

## Why GAO Did This Study

Debt protection and credit insurance products can cancel or suspend part or all of a credit card debt under specific circumstances, such as loss of life, disability, or involuntary unemployment. In response to a mandate in the Credit Card Accountability Responsibility and Disclosure Act of 2009, this report reviews these products' market share and characteristics, federal and state oversight, and advantages and disadvantages to consumers. For this report, GAO analyzed data it had requested on these products from three major credit insurers and the nine largest credit card issuers. These nine issuers represented 85 percent of the credit card market. GAO also reviewed the products' terms and conditions, related marketing materials, and applicable federal and state regulations.

## What GAO Recommends

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.

View [GAO-11-311](#) for key components. For more information, contact Alicia Puente Cackley at (202) 512-8678 or [cackleya@gao.gov](mailto:cackleya@gao.gov).

## CREDIT CARDS

### Consumer Costs for Debt Protection Products Can Be Substantial Relative to Benefits but Are Not a Focus of Regulatory Oversight

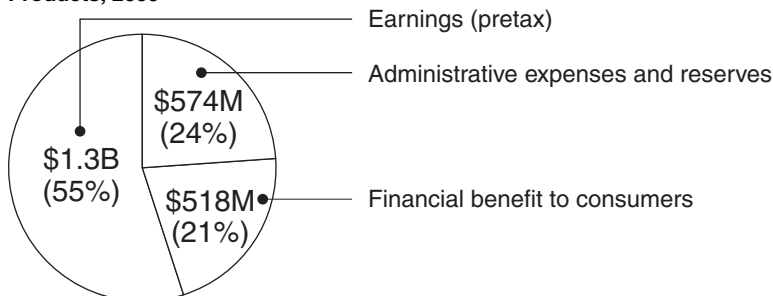
## What GAO Found

In 2009, consumers paid about \$2.4 billion on 24 million accounts for debt protection products, according to data from the nine largest credit card issuers. Debt protection products have largely displaced credit insurance in the credit card market, although the two products are similar from a consumer's perspective. Issuers market debt protection products when consumers call their customer services lines, by direct mail, e-mail, and telemarketing, and with new credit card applications, and market the products broadly rather than to specific subpopulations.

Debt protection products are banking products that are largely federally regulated, while credit insurance is an insurance product regulated by the states. Unlike state oversight of credit insurance, federal banking oversight of debt protection products does not directly address the relative financial benefits and costs of the products to consumers; instead, it focuses on compliance with disclosure requirements and prohibitions of unfair or deceptive acts or practices. The new Bureau of Consumer Financial Protection will soon assume supervisory and enforcement authority for financial products, including credit card debt protection products. Ensuring that these products represent a fair value to consumers would be consistent with the new agency's mission.

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. However, fees for these products can be substantial, with the annual cost often exceeding 10 percent of the cardholder's average monthly balance. In the aggregate, cardholders received 21 cents in tangible financial benefits for every dollar spent in debt protection product fees among the nine largest issuers in 2009 (see fig.). These products can be difficult for consumers to understand, but federal agencies offer few educational resources to aid consumers in assessing them.

**Allocation of Fees Collected by the Nine Largest Credit Card Issuers for Their Debt Protection Products, 2009**



**Total debt protection product fees: \$2.4 billion**

Source: GAO analysis of nine largest credit card issuers' data.