



December 16, 2010

Ms. Jennifer J. Johnson
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Proposed Changes to Credit Insurance Disclosures under Regulation Z and the Truth-in-Lending Act.
Docket R-1390

Dear Ms. Johnson:

Texans Credit Union ("Texans") agrees that consumers should receive appropriate, fair, and accurate information about the costs and benefits of credit insurance products. Texans has a long history of providing credit insurance in connection with loans made to its members and we strictly comply with all Texas Department of Insurance disclosure requirements.

We respectfully request that the Federal Reserve Board (FRB) consider our comments below and revise the current proposal.

1. Statements under the "Do I need this product?" section.

Statement: *"If you already have enough insurance or savings to pay off this loan if you die, you may not need this product."*

We believe this statement is misleading. Credit insurance is intended to supplement existing insurance and assist borrowers by not forcing their beneficiaries to deplete life insurance proceeds and other assets in order to pay off debt. While some consumers may have ample life insurance, the majority do not. Many consumers do not have individual life insurance and may rely on their employer to provide group life insurance. The 2010 Life Insurance Ownership Study provided by the Life Insurance and Market Research Associations states that only 44% of U.S. households have individual life insurance. If adopted, the proposed statement could result in a future financial hardship for surviving family members by unnecessarily discouraging the purchase of credit insurance.

Texans currently provides two disclosures to its members which already address this statement.

- Our Credit Insurance Contract states: *Credit Insurance is voluntary and not required in order to obtain this loan. You may select any insurer of your choice.*
- As required under Texas insurance law, we also provide a summary of rights which is called the Consumer Bill of Rights. The Consumer Bill of Rights states: *You have the right to use other insurance policies instead of buying credit insurance. For example, you can use a term life policy to satisfy the requirement for credit life insurance.*

Both of these disclosures address the issue that other insurance may be utilized and do so in a manner that informs the consumer of their options instead of misleading consumers into believing credit insurance is not valuable.

Statement: *"Other types of insurance can give you similar benefits and are often less expensive."*

The cost of term insurance varies depending on age, health and amount of coverage. Typical term life insurance policies require completing a long questionnaire and health exam or testing. In addition, a review of medical records could be required. Credit insurance cost varies only by the balance of the loan and not the age or health of an individual. Credit life insurance typically has an age requirement for eligibility and statement of no diagnosis or treatment for cancer, high blood pressure, any disease of the heart, lungs or blood vessels within a certain time frame. Credit disability typically has an age requirement and a statement that the purchaser is working at least 24/hours a week. Thus, the benefits and costs are quite different.

The benefits of credit insurance are not evident in this statement and the language may actually discourage a consumer from purchasing this product even if they have no other life insurance coverage. Texans recommends that the statements in the "Do I need this product?" section be revised to present a more balanced view of the product.

2. Statement under the "Can I receive benefits?" section.

Statement: **You may not receive any benefits even if you buy this product.**

Credit insurance is designed to make payments to the lender in the event the borrower suffers an accident or dies before the debt is repaid. Consumers purchasing credit insurance do so for peace of mind and assurance that if they cannot make the payment, assistance is provided.

Texas Administrative Code (TAC) §12.33 (Debt Cancellation Contracts and Debt Suspension Agreements) requires that the following disclosure be made for eligibility requirements, conditions, and exclusions:

"There are eligibility requirements, conditions, and exclusions that could prevent you from receiving benefits under (product name)."

Either:

- (i) "You should carefully read our additional information for a full explanation of the terms of (product name);"

Or

- (ii) "You should carefully read the contract for a full explanation of the terms."

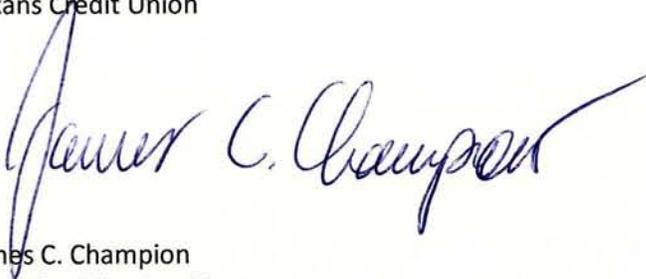
Texans urges the FRB to revise the language to show a more objective view of the product.

The adoption of the proposed amendments will have a significant negative impact on Texans, its members, and other credit unions. Unless the final disclosures present a more balanced view, we anticipate fewer members will purchase voluntary payment protection coverage on their loans. In turn, fewer members will receive the benefits (including peace of mind) that payment protection provides and more members could encounter financial hardship in the event the product is needed. Texans and

other credit unions will be adversely affected by the likely reduction in credit insurance purchases which will increase loan portfolio risk and significantly reduce non-interest income.

We respectfully request that the Federal Reserve Board revise the proposed disclosures to provide our members and other consumers with more accurate and balanced information about payment protection plans.

Sincerely,
Texans Credit Union

A handwritten signature in blue ink that reads "James C. Champion". The signature is written in a cursive style with a large, stylized initial "J".

James C. Champion
Executive Vice President
Chief Lending Officer