From: Dan L Walsh

Subject: Regulation Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth In Lending Act
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December 20, 2010 Chairman Ben S. Bernanke Federal Reserve Board 20th Street & Constitution Ave NW Washington, D.C. 20551 Subject: Proposed Rule R-1390; Regulation Z - Truth in Lending Chairman Bernanke, I oppose Proposed Rule R-1390 which requires changes to the disclosure and finance charge calculation for credit life and debt protection products under federal Regulation Z. I do so for a number of reasons. 1. Inadequate sampling I understand ICF Marco conducted research with 18 people to test/further refine the proposed credit insurance and debt cancellation disclosures. In the insurance industry we use the law of large numbers to establish pricing and predict losses and while I am not a statistician or an actuary I believe the responses from only 18 people is not an adequate sampling to assess the publics' perceptions of the proposed disclosure language changes. 2. Previous Federal Reserve Board research In April of 2002 Thomas A. Durkin of the Board's Division of Research and Statistics published findings on a study entitled "Consumers and Credit Disclosures: Credit Cards and Credit Insurance" in the Federal Reserve Bulletin. Please note Mr. Durkin's study used 506 surveys along with 1,006 interviews. In his summary Mr. Durkin said, "With respect to credit insurance, because the views of users and nonusers seem so divergent, it seems important that the views of users be given sufficient weight in considering public policies in this area." Were credit insurance users among the 18 people in the Marco research? If not, credit insurance/debt protection users should be included in the sampling. 3. Credit insurance/debt protection buyer perceptions Based on my experience, Mr. Durkin's suggestion to consult with the users (purchasers) of credit insurance/debt protection is insightful. I have 33 years combined experience at two credit insurance companies who have included a comment card with the final disability claim check. Here is one response. "I don't
know how my family would have made it without this insurance. It really helped us because I didn't expect to be off work and wasn't financially prepared!"

L.J. WI I understand 1,000s of this type of response are on file. It would be interesting and informative to have the L. J. meet with the staff that developed the disclosure language. Please contact me if your staff is interested in contacting borrowers like L.J. 3. Apparent bias in proposed disclosure language I believe the proposed disclosures include the following language. "If you already have enough insurance or savings to pay off this loan if you die, you may not need this product." "Other types of insurance can give you similar benefits and are often less expensive." "You may not receive any benefits even if you buy this product." I find the proposed disclosure language biased, incorrect and in some environments libelous (see item 4). I also believe most people reading the proposed disclosure language would feel the same.

The proposed language is so biased I am surprised "may cause cancer and birth defects" was not included. I believe the proposed disclosure language goes well beyond the basic intent of disclosure and promotes product bias. I shudder to think what the authors of the proposed disclosure language would do with marriage vows. 4. Possible misrepresentation evident in the proposed disclosure language Your staff should research misrepresentation as it relates to marketing insurance products in the U. S. In most states, if an insurance agent advised a consumer using the proposed disclosure language the agent is quite likely guilty of insurance misrepresentation. I have selected language fairly common to insurance statutes (emphasis added) that address misrepresentation for your reference. • In general an agent must not make false or misleading statements or leave out important facts in advertisements, sales presentations, or comparisons of policies. • State insurance statutes generally

consider it illegal for an agent or company to do any of the following: + Misrepresent what a policy covers or does not cover. + Misrepresent the advantages or disadvantages of a policy. + Make a false statement in order to persuade a consumer to cancel or exchange a policy the consumer already has. + Make an incomplete comparison of insurance policies or other products. I believe most state insurance regulators could find the proposed disclosure language "over the top" as they relate to insurance misrepresentation statutes. 5. Credit insurance and debt cancellation products serve a need In a September 2010 press release The Life and Health Insurance Foundation for Education and the Life Insurance Marketing and Research Association (LIMRA) announced almost 8 in 10 U.S. households currently do not have a personal life insurance agent or broker to turn to and most of them say they never dd. This information also appeared recently in the December 3-5, 2010 USA Today paper. It is a common misperception that all U.S. citizens have equal access to financial service products such as life and disability protection. The cold reality is the consumer has access to financial services products providing the consumer makes enough money to attract a licensed insurance agent/financial planner. Some years ago I obtained LIMRA research concerning how many lives (new sales) the average successful life insurance professional sells in a year. You may be shocked to find the answer was 50 cases and I understand the number of new sales has remained fairly constant over the years. Term life insurance is often suggested as a suitable product for insuring debt. Unfortunately, term life insurance premiums and commissions will not support a career agent's income needs. Indeed, successful agents often claim commissions from term insurance sales do not warrant even meeting with a prospective client. Debt protection products are viable alternatives consumers can use to address debt - especially consumers who do not have a life and disability agent. 6. Life and disability insurance are not demand products Some insurance products are sought out by consumers but others are not. I cannot tell you how many times I have been in a social setting where someone asks what I do for a

living.   When I respond I work in the insurance industry - more often than not the person asks, "Do you sell car insurance?" Auto and home insurance are demand insurance products the consumer often seeks out - likely because a lender who holds an underlying loan requires the insurance. Life and disability insurance are not demand insurance products and often need to be "sold" to the consumer.   Unfortunately, the number of career agents - the traditional distribution channel for life and disability protection - is shrinking. In 2010 there were 184,873 "affiliated agents" who primarily or exclusively sell for one company. This figure is down from 246,000 affiliated agents two decades
ago. With fewer agents "knocking on doors" debt protection products are not only viable but needed more today than ever before. Incidentally, I've found announcing I sell life and disability insurance is a sure way to clear the room of guests and get the best seat. 7. Debt protection products can help prevent bankruptcies (i.e. mortgage foreclosures) In 2001 David U. Himmelstein, Elizabeth Warren (emphasis added), Deborah Thorne, and Steffie Woolhandler co-authored "Illness and Injury as Contributors to Bankruptcy". The article examined a number of factors contributing to a consumer's vulnerability to bankruptcy. One area considered was medical causes of bankruptcy. Illness and injury along with death in the family counted for 28.3% and 7.6% (respectively) of the bankruptcies studied. Additionally, the debtor or spouse lost at least 2 weeks of work-related income because of illness/injury in 21.3% of the bankruptcies. Assuming bankruptcy is involved in many foreclosures - debt protection can be of help in mitigating some foreclosures. In closing I would like to add on November 4th my position with a credit insurance company was eliminated. As you know from my comments above I have been with two credit insurance companies for over 33 years. My performance was not an issue. The economy, fear of the impact of Proposed Rule R-1390 on our industry and the uncertainty of the new Consumer Protection Agency on the credit insurance industry were important. I still believe in the role debt protection products can play in protecting debt for average American consumers like me and my family. I hope you will consider the points I have tried to make in my letter. Debt protection products represent a simple financial planning tool consumers can use to address their debt - consumers who are often not adequately protected with life and disability insurance. Sincerely and Respectfully, Dan Walsh

CC: Senator Franken, Senator Klobuchar
Congresswoman Michele Bachmann