Dear

I am in receipt of your June 6, 2005 correspondence. First and foremost, apologies for the long delay in responding. Your letter to this office was misplaced and not discovered until recently. If you ever experience such a delay in receiving a response from this office please feel free to inquire about the status of the response. Your letter requests that

be allowed to offer an debt cancellation and debt
suspension agreements and to have the charge for those products be a permissible additional
charge under the Iowa Code § 537.2501(1)(h). For the reasons set out below, our office declines
to expand the list of permissible charges to include debt cancellation and/or debt
suspension products.

First and foremost, our office cannot expand the list of authorized additional charges
simply through a written opinion. Pursuant to Iowa Code § 537.2501(1)(h) the list of authorized
additional charges may only be expanded through a rule-making process under the Iowa
Administrative Procedures Act, Iowa Code Chapter 17A. The rule-making process as mandated
by Iowa law is not a fast procedure and must be done through an established process. The Iowa
Consumer Credit Codes sets forth the standard under which a proposed rule would be evaluated
in that process, which includes an examination of whether the charges are reasonable in relation
to the benefits. Our office has not instituted a rule-making process to expand the list, and
currently has no plans to do so.

Second, while the analysis you provide of the Office of the Comptroller of the
Currencies' (hereinafter “OCC”) rule addressing debt cancellation contracts is appreciated, our
office declines to follow the OCC. The OCC regulates nationally chartered banks. These banks
are subject to strict regulation, guidance and insurance. Although, ALCO is a credit union and
also subject to a great deal of regulatory oversight, the Iowa Consumer Credit Code applies to all
lenders of consumer credit, including the ones whose lending practices are not as heavily
regulated. Even if we are to add debt cancellation to the permissible additional charges and
implement OCC-type rules, the enforcement and monitoring of these rules with respect to all
lenders would be difficult to impossible without promulgation of further regulatory framework
for certain lenders.
Third, an initial examination of these types of products reveals they are very similar to credit insurance, but without the degree of regulation and external oversight to which credit insurance products are subject. Given that consumers currently have the option to purchase credit insurance, consumers are not harmed in any way by not being able to purchase a debt cancellation product.

Finally, [company name] is not necessarily precluded from offering the product and charging for it in a consumer credit transaction. Rather, [company name] is simply precluded from having the charge be a permissible additional charge under Iowa Code § 537.2501(1)(h) and thus automatically excludable from the finance charge. [Company name] may offer a debt cancellation product; it simply must include the cost for such product in the finance charge.

Thank you for your inquiry. Please feel free to contact me if you have further questions.

Regards,

Jessica Whitney
Assistant Attorney General
Deputy Administrator ICCC