

From: Virginia Credit Union League Regulatory Response Committee, Bonnie Newsome
Subject: Regulation Z - Truth in Lending

Comments:

December 21, 2010

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 30551

Re: Proposed Rule - Revisions to Regulation Z - Credit Protection Products

Docket No. R-1390

Dear Ms. Johnson:

The Regulatory Response Committee of the Virginia Credit Union League is grateful for the opportunity to provide comments on the Federal Reserve Board's (the Board) proposal under Regulation Z to amend the definition of finance charge by requiring onerous disclosures regarding credit protection insurance products. As background, the Virginia Credit Union League represents 180 member credit unions, which provide cost-effective savings and lending products to well over 5 million consumers.

Virginia's credit unions have always supported and will continue to support fair, accurate, and appropriate disclosures to their members purchasing credit life insurance, credit disability insurance, and other associated credit protection products. Most credit unions take a conservative, member-focused approach to the sale of credit protection products, weighing the cost of these products with the borrower's ability to afford the premiums.

Credit union members benefit from the protection they purchase. One credit union reported that from 2008-2010, 78% of the total premiums paid for credit life insurance were paid out in claims. Another credit union reported over 440 borrowers received benefits from disability, involuntary unemployment, and life insurance products from 2007-2010.

The proposed disclosures could have the effect of discouraging consumers from purchasing credit protection products that can and do help borrowers in times when credit protection insurance is the only thing allowing the borrower to keep his car or her home. Credit unions can provide the Board with numerous anecdotes from individuals who are extremely grateful for having a loan paid in full when the primary borrower dies and the estate executor is relieved to find that there is one less debt to pay. Credit insurance products enable Virginia's credit unions to provide support to borrowers who have fallen victim to unexpected illnesses. Every year hundreds of members have their car loan payments made on time (and peace of mind maintained) because they had the forethought to purchase credit disability insurance. This credit protection product allows borrowers to keep their cars and funnel the money once used for car payments to prescriptions and other medical expenses.

As member-owned financial co-operatives with a proven history of acting in

the best interests of our members, we object to the overall tone of the disclosure model G-16; the word choice and formatting clearly indicate the Board's bias against credit protection products. We encourage the Board to eliminate this disclosure requirement.

Should the Board opt to require such disclosures, we offer the following suggestions regarding the proposed disclosure model G-16:

1. The explanation to the question "Can I receive benefits?" includes a statement that reads, "You may not receive any benefits even if you buy this product." This statement is deliberately alarming and can easily be misinterpreted as suggesting to the borrower that legitimate credit protection insurance claims may not be paid. Our suggested wording is, "Like virtually ALL other insurance products, you may not receive any benefits even if you buy this product."
2. The response to the "Do I need this product?" question, "Other types of insurance can give you similar benefits and are often less expensive" is vague to the point of being useless. Unless the Board includes alternatives or references for further information about other products, we suggest this statement be eliminated.

Credit life, credit disability, and other credit protection products offer piece of mind to borrowers, most often at a time when people are facing economic hardships. Since the federal government does not promote or discourage other types of products and services, we do not believe it should do so regarding credit protection products. We strongly urge the Federal Reserve Board to eliminate the proposed disclosures or recast the proposed disclosures in a way that will reflect more objective information about these loan payment protection products.

Thank you for your consideration of our concerns with the proposed regulatory amendments. Please do not hesitate to contact our committee liaison Kristen Tatlock at 800.768.3344 should you need further clarification on our views.

Sincerely,

Bonnie Newsome, Bronco FCU, Chair

Virginia Credit Union League Regulatory Response Committee