NORTH CAROLINA
CREDIT UNION LEAGUE
Committed to helping credit unions succeed

November 29, 2010

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Docket No. R-1390 – Proposed Rule on Additional Consumer Protections and Disclosures for Mortgages Under Regulation Z

Dear Ms. Johnson:

On behalf of the North Carolina Credit Union League (NCCUL), I am writing in response to the recently issued proposal implementing additional changes under Regulation Z. In general, we support the intent to establish simple, conspicuous and transparent mortgage disclosures and fully recognize the necessity in highlighting risky mortgage features. After all, as not-for-profit financial cooperatives, credit unions operate in a manner that is fundamentally different from other financial service providers. Nevertheless, our most troubling concern with the proposed rule relates to credit protection products and the potential results from consumers making uninformed decisions due to misrepresented information.

As the association representing 96 North Carolina credit unions with a membership base of 3.1 million people, we urge you to consider our comments to the issue raised.

Judgment on Value
Changes to the format, timing, and content of disclosures for credit protection products are currently proposed. These credit protection products include credit life, credit disability, debt cancellation and debt suspension which all provide consumers with beneficial financial security. More specifically for a consumer, their financial livelihood could be at stake in the event of death, disability or unemployment. Credit unions can all agree that their members would attest to the importance of protecting their credit rating, keeping their family in their home, ensuring there is a vehicle for transportation or in the most distressing of situations, their family would not be forced to settle debts with life insurance proceeds. Yet, the proposed disclosures misrepresent the purpose and value of credit protection products and would strongly discourage any consumer from purchasing such products.

Factual Disclosures
We are confident that a more representative sample for testing consumer opinions would provide a more inclusive view on the validity and simplicity of the disclosures. As other leading experts will attest to in their comments, the content of the proposed disclosures are inaccurate and misleading and are particularly negatively biased.

Jeopardizing Assurances

While the avoidance of household financial loss is the specific purpose of a credit protection product, the loan's risk at individual credit unions is also tied to its function. If the new rules were instated as is, sales of credit protection products would certainly fall with these particularly egregious disclosures. Furthermore, delinquencies, defaults and charge-offs would inevitably rise for credit unions because fewer members would have protection to settle their debts in the event of death, disability or unemployment.

This proposed rule would be a disservice to the millions of Americans who come to rely on insurance, in all its capacities, for peace of mind. Most notably, the changes will have a negative impact on a credit union's non-interest bearing income and loan portfolio risk at a time when volatility should be carefully weighed.

Respectfully Submitted,

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