WELLS FARGO

Law Department
MAC: N9305-176
1700 Wells Fargo Center
Sixth and Marquette Avenue
Minneapolis, MN 55479

Molly A. LeVoir, Senior Counsel
(612) 667-9935
(612) 667-5098 – fax

Via Electronic Submission

December 23, 2010

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551
regs.comments@federalreserve.gov

Re: Docket No. R-1390
Regulation Z; Truth in Lending
75 Federal Register 58539-58788 (September 24, 2010)
Impact on Consumers Purchasing Debt Protection Products

Dear Ms. Johnson:

Wells Fargo & Company and its subsidiaries ("Wells Fargo"), including Wells Fargo Bank, National Association, appreciate the opportunity to provide written comments on the Federal Reserve Board's (the "Board's") proposed amendments to Regulation Z (the "Proposal") which implements the Truth in Lending Act ("TILA") and the Home Ownership and Equity Protection Act ("HOEPA"). Wells Fargo operates nationwide and is a leading originator of residential mortgage loans as well as one of the nation's leading financial services companies. Wells Fargo is committed to lending that helps customers achieve financial success, to fair and responsible lending standards, and to offering its customers appropriate products at appropriate prices.

This most recent Proposal includes amendments concerning Right of Rescission, Loan Modifications, Reverse Mortgages, and Debt Protection Products. In this letter, Wells Fargo addresses its concerns with those portions of the Proposal relating to the offer of debt protection products on closed-end real estate secured and open-end credit agreements. The proposed changes would dramatically impact the offering of credit protection products on all types of consumer credit requests, not just real estate secured closed-end transactions. Since the other three topics in the Proposal address purely real estate secured transactions, Wells Fargo will comment on that part of the Proposal by separate letter.

As a leader in financial services, Wells Fargo seeks to provide its customers with the information they need to make informed decisions. To that end, Wells Fargo offers the following comments in hopes of better fulfilling both the Board's and Wells Fargo's intention of providing consumers with meaningful information about the products they are purchasing. Wells Fargo does not currently market credit insurance or debt suspension products; therefore, our comments focus on debt cancellation products, but they are generally applicable to the other debt protection products.

Our comment letter is organized into the following six sections:

- Finance Charge Exclusion for Debt Protection Products
- Loan Modifications and Debt Protection Products
- Proposed Safe Harbor Disclosures
- Eligibility Determination for Debt Protection Products
- Regulation Z vs. Office of the Comptroller of the Currency ("OCC") Mandated Disclosures
- Telephone Purchases

Summary of Key Comments

Wells Fargo respectfully recommends that the Board:

<u>Refrain from treating a fee for an optional debt protection product as a finance charge</u>

- Requiring fees for optional debt protection products to be included in the finance charge disclosures would not accurately reflect the "cost" consumers incur to obtain credit and would therefore be of no benefit to consumers.
- Including fees for optional debt protection products in the Annual Percentage Rate (APR) calculation would distort the APR and result in misleading disclosures. The inclusion of optional debt protection products in the APR would result in the same effective APR for

both optional and required debt protection products. As a result, a consumer's ability to compare the true cost of credit would be impaired.

- Requiring fees for optional debt protection products to be included in the finance charge disclosures would result in a material increase in the number of loans requiring HOEPA disclosures.

- Inclusion of a fee for optional debt protection in the finance charge disclosure would be inconsistent with TILA, which provides that a finance charge is a charge "imposed" by a creditor as an incident to or a condition of credit. The plain wording of TILA compels, or at the very least strongly supports, the conclusion that a fee for optional debt protection is not a finance charge because the consumer chooses whether or not to purchase the product. In addition, including a fee for optional debt protection in the finance charge disclosure would also be inconsistent with a provision of the recently passed Dodd-Frank Act, which directs that debt protection fees paid monthly shall not be considered financed.

<u>Clarify that the purchase of dept protection products does not result in a loan modification</u>

- The Board's proposed revision to require additional disclosures when certain criteria are part of a closed-end real estate loan modification may negatively impact a consumer's enrollment in an *optional* debt protection product.

- Optional debt protection products modify a loan contract only to the extent that the consumer pays a fee to the lender in exchange for the lender's assumption of additional risk should the consumer experience one or more protected life events under a debt protection plan. The underlying loan contract and its terms are <u>not</u> altered with monthly renewable debt protection products.

<u>Modify the safe harbor disclosures to allow consumers to make informed decisions</u>

- Consistent with the underlying purposes of TILA, the safe harbor disclosures should be modified to provide consumers with information that will allow a consumer to make informed decisions about debt protection. That is, TILA is intended to require disclosures of credit terms so that consumers can compare credit terms and avoid the uninformed use of credit.

- The safe harbor disclosures should not be designed to discourage consumers from considering debt cancellation products that can provide important consumer benefits. The proposed safe harbor disclosures would effectively dissuade consumers from purchasing debt protection products, rather than inform consumers of the benefits and limitations of such products.

- At a minimum, delay the adoption of the proposed safe harbor disclosures until the Board is able to conduct additional consumer testing based on an appropriate sample or test group. Wells Fargo is concerned that the consumer focus group used to create and revise the proposed disclosures appears inadequate and not in line with industry accepted practices.

Require meaningful disclosures instead of requiring eligibility determinations and unbundling

- The proposed requirement to unbundle protected events in a bundled product in order to avoid inclusion of the fee in the finance charge is problematic when trying to price a product in anticipation of losses that would be experienced. Costs for a bundled-event product can be socialized over a larger pool of consumers that results in a lower cost. We are concerned consumers may incur a higher cost for a single protected event versus the cost of a bundled package another consumer would pay.
- National banks already provide consumers with adequate informational disclosures and documentation of contract terms as required by the OCC. Disclosures are provided at point of sale for in-person transactions, and they are mailed out within 3 business days for phone transactions. These requirements afford consumers protection in that they have 30 days to review eligibility requirements without cost and may cancel at any time.
- Purchase of optional products is ultimately a consumer's decision. It should not be up to the lender to judge the consumer's value proposition given that a consumer's circumstances are unique and may change over time.

Compliance with OCC disclosures should be deemed compliance with Regulation Z

- National banks may be required to incur additional and unnecessary costs to issue duplicate disclosures if the Board does not issue final rules that complement already existing OCC regulations governing debt protection products. Consumers would not be well served if multiple sets of disclosures containing similar or identical information were provided.
- National banks may be placed at a competitive disadvantage if they are forced to incur additional costs issuing duplicative disclosures. Accordingly, the Board should refrain from imposing duplicative and repetitive rules. That is, the Board should deem national banks that comply with the existing OCC regulations to be in compliance with Regulation Z disclosure requirements concerning debt protection products.

Safe Harbor Verbal Disclosures for Phone Channel Enrollments

- The marketplace and industry experience consumer enrollments in debt protection products from multiple channels outside of traditional brick and mortar banking locations. Card activation and telemarketing enrollments are in need of safe harbor language for verbal disclosures. The currently proposed written disclosure, or similar disclosure the Board may issue in the final rule, cannot be practically applied to phone enrollments.

Comments and Recommendations

1. **Elimination of Exclusion from Finance Charge for Closed-End Real Estate Secured Transactions**

The Proposal and associated commentary reference subsection §226.4(g). This provision was initially proposed by the Board in August 2009 (docket # 1366) but has not yet been formally adopted. It would require the inclusion of credit insurance premiums and debt cancellation or debt suspension fees in the finance charge for closed-end real estate secured loans, even if the purchase is voluntary and the lender provides the disclosures required by TILA. Wells Fargo supports the inclusion of fees or costs in the finance charge where such costs are required by a lender to obtain credit. We believe, however, that optional products which are properly disclosed and consumers purchase at their discretion should not be included in the finance charge because the charges are not a cost of credit. Congress defined the finance charge as "the sum of all charges, payable directly or indirectly by the person to whom the credit is extended, and imposed directly or indirectly by the creditor as an incident to the extension of credit." [1] Debt protection products are not incident to the extension of credit because they are voluntarily purchased by consumers. We urge the Board to withdraw the proposed subsection (g). Following are our reasons in support of our position:

- Removing the exclusion of optional and properly disclosed debt protection fees from the finance charge for closed-end real estate secured loans fundamentally changes TILA as created by Congress. Wells Fargo does not impose, either directly or indirectly, any debt protection fees unilaterally on borrowers. While the Board believes the addition of this provision is within its authority and discretion, Wells Fargo believes that changes which are essentially contrary to TILA's provisions should not be undertaken lightly.

- Subsequent to the Board's August 2009 proposal to add §226.4(g), Congress passed and the President signed the Dodd-Frank Wall Street Reform and Consumer Protection Act in which Congress specifically addressed the matter of financing credit insurance premiums or debt cancellation or suspension fees in connection with residential mortgage loans. Specifically, Section 1414 of the Dodd-Frank bill amended TILA as follows:

  > (d) SINGLE PREMIUM CREDIT INSURANCE PROHIBITED. –No creditor may finance, directly or indirectly, in connection with any residential mortgage loan or with any extension of credit under an open end consumer credit plan secured by the principal dwelling of the consumer, any credit life, credit disability, credit unemployment, or credit property insurance, or any other accident, loss-of-income, life, or health insurance or

[1] 15 U.S.C. 1605(a)

> any payments directly or indirectly for any debt cancellation or suspension agreement or contract, except that—
>
> > (1) insurance premiums or debt cancellation or suspension fees calculated and paid in full on a monthly basis shall not be considered financed by the creditor; and
> >
> > (2) this subsection shall not apply to credit unemployment insurance for which the unemployment insurance premiums are reasonable, the creditor receives no direct or indirect compensation in connection with the unemployment insurance premiums, and the unemployment insurance premiums are paid pursuant to another insurance contract and not paid to an affiliate of the creditor.

In light of this provision, it appears that §226.4(g) proposed in August 2009 and the Board's latest proposal would be directly contrary to the very recently expressed will of Congress.

In addition to the above legislative discussion in support of our position, we believe including credit insurance premiums or debt protection fees in the finance charge calculation would result in consumer confusion for the following reasons:

- The consumer will be unable to compare the finance charges of different lenders. For example, if one lender offers debt protection and one does not, the disclosed finance charges will fail to provide the consumer with an accurate comparison of the costs associated with obtaining a loan with each lender. That is, since optional debt protection does not reflect the cost of credit, inclusion of optional debt protection in the finance charge will make it impossible for a consumer to compare the true cost of credit—for example, finance charges due to the application of a periodic rate and fees that are required or imposed as an incident of credit.
- Inclusion of the debt protection fee will give the consumer the impression the product is required to obtain the loan, even if it is not required by the lender. Mandated disclosures would reinforce this confusion since they would describe the product as optional and require a consumer's signature as his/her affirmative election to purchase. The disclosed finance charge and APR, however, would convey the opposite impression that the product impacts the interest and/or finance charge they will pay.
- Consumers attempting to assess the costs of borrowing would find it very difficult, if not impossible, to compare closed-end vs. open-end credit products. For any lender offering debt protection products on non-real estate secured closed-end loans and open-end line of credit agreements, consumers would be led to conclude that the same amount borrowed on a closed-end real-estate loan was more expensive than any other closed-end or open-end credit agreement. This incorrect conclusion would occur even if the closed or open-

end interest rates were higher but not exceeding the rate for the closed-end real estate secured loan.

- Frequently, optional debt protection products are purchased after the loan has closed, sometimes months after the loan has closed. If this were somehow considered a loan modification, consumers receiving a re-disclosure of their entire finance charge simply because they are interested in purchasing an optional debt protection product could be confused by the disclosure and left with an unclear picture of the true cost of the optional product.
- The consumer will be left with the impression that inclusion of a debt protection product will somehow impact their interest rate and/or interest paid for their loan.

Recognizing that the separation of finance charge and debt protection is important, the marketplace has generally moved away from single fee products and toward monthly-renewable product design. Included in this shift was a specific intention to design debt protection products that function independently of the closed-end loan. This means that a purchase of optional debt protection does NOT influence or affect the interest paid by the consumer.

The table below demonstrates and supports this statement by comparing the same exact loan and terms with one difference: Column 1 shows the loan without a debt cancellation contract; Column 2 shows the same loan with the purchase of a monthly renewable debt cancellation plan. The data represent a true TILA disclosure that complies with Regulation Z. In addition, please reference ***Exhibit A-1 and Exhibit A-2*** for the amortization schedules supporting each loan example in columns 1 and 2. The last column in the table shows the distortion in the APR if the fee is included in the finance charge. The last column in the table below includes our assumption that all fees would be included in the finance charge even though the optional debt cancellation plan is a monthly renewable contract.

The interest charge and finance charge shown in the last column demonstrate how the consumer’s cost of credit as disclosed via the APR becomes distorted by including the debt cancellation contract fee in the finance charge. Special attention should be paid to the fact that the following do not change whether or not the debt protection fee is included in the finance charge:

- The Interest Charge,
- The Principal and Interest Payment, and
- The Total of Payments for the funds borrowed

Wells Fargo questions how disclosing the loan in this manner would benefit a consumer given the fact that protecting the obligation to pay is unrelated to the essence of the cost of obtaining credit. Again, since a consumer has a choice about purchasing an optional debt protection plan, disclosing those fees as a finance charge will only serve to confuse consumers about the true cost of credit. The finance charge should depict only those costs paid by a consumer that are solely related to borrowing money.

Loan Terms

Amount Financed:	$20,000	*Loan Term*:	72 months
Interest Rate:	8.00%	*Days to First Payment*:	30
Prepaid Financed Fees:	$100.00		

Disclosure	Column 1 Closed-end Real Estate Loan ***without*** a Debt Cancellation Plan	Column 2 Closed-end Real Estate Loan ***with*** a Monthly Renewable Debt Cancellation Plan	Closed-end Real Estate Loan ***with*** a Monthly Renewable Debt Cancellation Plan with Fees Included in the Finance Charge
APR	**8.177%**	**8.177%**	**9.743%**
Interest Charge	**$5,272.80**	**$5,272.80**	**$5,272.80**
Finance Charge	**$5,372.80**	**$5,372.80**	**$6,489.52 ***
Total of Payments (loan only)	**$25,372.80**	**$25,372.80**	**$25,372.80**
Scheduled Payment of Principal and Interest	**$352.40**	**$352.40**	**$352.40**
Monthly Renewable Debt Cancellation Plan	$0	$15.51	$15.51
Total Payment Due as billed on Monthly Statement	$352.40	$367.91	$367.91

* includes $1,116.72 ($15.51 times 72 months) for debt cancellation fees over the term of the loan.

- Inclusion of fees for optional debt protection products in the finance charge calculation could contribute to more real estate secured loans being labeled as high cost loans under HOEPA. Lenders who either choose not to make 'high cost' loans or who do not have sufficient operations capability to offer these types of loans would be constrained from offering optional debt protection products to their customers seeking real-estate secured loans, limiting availability of products that truly add value for many borrowers. Mortgage and home equity loan applicants desiring such protection would be forced to search elsewhere for protection alternatives only to find that none exist, they do not qualify, or the products are too costly. While some insurance products provide similar protections, many have strict underwriting criteria. Other debt protection benefits are extremely difficult to find through insurance products, like involuntary unemployment insurance. Finally, even where an insurance product is available, such as various forms of whole and term life insurance, it is generally only offered with higher limits of coverage ($50,000 and up) and longer terms (duration) making the premium unaffordable for many consumers. Moreover, the larger issue with life insurance is availability due to underwriting criteria. A large population of consumers are likely ineligible for affordable life insurance or any life insurance because they are overweight, have high blood pressure, suffer from Type 1 or 2 diabetes, are elderly, or may take depression medications, have pre-existing conditions, are disabled, or have other health issues. In addition, any customer who was able to qualify for and secure an underwritten life policy would next need to research, apply for, and secure a separate disability policy.

Wells Fargo does not support the current proposal to eliminate the finance charge exclusion. The cost of credit should not be affected by optional products where the only connection to a closed-end loan is the optional protection feature the consumer elected in exchange for a fee which compensates a lender for the added risk. Be assured that Wells Fargo does, however, support an accurate disclosure of the cost of obtaining an optional debt protection product. Consumers should be presented with the information they need to make an informed decision about debt protection based on the product's merits and the risks associated with repayment relative to their available financial resources. Wells Fargo suggests that a better approach to the cost of credit question would be to require a common method among lenders for disclosing the price of debt protection products based on the protection product's impact on the interest and/or finance charges consumers pay. Our recommended alternative approach would:

- treat products in the market place fairly based on function and outcome for consumers,
- continue to recognize the optional nature of credit insurance and debt protection products, and
- preserve the Board's desire to inform consumers of the true cost of credit while avoiding the contradictions that would manifest themselves in the marketplace under the currently proposed §226.4(g).

If the Board is not persuaded by our above comments as well as comments received from other interested parties concerning this significant decision, Wells Fargo strongly believes there is a need for additional direction and guidance in the Proposal as to:

- how the finance charge calculation should be performed,
- what premium or fee should be included, and
- the time period a lender should use for including any debt protection fee in the computation.

Without such guidance and direction, lenders will inconsistently apply the same calculations when including the debt protection product fee, which again will result in poor market comparisons for consumers. We would also respectfully submit that inclusion of the fee on monthly-renewable products should be limited to one month.

2. Loan Modifications and Debt Protection Products

The Board's proposed revision to require new TILA disclosures when certain criteria are present in a closed-end real estate loan modification would benefit from clarification regarding its impact on a consumer's enrollment in an *optional* debt protection product after the loan has closed. While the Board does not appear to intend a new TILA disclosure simply because the consumer has chosen to purchase an optional debt protection product after the loan has closed, there are two modification descriptions where we seek clarification. The first is charging the consumer a monthly fee in exchange for protecting the consumer against certain protected life events that may include death or disability. The second is an increase in the periodic payment amount.

Optional debt protection products modify a loan contract only to the extent that the consumer pays a fee to the lender in exchange for the lender's assumption of additional risk should the consumer experience one or more protected life events under a debt protection plan. The underlying loan contract and its terms are not altered with monthly renewable debt protection products. Specifically, the debt protection product's terms agree to cancel the consumer's obligation to make their periodic payment if he/she experiences a protected event and the request for benefits is approved. At Wells Fargo, any fee associated with enrollment in a debt protection product is clearly itemized on the monthly statement. It appears the Board's intent in proposing new TILA disclosures when certain new fees are present as a result of a loan modification is to ensure consumers are informed about costs or changes that are directly connected with the loan contract and the terms and payment structure within that loan contract. Debt protection fees are currently fully disclosed.

Enrollment in Wells Fargo's optional debt protection products does not impact the terms of a loan contract in relationship to the payment amount, interest rate, term, principal, or payment due date. Any fees charged for an optional debt protection product are not incident to a modification changing loan contract terms. Any enrollment in the optional protection product is at the consumer's choosing and informative disclosures of cost and contract terms are provided to the consumer pursuant to current OCC regulation. Therefore, it appears that enrollment in an optional debt protection product would not trigger new TILA disclosures under this proposed change to loan modification disclosures.

Wells Fargo requests the Board clarify the proposed rule and any related staff commentary related to loan modifications with an express determination that enrollment in optional debt protection products do not fall under the requirements of proposed §226.20(a)(1)(i).

3. Safe Harbor Disclosures

Under §226.4(d)(3) and §226.38(h), the Proposal would require new disclosures for all debt protection product sales associated with all closed-end loans or open-end lines of credit. Wells Fargo supports the Board's objective of providing consumers with valuable information about the products lenders offer. The goal of any disclosure is to inform and educate. Unfortunately, this current safe harbor disclosure contains language that we believe merely serves to dissuade consumers from purchasing the optional products rather than educating consumers on the costs, benefits, exclusions, and restrictions associated with the products. The ICF Macro consumer study the Board relied on in proposing the revised disclosures does not sufficiently support the need for revision. This study produced the safe harbor language which the Board deemed satisfactory and resulted in all consumer participants indicating they would not purchase the product. We question whether this should be the desired outcome of a consumer disclosure. Wells Fargo is also concerned about the sufficiency of the study given that input from only 18 participants was used to shape the final proposed version of the disclosure. In this regard, we urge the Board to refrain from requiring any disclosures at all for optional debt cancellation until the Board is able to solicit input from industry experts in the area of consumer focus groups and studies to ascertain the number of study participants that would be needed in order to ensure statistically valid support for any proposed disclosure change. It is our understanding that in order to rely on a consumer study as statistically valid, generally, upwards of 1,000 – 1,200 participants split into three distinct groups are used to review options where one of the three groups would serve as a control group and review disclosures mandated under today's current regulation.

Use of the proposed safe harbor disclosures will lead to consumer confusion for the following reasons:

<u>Opening Statement</u>

- Use of the word "STOP" prior to the disclosure of the optional nature of the product indicates the consumer should go no further, rather than actually continue on to read about the optional nature of the product. Even for the consumer who reads on, the word "STOP" could be interpreted to mean they should not purchase the product, rather than consider the fact that it is optional. We believe a better alternative would be to remove the word "STOP" and instead require the following in bold: **Please read this important disclosure.**
- Wells Fargo understands that many consumers use the internet to perform research and believe it would be helpful to provide consumers with such a tool. However, without suggested web page content in the Board's proposed rule, we are unable to comment. Wells Fargo believes it is vitally important to provide consumers accurate and educational information. We believe such content should be part of any proposed rule so

the lending community is afforded the opportunity to effectively comment as with other aspects of the proposal. We believe the Board would be overlooking an important aspect of this undertaking if lenders did not have sufficient information to effectively comment, and we encourage the Board to re-publish the proposed rule and include a sufficiently complete outline of any proposed web page(s).

Do I Need This Product

- While we have no objections to the payment suspension disclosures, as we do not offer that product, we believe the following disclosure is simply inaccurate: "If you already have enough insurance or savings to [pay off this loan][make payments on this loan], you may not need this product." Payment protection products provide benefits in addition to any insurance or savings the consumer may already have available to them. Therefore, a debt protection product is not duplicative. Moreover, a consumer could intend their insurance coverage to address specific financial needs. For other consumers, this may be the only protection they obtain. Life insurance ownership is at a 50-year low with nearly one-third of U.S. households (approx. 35 million) having no life insurance coverage.[2] Today, consumers can purchase a debt protection product specific to the debt they wish to protect. Traditional insurance products do not have such flexibility. Further, traditional insurance products often are unavailable to individuals with health problems. For Americans suffering from high blood pressure, diabetes and other medical conditions, traditional insurance products can be inaccessible.[3] Many traditional insurance products have restrictions or exclusions not found in a debt protection product. For example, term life insurance is only available for a specific period of time, where Wells Fargo's debt cancellation product is available for the life of the loan. Wells Fargo agrees that the consumer should be encouraged to consider their complete financial picture when considering purchase of these debt protection products, but that is not accomplished by telling them they may not need to purchase the product. If they are concerned about reserving savings or using insurance proceeds for other purposes, it could be very important to them to have the additional protection offered by these products. Every consumer's situation is unique and this disclosure's blanket statements may be misleading. The disclosure provided would better serve consumers by encouraging a review of their financial situation with a trusted advisor.

---

[2] 2010 study by LIMRA (Life Insurance and Market Research Association).

[3] 74.5 million Americans have high blood pressure according to the American Heart Association (http://www.americanheart.org/presenter.jhtml?identifier=4621);

26.6 million Americans have diabetes according to the American Diabetes Association (http://www.diabetes.org/diabetes-basics/diabetes-statistics/);

35.7 million American adults have cholesterol levels of 240 or above, which is considered high risk (http://www.americanheart.org/presenter.jhtml?identifier=4506);

21% of American adults smoke (http://www.gallup.com/poll/109048/us-smoking-rate-still-coming-down.aspx).

- We believe the following proposed disclosure language is also inaccurate: "Other types of insurance can give you similar benefits and are often less expensive." Consumers are generally unable to purchase individual insurance policies on the open market protecting them against involuntary unemployment as they do with auto or hazard insurance coverage. The internet searches we conducted revealed one or two proprietary programs that appeared to be available only temporarily and provide protection limited to a consumer's mortgage payment. Further, while traditional life insurance may be available to young healthy individuals at a more competitive cost, we believe it is generally quite expensive for older consumers vs. the typical cost of debt protection products. Term life products include significant price increases once the initial term has expired. The price of life insurance products can vary dramatically based on state insurance law, a consumer's age, health, occupation, recreational interests and any other factors an insurance underwriter might consider. Finally, "other types of insurance" implies that the optional product the consumer is considering with their loan is insurance versus a debt protection product. If the Board wishes to make sure that consumers are encouraged to consider all insurance or protection options, we suggest including language to direct them to a trusted advisor to explore comparable products that align with their financial resources.

<u>How Much Does It Cost</u>

- While it is generally less complex to disclose a debt protection fee for a closed-end loan, the fees charged usually change over time commensurate with risk assumed by the lender because balances are repaid. Given that, it is not meaningful or accurate to disclose one fee to a consumer without also telling them that their fee will change each month as the outstanding principal balance is repaid. Not all lenders calculate debt protection product fees using the account's principal balance. Some lenders' products assess fees based on a principal and/or interest payment since that is perceived as more appropriate and consistent when considering inherent differences in closed-end loans and open-end line of credit agreements. Many lenders have enhanced their open-end line of credit products to permit a variety of advances under different terms. Consumers may borrow on a revolving or fixed basis, repay interest-only or a percentage of the outstanding balance, or amortize a fixed rate advance over a specific number of months. Requiring disclosure of the maximum cost of the product is extremely complex for many lines of credit as it is difficult to account for all of the scenarios that might lead to the maximum fee. These variations and a proposed requirement to disclose a maximum fee based on the consumer's minimum payment due would mean significant programming effort in order to comply. This compliance complexity may lead to questions about the accuracy of any maximum fee disclosure. Further, because average utilization rates for credit lines are less than 50%, a maximum fee disclosure would not be meaningful to the consumer since the vast majority of consumers would never pay that maximum charge. Requiring disclosure of a less than meaningful maximum possible charge will only serve to dissuade consumers from purchasing the product rather than helping consumers make an informed decision. We believe it would be considerably better to provide consumers with the following:

- The formula used to calculate the fee,
- An example using real, factual numbers, and
- A table of fee price points together with the associated balances or payments used as the fee basis. This will allow the consumer to see that the price of the debt protection product is directly impacted by the principal balance or minimum monthly payment.

The above approach provides additional consumer disclosure benefits. Lenders would operate under a well-defined common framework that outlines:

- The method used to calculate the fee,
- A specific example based on the calculation method, and
- The specific amount a consumer may expect to pay using at least three price points

Wells Fargo believes consumers would find this to be much more meaningful as they evaluate the debt protection product's merits and costs.

<u>Can I Receive Benefits</u>

- Requiring the following disclosure does not help to educate the consumer on the benefits and restrictions of the product: "You may not receive any benefits even if you buy this product." Generally, consumers do not hope to receive benefits when purchasing these products, but rather are seeking to prepare for the unexpected and guard against what could be financially difficult or even devastating circumstances. The same is true about any insurance product a consumer purchases. Debt protection and insurance products are purchased by consumers hoping they will never need to avail themselves of the product's protections and benefits. For example, people generally don't buy auto insurance hoping they will have an accident and be able to file a claim. Insurance and debt protection plans provide consumers with financial stability at a time when they are trying come to grips with a significant event. Rather than tell customers they many never be able to use or obtain benefits from the product, the disclosure should focus on the events covered by the product as well as any age and employment restrictions associated with the product should such restrictions exist. This information will help the consumer make an informed, educated decision.

In light of the above issues with the proposed disclosure, Wells Fargo recommends using the language found in ***Exhibit B***. The disclosure we offer educates consumers about cost and the availability of information describing restrictions associated with such products. It also provides the information consumers need to make an informed decision instead of leading consumers to a predetermined outcome. At the very least, we urge the Board to conduct a meaningful consumer study adhering to sound statistical data-gathering principles and methods.

4. Eligibility Determinations for Debt Protection Products

Proposed Section 226.4 would require that fees for debt protection products be included in the finance charge if the creditor does not determine prior to or at the time of enrollment that the consumer is eligible based on any age or employment requirements applicable to the product. Alternatively, the proposed rule suggests that the creditor may unbundle the components of a bundled product and allow the consumer to purchase only those events for which the creditor believes the consumer qualifies.

The debt protection products offered by Wells Fargo currently do not contain maximum age eligibility requirements. However, it is important to recognize the value bundled debt protection products offer to consumers as a group and that an individual consumer's circumstances may change over the term of a protected loan. It is also our belief that consumers themselves are in the best position to decide which features of a bundled product are most desirable for them. If a product has age restrictions, we believe a lender must predetermine the future date when the consumer no longer qualifies and end the protection if their loan is still active. However, after the initial enrollment process occurs, the consumer is the only one to determine whether they continue to find value in a product or service as their circumstances change. We fail to understand how this proposed rule would benefit consumers since it would place the eligibility and value determination in the lender's hands only at the outset of the loan.

Many debt protection products include components related to loss of life, disability, hospitalization, and involuntary unemployment sold as a bundled package. Some creditors offer products which include other additional protection features. One of the values of bundling a number of potential benefits in a single product is that the risk of loss for all components is shared across a larger number of purchasers than if a component were offered individually. This is also true of the marketing, administrative and technical costs. Unbundling also impacts the lender's costs. Unbundling the components would significantly increase a lender's administrative and cost burden related to disclosures, contractual addenda, and computer system programming and maintenance costs.

For consumers, unbundling likely means higher costs or more exclusions and limitations being applied to the component events. Bundling events permits the spread of risk over a larger number of consumers resulting in a lower cost structure and a less expensive product to consumers. Unbundling results in consumers receiving protection for one or perhaps two events at, what would likely be, a higher cost because a lender would have to price for losses they would experience due to individual events protecting a concentrated group of consumers. Further, it would present consumers with a bewildering amount of information to sort through in order to make a purchase decision. On the other hand, bundling this protection means a consumer avoids having to apply for, shop for, and obtain separate protection. And, as stated earlier, consumers with medical issues either cannot obtain protection or find its costs prohibitive.

Another value of bundling a group of benefits into a single product is that a consumer's circumstances may change over the course of their loan. A consumer who is currently not employed but who nonetheless qualifies for and takes out a loan or line of credit and who is offered a debt protection product sometime after the loan or line of credit has been funded/opened may expect to return to work. As such, he/she may see value in an unemployment benefit even though he/she could not activate that benefit immediately.

Wells Fargo believes that consumers should be provided with meaningful information about the features and benefits of the debt protection products they are offered including information about age and employment requirements (please see our Section 3 commentary on the proposed safe harbor disclosures and, specifically, our Exhibit B proposed disclosure). The consumer will then be in the best position to decide if the product is one he/she wishes to purchase and/or retain. This approach is consistent with existing OCC disclosure requirements for debt protection products (see Section 5 below). Forcing lenders to choose between the price issues present when failing to spread the risk of loss across a greater number of consumers caused by unbundling and the issues connected with inclusion of the fee in the finance charge/APR calculation, outlined earlier in this letter, does not advance the Board's goal of informing and educating consumers. Moreover, allowing some consumers to select covered events separately because they are ineligible for one of the events in a bundled package is essentially unfair to other consumers who qualify for all potential benefits at the outset and are only offered the entire bundled package. At one time, Wells Fargo offered credit life, disability, and involuntary unemployment insurance policies individually to our closed-end loan customers. We found that more than 90% of customers who enrolled in coverage did not select an individual policy, but instead, selected two or three policies as a package of protection. Consequently, we find there would be little benefit or value in unbundling while the cost and consumer impacts to do so would be significant. We urge the Board to withdraw the proposed changes related to eligibility determination.

5. Disclosures Mandated by Regulation Z and the Office of the Comptroller of the Currency

In addition to our above concerns about the proposed disclosures, nationally chartered banks offering debt protection products must comply with the OCC's disclosure requirements found in 12 CFR Part 37. Other lenders may have to comply solely with Reg Z/TILA or unique state regulations. Credit unions, for example, do not have a specific set of debt cancellation/suspension regulations they must follow in addition to Reg Z/TILA. Wells Fargo and the Board are in agreement that consumers benefit from disclosures that promote clear and understandable comparisons between competing lenders. To this end, regulations from government agencies and regulatory oversight authorities mandating consumer disclosures should not:

- compete against each other,
- confuse or overburden consumers, or
- place national banks at a competitive disadvantage with an onerous, regulatory burden that does not serve the consumer's best interest.

Moreover, the OCC disclosure requirements include the following:

- Proven requirements for both face-to-face and telephone transactions.
- A definition of debt cancellation as a loan term or contractual agreement modifying loan terms under which a bank agrees to cancel all or part of a customer's obligation to repay an extension of credit upon the occurrence of specified event.

The OCC requirements afford an efficient enrollment process, have prompt mailing (within three business days) requirements for disclosures and contractual documents for consumer review, and affords a more-than-adequate, no-risk, consumer review period of 30 days. Therefore, Wells Fargo requests that any final rule adopted by the Board:

- specifically address disclosures issued by national banks and ensure that Regulation Z disclosure requirements and those outlined in 12 CFR Part 37 complement and not duplicate each other, and

- enhance Regulation Z by removing the phrase "in the event of the loss of life, health, or income or in case of accident" from §226.4(d)(3). Removing this phrase would better align with the OCC's debt protection definition and the marketplace affording a lender the opportunity to help consumers with other events (divorce, family leave, and childbirth) that may impact their ability to repay.

6. Telephone Purchase

The Proposal, under § 226(d)(4), would allow a telephone sale if the required disclosures are provided orally and followed up in writing within three business days. Wells Fargo agrees with this approach; however, we would appreciate the Board providing specific safe harbor verbal disclosures for telephone sales that are consistent and not duplicative of the disclosures mandated today by the OCC. Given the nature of telephone sales and the fact that the consumer is entitled to 30 days to review the written materials without cost, we believe an abbreviated oral disclosure would be most beneficial to the consumer. Once safe harbor disclosure language has been finalized for written disclosures, we would be happy to assist in drafting or proposing safe harbor oral disclosures for telephone sales.

The written disclosure as proposed would not lend itself well to a verbal disclosure on a phone sale, nor help inform and educate the consumer about the debt protection product he/she purchased for their existing loan. Therefore, Wells Fargo requests the Board propose verbal safe harbor language and we would look forward to commenting on the same.

Conclusion

Wells Fargo believes this current Regulation Z proposal, while well-intentioned, has departed from the Board's historical and customary mission of implementing legislative initiatives such as TILA. Wells Fargo believes the Board's proposals and resulting pronouncements have historically resulted in disclosures that better educate and inform consumers about credit, the cost of credit, and other optional products. However, for reasons outlined above, we believe this current proposal does not serve consumers' best interests to inform and educate about the cost of credit and optional debt protection products. In that regard, the information and language presented to a consumer should be factual, meaningful, and educational and not influence consumers toward a pre-determined outcome. Inclusion of debt protection fees in the finance charge is contrary to the Congressional definition of finance charge and confusing for consumers. Moreover, if implemented in its current form, the accompanying proposed disclosure is likely to have significant unintended consequences and negative financial impacts on consumers and on lenders. Consumers will have been led to a decision to avoid debt protection instead of being urged to consider their risks and seek counsel from a trusted advisor. Studies have been published outlining that consumers experience financial hardship primarily because of job loss or health issues. Lenders may likely experience increased losses through the anticipated and significant reduction in consumers who do not enroll in optional debt protection products as a result of the predetermined outcome the proposed rule changes will have.

Therefore, Wells Fargo urges the Board to seriously consider the proposals put forth in this letter and issue for public comment a new, revised proposal for debt protection products in 2011.

Sincerely,

/s/ MOLLY A. LEVOIR

Molly A. LeVoir
Senior Counsel

Enclosures

Exhibit A-1

Loan without an optional Debt Cancellation Contract
Installment Loan - Equal Payment
ELC Version: R3.08

Payment & Protection Plan

72 Scheduled Payments of Principal & Interest $352.40

Full Disclosure

Actual/365 US Rule		Amount Requested	$20,000.00
Actuarial APR	**8.177%**		
Note Rate	8.0%		
Number of Payments/Year	12		
Number of Payments	72		
72 Payments of	$352.40		
Loan Date	10/15/2010	Principal Balance	$20,100.00
Interest Start Date	10/15/2010	Amount Financed	**$20,000.00**
Date of First Payment	11/14/2010	Interest Charge	$5,272.80
Days to First Payment	30	Finance Charge	**$5,372.80**
Maturity Date	10/14/2016	Total of Payments	**$25,372.80**

Protection Plan Information

No debt cancellation plan requested by user

Fees

Non-Prepaid Fees - Financed*	$0.00
Prepaid Fees - Financed	$100.00
Prepaid Fees - Not Financed	$0.00
Prepaid Fee Total	$100.00

* Does not affect APR

Amortization Table

#	Date	Scheduled Prin & Int Payment	Principal	Interest	Remaining Principal Balance	Debt Cancellation Contract Fee	Est Total Payment

1	11/14/2010	$352.40	$220.24	$132.16	$19,879.76	$0.00	$352.40
2	12/14/2010	$352.40	$221.68	$130.72	$19,658.08	$0.00	$352.40
	2010 totals:	**$704.80**	**$441.92**	**$262.88**		**$0.00**	**$704.80**
3	1/14/2011	$352.40	$218.83	$133.57	$19,439.25	$0.00	$352.40
4	2/14/2011	$352.40	$220.32	$132.08	$19,218.93	$0.00	$352.40
5	3/14/2011	$352.40	$234.45	$117.95	$18,984.48	$0.00	$352.40
6	4/14/2011	$352.40	$223.41	$128.99	$18,761.07	$0.00	$352.40
7	5/14/2011	$352.40	$229.04	$123.36	$18,532.03	$0.00	$352.40
8	6/14/2011	$352.40	$226.48	$125.92	$18,305.55	$0.00	$352.40
9	7/14/2011	$352.40	$232.03	$120.37	$18,073.52	$0.00	$352.40
10	8/14/2011	$352.40	$229.60	$122.80	$17,843.92	$0.00	$352.40
11	9/14/2011	$352.40	$231.16	$121.24	$17,612.76	$0.00	$352.40
12	10/14/2011	$352.40	$236.59	$115.81	$17,376.17	$0.00	$352.40
13	11/14/2011	$352.40	$234.34	$118.06	$17,141.83	$0.00	$352.40
14	12/14/2011	$352.40	$239.69	$112.71	$16,902.14	$0.00	$352.40
	2011 totals:	**$4,228.80**	**$2,755.94**	**$1,472.86**		**$0.00**	**$4,228.80**
15	1/14/2012	$352.40	$237.56	$114.84	$16,664.58	$0.00	$352.40
16	2/14/2012	$352.40	$239.17	$113.23	$16,425.41	$0.00	$352.40
17	3/14/2012	$352.40	$248.00	$104.40	$16,177.41	$0.00	$352.40
18	4/14/2012	$352.40	$242.48	$109.92	$15,934.93	$0.00	$352.40
19	5/14/2012	$352.40	$247.62	$104.78	$15,687.31	$0.00	$352.40
20	6/14/2012	$352.40	$245.81	$106.59	$15,441.50	$0.00	$352.40
21	7/14/2012	$352.40	$250.87	$101.53	$15,190.63	$0.00	$352.40
22	8/14/2012	$352.40	$249.19	$103.21	$14,941.44	$0.00	$352.40
23	9/14/2012	$352.40	$250.88	$101.52	$14,690.56	$0.00	$352.40
24	10/14/2012	$352.40	$255.80	$96.60	$14,434.76	$0.00	$352.40
25	11/14/2012	$352.40	$254.32	$98.08	$14,180.44	$0.00	$352.40
26	12/14/2012	$352.40	$259.16	$93.24	$13,921.28	$0.00	$352.40
	2012 totals:	**$4,228.80**	**$2,980.86**	**$1,247.94**		**$0.00**	**$4,228.80**
27	1/14/2013	$352.40	$257.81	$94.59	$13,663.47	$0.00	$352.40
28	2/14/2013	$352.40	$259.56	$92.84	$13,403.91	$0.00	$352.40
29	3/14/2013	$352.40	$270.14	$82.26	$13,133.77	$0.00	$352.40
30	4/14/2013	$352.40	$263.16	$89.24	$12,870.61	$0.00	$352.40
31	5/14/2013	$352.40	$267.77	$84.63	$12,602.84	$0.00	$352.40

32	6/14/2013	$352.40	$266.77	$85.63	$12,336.07	$0.00	$352.40
33	7/14/2013	$352.40	$271.29	$81.11	$12,064.78	$0.00	$352.40
34	8/14/2013	$352.40	$270.43	$81.97	$11,794.35	$0.00	$352.40
35	9/14/2013	$352.40	$272.26	$80.14	$11,522.09	$0.00	$352.40
36	10/14/2013	$352.40	$276.64	$75.76	$11,245.45	$0.00	$352.40
37	11/14/2013	$352.40	$275.99	$76.41	$10,969.46	$0.00	$352.40
38	12/14/2013	$352.40	$280.27	$72.13	$10,689.19	$0.00	$352.40
	2013 totals:	**$4,228.80**	**$3,232.09**	**$996.71**		**$0.00**	**$4,228.80**
39	1/14/2014	$352.40	$279.77	$72.63	$10,409.42	$0.00	$352.40
40	2/14/2014	$352.40	$281.67	$70.73	$10,127.75	$0.00	$352.40
41	3/14/2014	$352.40	$290.25	$62.15	$9,837.50	$0.00	$352.40
42	4/14/2014	$352.40	$285.56	$66.84	$9,551.94	$0.00	$352.40
43	5/14/2014	$352.40	$289.59	$62.81	$9,262.35	$0.00	$352.40
44	6/14/2014	$352.40	$289.47	$62.93	$8,972.88	$0.00	$352.40
45	7/14/2014	$352.40	$293.40	$59.00	$8,679.48	$0.00	$352.40
46	8/14/2014	$352.40	$293.43	$58.97	$8,386.05	$0.00	$352.40
47	9/14/2014	$352.40	$295.42	$56.98	$8,090.63	$0.00	$352.40
48	10/14/2014	$352.40	$299.20	$53.20	$7,791.43	$0.00	$352.40
49	11/14/2014	$352.40	$299.46	$52.94	$7,491.97	$0.00	$352.40
50	12/14/2014	$352.40	$303.14	$49.26	$7,188.83	$0.00	$352.40
	2014 totals:	**$4,228.80**	**$3,500.36**	**$728.44**		**$0.00**	**$4,228.80**
51	1/14/2015	$352.40	$303.56	$48.84	$6,885.27	$0.00	$352.40
52	2/14/2015	$352.40	$305.62	$46.78	$6,579.65	$0.00	$352.40
53	3/14/2015	$352.40	$312.02	$40.38	$6,267.63	$0.00	$352.40
54	4/14/2015	$352.40	$309.81	$42.59	$5,957.82	$0.00	$352.40
55	5/14/2015	$352.40	$313.23	$39.17	$5,644.59	$0.00	$352.40
56	6/14/2015	$352.40	$314.05	$38.35	$5,330.54	$0.00	$352.40
57	7/14/2015	$352.40	$317.35	$35.05	$5,013.19	$0.00	$352.40
58	8/14/2015	$352.40	$318.34	$34.06	$4,694.85	$0.00	$352.40
59	9/14/2015	$352.40	$320.50	$31.90	$4,374.35	$0.00	$352.40
60	10/14/2015	$352.40	$323.64	$28.76	$4,050.71	$0.00	$352.40
61	11/14/2015	$352.40	$324.88	$27.52	$3,725.83	$0.00	$352.40
62	12/14/2015	$352.40	$327.90	$24.50	$3,397.93	$0.00	$352.40
	2015 totals:	**$4,228.80**	**$3,790.90**	**$437.90**		**$0.00**	**$4,228.80**

63	1/14/2016	$352.40	$329.31	$23.09	$3,068.62	$0.00	$352.40
64	2/14/2016	$352.40	$331.55	$20.85	$2,737.07	$0.00	$352.40
65	3/14/2016	$352.40	$335.00	$17.40	$2,402.07	$0.00	$352.40
66	4/14/2016	$352.40	$336.08	$16.32	$2,065.99	$0.00	$352.40
67	5/14/2016	$352.40	$338.82	$13.58	$1,727.17	$0.00	$352.40
68	6/14/2016	$352.40	$340.66	$11.74	$1,386.51	$0.00	$352.40
69	7/14/2016	$352.40	$343.28	$9.12	$1,043.23	$0.00	$352.40
70	8/14/2016	$352.40	$345.31	$7.09	$697.92	$0.00	$352.40
71	9/14/2016	$352.40	$347.66	$4.74	$350.26	$0.00	$352.40
72	10/14/2016	$352.40	$350.10	$2.30	$0.16	$0.00	$352.40
	2016 totals:	**$3,524.00**	**$3,397.77**	**$126.23**		**$0.00**	**$3,524.00**
	Grand totals:	**$25,372.80**	**$20,099.84**	**$5,272.96**		**$0.00**	**$25,372.80**
For perfect amortization, the final payment is: $352.56							

Exhibit A-2

Loan with an optional Debt Cancellation Contract
Installment Loan - Equal Payment
ELC Version: R3.08

Regulatory Compliance requires the following to be read to customers:
Your purchase of the debt cancellation contract is optional.
Your purchase decision will not affect any credit application or
the terms of any existing credit agreement you have with Wells Fargo.

Payment & Protection Plan

72 Scheduled Payments of Principal & Interest	$352.40
Est. debt cancellation contract fee	$15.51
Est. Total Monthly Payment	$367.91

Full Disclosure

Actual/365 US Rule		Amount Requested	$20,000.00
Actuarial APR	**8.177%**		
Note Rate	8.0%		
Number of Payments/Year	12		
Number of Payments	72		
72 Payments of	$367.91		
Loan Date	10/15/2010	Principal Balance	$20,100.00
Interest Start Date	10/15/2010	Amount Financed	**$20,000.00**
Date of First Payment	11/14/2010	Interest Charge	$5,272.80
Days to First Payment	30	Finance Charge	**$5,372.80**
Maturity Date	10/14/2016	Total of Payments	**$25,372.80**

Protection Plan Information

Debt cancellation plan

Plan Code	GLDS
Plan Rate	0.044
Expiration Date	10/14/2016
Life Max # of Benefits per Event	6
Disability Max # of Benefits per Event	6
Involuntary Unemployment Max # of Benefits per Event	0

Hospitalization Max # of Benefits per Event	6
Estimated Total Plan Fee	$1,116.72

Fees

Non-Prepaid Fees - Financed*	$0.00
Prepaid Fees - Financed	$100.00
Prepaid Fees - Not Financed	$0.00
Prepaid Fee Total	$100.00

* Does not affect APR

Amortization Table

#	Date	Scheduled Prin & Int Payment	Principal	Interest	Remaining Principal Balance	Debt Cancellation Contract Fee	Est Total Payment
1	11/14/2010	$352.40	$220.24	$132.16	$19,879.76	$15.51	$367.91
2	12/14/2010	$352.40	$221.68	$130.72	$19,658.08	$15.51	$367.91
	2010 totals:	**$704.80**	**$441.92**	**$262.88**		**$31.02**	**$735.82**
3	1/14/2011	$352.40	$218.83	$133.57	$19,439.25	$15.51	$367.91
4	2/14/2011	$352.40	$220.32	$132.08	$19,218.93	$15.51	$367.91
5	3/14/2011	$352.40	$234.45	$117.95	$18,984.48	$15.51	$367.91
6	4/14/2011	$352.40	$223.41	$128.99	$18,761.07	$15.51	$367.91
7	5/14/2011	$352.40	$229.04	$123.36	$18,532.03	$15.51	$367.91
8	6/14/2011	$352.40	$226.48	$125.92	$18,305.55	$15.51	$367.91
9	7/14/2011	$352.40	$232.03	$120.37	$18,073.52	$15.51	$367.91
10	8/14/2011	$352.40	$229.60	$122.80	$17,843.92	$15.51	$367.91
11	9/14/2011	$352.40	$231.16	$121.24	$17,612.76	$15.51	$367.91
12	10/14/2011	$352.40	$236.59	$115.81	$17,376.17	$15.51	$367.91
13	11/14/2011	$352.40	$234.34	$118.06	$17,141.83	$15.51	$367.91
14	12/14/2011	$352.40	$239.69	$112.71	$16,902.14	$15.51	$367.91
	2011 totals:	**$4,228.80**	**$2,755.94**	**$1,472.86**		**$186.12**	**$4,414.92**
15	1/14/2012	$352.40	$237.56	$114.84	$16,664.58	$15.51	$367.91
16	2/14/2012	$352.40	$239.17	$113.23	$16,425.41	$15.51	$367.91
17	3/14/2012	$352.40	$248.00	$104.40	$16,177.41	$15.51	$367.91
18	4/14/2012	$352.40	$242.48	$109.92	$15,934.93	$15.51	$367.91
19	5/14/2012	$352.40	$247.62	$104.78	$15,687.31	$15.51	$367.91
20	6/14/2012	$352.40	$245.81	$106.59	$15,441.50	$15.51	$367.91
21	7/14/2012	$352.40	$250.87	$101.53	$15,190.63	$15.51	$367.91

22	8/14/2012	$352.40	$249.19	$103.21	$14,941.44	$15.51	$367.91
23	9/14/2012	$352.40	$250.88	$101.52	$14,690.56	$15.51	$367.91
24	10/14/2012	$352.40	$255.80	$96.60	$14,434.76	$15.51	$367.91
25	11/14/2012	$352.40	$254.32	$98.08	$14,180.44	$15.51	$367.91
26	12/14/2012	$352.40	$259.16	$93.24	$13,921.28	$15.51	$367.91
	2012 totals:	**$4,228.80**	**$2,980.86**	**$1,247.94**		**$186.12**	**$4,414.92**
27	1/14/2013	$352.40	$257.81	$94.59	$13,663.47	$15.51	$367.91
28	2/14/2013	$352.40	$259.56	$92.84	$13,403.91	$15.51	$367.91
29	3/14/2013	$352.40	$270.14	$82.26	$13,133.77	$15.51	$367.91
30	4/14/2013	$352.40	$263.16	$89.24	$12,870.61	$15.51	$367.91
31	5/14/2013	$352.40	$267.77	$84.63	$12,602.84	$15.51	$367.91
32	6/14/2013	$352.40	$266.77	$85.63	$12,336.07	$15.51	$367.91
33	7/14/2013	$352.40	$271.29	$81.11	$12,064.78	$15.51	$367.91
34	8/14/2013	$352.40	$270.43	$81.97	$11,794.35	$15.51	$367.91
35	9/14/2013	$352.40	$272.26	$80.14	$11,522.09	$15.51	$367.91
36	10/14/2013	$352.40	$276.64	$75.76	$11,245.45	$15.51	$367.91
37	11/14/2013	$352.40	$275.99	$76.41	$10,969.46	$15.51	$367.91
38	12/14/2013	$352.40	$280.27	$72.13	$10,689.19	$15.51	$367.91
	2013 totals:	**$4,228.80**	**$3,232.09**	**$996.71**		**$186.12**	**$4,414.92**
39	1/14/2014	$352.40	$279.77	$72.63	$10,409.42	$15.51	$367.91
40	2/14/2014	$352.40	$281.67	$70.73	$10,127.75	$15.51	$367.91
41	3/14/2014	$352.40	$290.25	$62.15	$9,837.50	$15.51	$367.91
42	4/14/2014	$352.40	$285.56	$66.84	$9,551.94	$15.51	$367.91
43	5/14/2014	$352.40	$289.59	$62.81	$9,262.35	$15.51	$367.91
44	6/14/2014	$352.40	$289.47	$62.93	$8,972.88	$15.51	$367.91
45	7/14/2014	$352.40	$293.40	$59.00	$8,679.48	$15.51	$367.91
46	8/14/2014	$352.40	$293.43	$58.97	$8,386.05	$15.51	$367.91
47	9/14/2014	$352.40	$295.42	$56.98	$8,090.63	$15.51	$367.91
48	10/14/2014	$352.40	$299.20	$53.20	$7,791.43	$15.51	$367.91
49	11/14/2014	$352.40	$299.46	$52.94	$7,491.97	$15.51	$367.91
50	12/14/2014	$352.40	$303.14	$49.26	$7,188.83	$15.51	$367.91
	2014 totals:	**$4,228.80**	**$3,500.36**	**$728.44**		**$186.12**	**$4,414.92**
51	1/14/2015	$352.40	$303.56	$48.84	$6,885.27	$15.51	$367.91
52	2/14/2015	$352.40	$305.62	$46.78	$6,579.65	$15.51	$367.91

53	3/14/2015	$352.40	$312.02	$40.38	$6,267.63	$15.51	$367.91
54	4/14/2015	$352.40	$309.81	$42.59	$5,957.82	$15.51	$367.91
55	5/14/2015	$352.40	$313.23	$39.17	$5,644.59	$15.51	$367.91
56	6/14/2015	$352.40	$314.05	$38.35	$5,330.54	$15.51	$367.91
57	7/14/2015	$352.40	$317.35	$35.05	$5,013.19	$15.51	$367.91
58	8/14/2015	$352.40	$318.34	$34.06	$4,694.85	$15.51	$367.91
59	9/14/2015	$352.40	$320.50	$31.90	$4,374.35	$15.51	$367.91
60	10/14/2015	$352.40	$323.64	$28.76	$4,050.71	$15.51	$367.91
61	11/14/2015	$352.40	$324.88	$27.52	$3,725.83	$15.51	$367.91
62	12/14/2015	$352.40	$327.90	$24.50	$3,397.93	$15.51	$367.91
	2015 totals:	**$4,228.80**	**$3,790.90**	**$437.90**		**$186.12**	**$4,414.92**
63	1/14/2016	$352.40	$329.31	$23.09	$3,068.62	$15.51	$367.91
64	2/14/2016	$352.40	$331.55	$20.85	$2,737.07	$15.51	$367.91
65	3/14/2016	$352.40	$335.00	$17.40	$2,402.07	$15.51	$367.91
66	4/14/2016	$352.40	$336.08	$16.32	$2,065.99	$15.51	$367.91
67	5/14/2016	$352.40	$338.82	$13.58	$1,727.17	$15.51	$367.91
68	6/14/2016	$352.40	$340.66	$11.74	$1,386.51	$15.51	$367.91
69	7/14/2016	$352.40	$343.28	$9.12	$1,043.23	$15.51	$367.91
70	8/14/2016	$352.40	$345.31	$7.09	$697.92	$15.51	$367.91
71	9/14/2016	$352.40	$347.66	$4.74	$350.26	$15.51	$367.91
72	10/14/2016	$352.40	$350.10	$2.30	$0.16	$15.51	$367.91
	2016 totals:	**$3,524.00**	**$3,397.77**	**$126.23**		**$155.10**	**$3,679.10**
	Grand totals:	**$25,372.80**	**$20,099.84**	**$5,272.96**		**$1,116.72**	**$26,489.52**

For perfect amortization, the final payment is: $368.07

Exhibit B

OPTIONAL DEBT CANCELLATION CONTRACT
[Name of product or feature]

READ THESE IMPORTANT DISCLOSURES

THIS PRODUCT IS OPTIONAL. You do **not** have to purchase this optional product to get this [loan, line of credit, credit card]. Your enrollment will not affect any other credit application or any existing credit agreement or existing account you have with [name of creditor].

Product definition	A debt cancellation contract is a feature of your [loan, line of credit, credit card] that is designed to help protect borrowers who experience one or more events that may affect their ability to repay their credit obligation. A debt cancellation contract will cancel your obligation to make your payment when a request for benefits has been approved.
Do I need this product?	A debt cancellation contract is specific protection for your [loan, line of credit; credit card]. While it is not insurance, a debt cancellation contract supplements any existing insurance coverage or other cash reserves you may have. You may wish to speak with your trusted advisor about your protection needs and resources.

<table>
<tr>
<td>How much does this product cost?</td>
<td>
Closed-end
The monthly fee for the product is determined by multiplying your loan's
☐ Principal Balance
☐ Average Daily Balance
☐ Scheduled Principal and Interest payment
by [____ (decimal or percentage)].

For your loan and the protection you elected, the cost of this product is <u>$xx.xx per month</u>. Changes in your [balance, payment] will change the fee you pay.

OR

Open-end
The monthly fee for the product is determined by multiplying your
☐ Principal Balance
☐ Average Daily Balance
☐ Minimum Payment Due
by _____ (decimal or percentage). The table below provides 3 examples for your [line of credit, credit card].

[one or the other table would be shown based on the check box selection above]

<table>
<tr><th>Principal Balance</th><th>Fee</th></tr>
<tr><td>$467.18</td><td>$4.16</td></tr>
<tr><td>$1,112.78</td><td>$9.90</td></tr>
<tr><td>$2,844.20</td><td>$25.31</td></tr>
</table>

<table>
<tr><th>Minimum Payment Due</th><th>Fee</th></tr>
<tr><td>$83.40</td><td>$6.92</td></tr>
<tr><td>$182.37</td><td>$15.14</td></tr>
<tr><td>$384.20</td><td>$31.89</td></tr>
</table>
</td>
</tr>
</table>

What is the maximum benefit amount?	Closed-end This product will cancel your [loan, line of credit, credit card] [balance, payment] [if balance: up to $ ________. [if payment: for up to six (6) months for an event when your benefit request has been approved. For your loan payment of $ ______, six (6) canceled payments equals _______. You may receive benefits for multiple events you experience over the term of your loan as you are enrolled in the product and pay the fee. Open-end This product will cancel your [loan, line of credit, credit card] [balance, payment] [if balance: up to $ ________.] or [if payment: for up to six (6) months for an event when your benefit request has been approved.] The benefit amount for your line of credit is equal to the minimum payment due on your statement immediately preceding the date of a protected event. You may receive benefits for multiple events you experience over the term of your loan as you are enrolled in the product and pay the fee. You will be responsible for any amount that remains due and payable after your payment cancellation has been credited to your account.
Can I always expect to receive a benefit?	There [are; are no] age eligibility requirements. Please read the contract for specific conditions and exclusions. There [are; are no] employment eligibility requirements. Please read the contract for specific conditions and exclusions. In addition, there are other eligibility requirements, conditions, and exclusions that may prevent you from receiving benefits under this product. If you do not meet these requirements, conditions, or exclusions at the time you experienced your event, you may not be eligible for a benefit. **You should carefully read the product contract. A copy of all terms and conditions are available upon request.**
How long does the protection last?	This product provides protection for the entire term of your loan. When billed, you must pay the fee to avoid termination of the protection. OR This product provides protection for your line of credit account as long as your account remains open and you pay the fee when billed to avoid termination of the protection.

☐ Yes, I want to purchase the optional [product name].

☐ No, I do not want to purchase the optional [product name].

x____ ____________________________

Signature Date

x____ ____________________________

Signature Date