Comptroller of the Currency, Treasury

§ 37.8 Safety and soundness requirements.

A national bank must manage the risks associated with debt cancellation contracts and debt suspension agreements in accordance with safe and sound banking principles. Accordingly, a national bank must establish and maintain effective risk management and control processes over its debt cancellation contracts and debt suspension agreements. Such processes include appropriate recognition and financial reporting of income, expenses, assets and liabilities, and appropriate treatment of all expected and unexpected losses associated with the products. A bank also should assess the adequacy of its internal control and risk mitigation activities in view of the nature and scope of its debt cancellation contract and debt suspension agreement programs.

APPENDIX A TO PART 37—SHORT FORM DISCLOSURES

- This product is optional.
- Your purchase of [PRODUCT NAME] is optional. Whether or not you purchase [PRODUCT NAME] will not affect your application for credit or the terms of any existing credit agreement you have with the bank.
- Lump sum payment of fee
  [Applicable if a bank offers the option to pay the fee in a single payment]
  [Prohibited where the debt subject to the contract is a residential mortgage loan]
- You may choose to pay the fee in a single lump sum or in [monthly/quarterly] payments. Adding the lump sum of the fee to the amount you borrow will increase the cost of [PRODUCT NAME].
- Lump sum payment of fee with no refund
  [Applicable if a bank offers the option to pay the fee in a single payment for a no-refund DCC]
  [Prohibited where the debt subject to the contract is a residential mortgage loan]
- You may choose [PRODUCT NAME] with a refund provision or without a refund. Prices of refund and no-refund products are likely to differ.
- Refund of fee paid in lump sum
[Applicable where the customer pays the fee in a single payment and the fee is added to the amount borrowed]

[Prohibited where the debt subject to the contract is a residential mortgage loan]

Either: (1) You may cancel [PRODUCT NAME] at any time and receive a refund; or (2) You may cancel [PRODUCT NAME] within ____ days and receive a full refund; or (3) If you cancel [PRODUCT NAME] you will not receive a refund.

- Additional disclosures

We will give you additional information before you are required to pay for [PRODUCT NAME]. This information will include a copy of the contract containing the terms of [PRODUCT NAME].

Eligibility requirements, conditions, and exclusions

There are eligibility requirements, conditions, and exclusions that could prevent you from receiving benefits under [PRODUCT NAME].

Either: You should carefully read our additional information for a full explanation of the terms of [PRODUCT NAME] or You should carefully read the contract for a full explanation of the terms of [PRODUCT NAME].

APPENDIX B TO PART 37—LONG FORM DISCLOSURES

- This product is optional

Your purchase of [PRODUCT NAME] is optional. Whether or not you purchase [PRODUCT NAME] will not affect your application for credit or the terms of any existing credit agreement you have with the bank.

- Explanation of debt suspension agreement

(Applicable if the contract has a debt suspension feature)

If [PRODUCT NAME] is activated, your duty to pay the loan principal and interest to the bank is only suspended. You must fully repay the loan after the period of suspension has expired. [If applicable]: This includes interest accumulated during the period of suspension.

- Amount of fee

[For closed-end credit]: The total fee for [PRODUCT NAME] is [For open-end credit]: either: (1) The monthly fee for [PRODUCT NAME] is based on your account balance each month multiplied by the unit-cost, which is ____ ; or (2) The formula used to compute the fee is [__ ].

- Lump sum payment of fee

(Applicable if a bank offers the option to pay the fee in a single payment)

[Prohibited where the debt subject to the contract is a residential mortgage loan]

You may choose to pay the fee in a single lump sum or in [monthly/quarterly] payments. Adding the lump sum of the fee to the amount you borrow will increase the cost of [PRODUCT NAME].

- Lump sum payment of fee with no refund

(Applicable where the customer pays the fee in a single payment and the fee is added to the amount borrowed)

- Refund of fee paid in lump sum

(Applicable where the customer pays the fee in a single payment and the fee is added to the amount borrowed)

- Use of card or credit line restricted

(Applicable if the contract restricts use of card or credit line when customer activates protection)

- Termination of [PRODUCT NAME]

Either: (1) You have no right to cancel [PRODUCT NAME]; or (2) You have the right to cancel [PRODUCT NAME] in the following circumstances:

And either: (1) The bank has no right to cancel [PRODUCT NAME]; or (2) The bank has the right to cancel [PRODUCT NAME] in the following circumstances:

Eligibility requirements, conditions, and exclusions

There are eligibility requirements, conditions, and exclusions that could prevent you from receiving benefits under [PRODUCT NAME].

Either: (1) The following is a summary of the eligibility requirements, conditions, and exclusions. [The bank provides a summary of any eligibility requirements, conditions, and exclusions]; or (2) You may find a complete explanation of the eligibility requirements, conditions, and exclusions in paragraphs ____ of the [PRODUCT NAME] agreement.

PARTS 38–39 [RESERVED]