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CONSUMER PROTECTION DIVISION

Department of Justice

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.

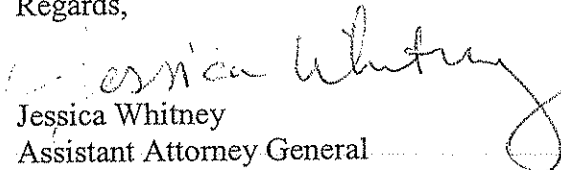
Second, while the analysis you provide of the Office of the Comptroller of the Currencies' (hereinafter "OCC") rule addressing debt cancellation contracts is appreciated, our office declines to follow the OCC. The OCC regulates nationally chartered banks. These banks are subject to strict regulation, 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 reveal 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, is not necessarily precluded from offering the product and charging for it in a consumer credit transaction. Rather, 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. ALCO 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