

From: Dow Chemical Employees Credit Union, Dennis M. Hanson
Subject: Regulation Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending
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Dear Ms. Johnson: Dow Chemical Employees' Credit Union (DCECU) wishes to thank the Federal Reserve Board for the opportunity to comment on Regulation Z - Truth In Lending Act [R-1393], specifically regarding "credit protection products." DCECU represents over 55,000 members largely in the mid-Michigan area, and currently has over \$1.2 billion in assets. In general, DCECU supports full and fair disclosure to consumers and specifically the members who use our primary products and services, as well as any insurance products offered to our members through arrangements using well managed and reputable insurance companies. However, DCECU believes the proposed disclosures for payment protection products, including credit life, credit disability, and debt cancellation and debt suspension coverage, misrepresent the purpose and value of payment protection products to credit union members. The primary areas of concern center around three misleading statements in the proposed disclosures:

"If you already have enough insurance or savings to pay off this loan if you die, you may not need this product." Consumers with enough savings presumably are making a conscious, rational decision to obtain a loan or line of credit, otherwise they simply would pay cash rather than borrow. Likewise, if consumers have adequate insurance, they are likely choosing a credit insurance product for a reasonable purpose such as: supplementing and protecting any existing coverage they have, intending to specifically cover the new debt transaction that they have entered or any number of other reasons. "Other types of insurance can give you similar benefits and are often less expensive." While the statement may be true in many cases, there are other reasons consumers may wish to purchase credit insurance products such as: credit insurance can be purchased in small dollar amounts as opposed to term insurance, there is often no health questionnaire to complete, the cost of credit insurance often does not increase with the purchaser's age, etc. "You may

not receive any benefits even if you buy this product." Any type of insurance, be it credit, term, whole life, disability, physical damage insurance for a home or auto, provide the purchaser and the beneficiaries with peace of mind. Knowing that a loan will be paid off, leaving money to your spouse to care for your children's needs or repairing a home damaged by fire can certainly be construed as a benefit. Assuming a paid claim is the only means of benefitting from insurance products may mislead consumers. Credit insurance products often help credit union members make loan and other types of payments in times of need. This provides members with peace of mind, especially those who do not have, and may not qualify for, other types of insurance. These products can also help protect members' credit ratings, which is invaluable in ensuring that they have continued access to credit at reasonable rates. These proposed disclosures will have a significant negative impact on credit union members who would and could benefit from them, as they will likely not elect to purchase them since the disclosures infer that these are bad, unnecessary or inferior products. This decision to not purchase these products will potentially expose them to avoidable risks. To illustrate, in the past three years, 60 DCECU members received direct loan payment benefits from credit insurance coverage, totaling over \$261,000. We urge the Federal Reserve Board to modify these disclosures so that they will instead reflect accurate, fair, and balanced information about these payment protection products. To conclude, we would also suggest that regulatory enforcement and penalties to those persons/entities that mislead and cheat consumers is a much more practical and productive means of achieving consumer protection than producing burdensome regulation and disclosures. Thank you for the opportunity to comment.
Sincerely, Dow Chemical Employees' Credit Union Dennis M. Hanson President/CEO