lending).

# Resources

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For Information on **ABIA Best Practices Panel** Contact Mike Polychrones at [mpolychr@aba.com](mailto:mpolychr@aba.com)

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