TLC FEDERAL CREDIT UNION

December 16, 2010

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

Re: Proposed Changes to Credit Insurance Disclosures under Regulation Z and the Truth-in-Lending Act
Docket No. R-1390

Dear Ms. Johnson:

I am writing in opposition to the proposed amendments to the credit insurance and debt protection disclosures under Regulation Z on behalf of TLC Federal Credit Union.

We believe that the proposed amendments:

- Are misleading and inaccurate.
- Cast payment protection products in an extremely negative light and strongly discourage the purchase of these products by consumers.
- Misrepresent the purpose and value of payment protection products to credit union members.
- Would have a negative effect on credit union's non-interest fee income due to fewer members purchasing the products.
- Would have significant negative impact to credit union members, credit unions, and the entire credit union industry.
- Will increase our credit union's risk of loan losses and charge-offs due to fewer members purchasing the coverage.
- Will potentially expose members to unnecessary financial and credit risks if they decide not to purchase credit insurance on their loans.
- Will cause a significant number of credit union members, who would benefit from these products, to elect not to purchase them because the disclosures lead them to believe payment protection products are bad for consumers.

TLC Federal Credit Union has been offering payment protection products for over 50 years. Here are a few examples of how payment protection products have helped our members in times of need:

A single, 20-year old member took out his very first auto loan in November and purchased the credit insurance, with his first payment due at the end of December. He passed away December 22, not living long enough to even make his first payment, let alone enjoy his truck. His family was so relieved he had purchased the credit life insurance that paid his truck loan in full, as they were out thousands of dollars paying for funeral expenses from his unexpected death.

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TLC made a debt consolidation loan to a couple in March of 2006. In 2009, he was diagnosed with cancer. For many months, he fought the disease that eventually ended his life in May of 2010. His wife was left with very little after his death. She worked her part time jobs that paid minimum wages, when work was available. Mounting medical costs left her family with little money to live on. I remember her surprise when we went back to review loan documents and discovered the credit insurance coverage that was a part of this loan. She was able to keep the only form of transportation they had because the credit insurance made the payments. For someone in this specific financial position, the payment protection coverage assisted her during a very difficult time.

A newly married couple purchased their first home and lived paycheck to paycheck. She broke her leg and was off work for quite a few months. They had purchased the credit insurance on a subsequent auto loan and payments were made while she was unable to work. This gave them peace of mind that they were not going to lose their family car due to her being off work.

A member in his early 50's recently had two open-heart surgeries without any idea he had heart problems. His financial situation would have been so much more difficult without his credit insurance coverage, not to mention trying to recover while worrying about making ends meet.

Another member was sick with a cold that turned into pneumonia and was hospitalized for a few days and off work for a month. The credit insurance made her payments, allowing her to concentrate on recuperating without having to worry about her finances.

In general, the members that have benefited from the purchase of credit insurance always end up obtaining the coverage on other loans they take out. They are not charged a large premium up front but are charged monthly on the outstanding loan balance, so the premium reduces as the loan balance is paid down. The cost is per thousand per month and it is an economical way to help when disabled or even upon death. Even if they have other insurance those funds can be used for all the additional expenses that arise from illness, injury and/or death.

TLC Federal Credit Union has always supported fair and accurate disclosures to members who purchase payment protection products. Please revise the proposed amendments in order to provide the consumer with more accurate and balanced information about payment protection products.

Sincerely,

Tammy Gregory
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