



# Credit Union Association of the Dakotas

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## Mid-America

December 7, 2010

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

RE: Proposed Rule – Revisions to Regulation Z: Credit Protection Products  
Docket No. R-1390

Dear Ms. Johnson,

The Credit Union Association of the Dakotas – Mid-America appreciates the opportunity to provide comment to the Federal Reserve Board regarding the proposed rule revisions to Regulation Z, specifically concerning those proposed rules and disclosures that pertain to credit protection products such as credit life, credit disability, and debt cancellation/suspension.

The Credit Union Association of the Dakotas represents seventy-eight state and federally chartered credit unions in the states of North Dakota and South Dakota, whose assets total over \$4.5B in assets and have more than 450K members.

This Association is opposed to the disclosures regarding credit protection products as proposed. Regulation Z's stated purpose, "is to promote the informed use of consumer credit by requiring disclosures about its terms and cost." §226.1(b). The Association supports the purpose of Regulation Z and the Truth in Lending Act; however, as proposed, certain aspects of the content to the credit protection product disclosures are outside the scope of the regulation's own stated purpose. The proposed disclosures go beyond merely informing consumers of "terms and costs" to that of persuasion. Furthermore, as proposed, these disclosures may mislead the consumer into making a decision that is not in their best interests, which would be contrary to the consumer protection goals of these regulations and the goals of credit unions to help their members.

The Credit Union Association of the Dakotas supports the Board's proposal regarding the format of the disclosures, tabular and question-and-answer, bold and underlined text, to assist consumers with understanding the content. However, as previously stated, we believe that the content of the disclosures will not provide consumers with information to make an informed and independent choice.

It has become very apparent over the last few years of the need for consumers to protect themselves, their families and their assets in the event of something unexpected. These hardships can arise from injury or loss of life to the more recent very common event of loss of

employment. Credit protection products, admittedly, provides protection to the credit union from a safety, soundness and stability standpoint. But more importantly, these products protect the credit union members, both as borrowers and as owners.

Credit unions strive to do what is in the best interests of their members and providing these disclosures as proposed, would not be in the member's best interest. The misleading and negatively persuasive content will without question lead some consumers to believe that these credit protection products are trivial when in fact they provide protection to the consumers' credit and saves them money in the event of an unexpected hardship.

As a representative for the North Dakota and South Dakota credit unions, we also oppose the inclusion of the premium and other charges associated with credit protection products in the finance charge. These optional charges should continue to be excluded from the finance charge calculation. Unbiased, fair and accurate cost disclosures for these products will provide the member with necessary information to make an informed choice without the necessity of being included in the finance charge calculation.

As proposed these revisions to Regulation Z, do not promote the objectives of consumer protection under Truth in Lending and Regulation Z, nor the objectives of credit unions to serve their members. If adopted these rules and disclosure concerning credit protection products will harm the members, their families and their assets, by casting these products in an unjustified negative light, instead of providing objective information so the member can make their own decision. Therefore, the Credit Union Association of the Dakotas strongly urges you to reconsider these proposals and revise the disclosures to provide consumers with fair, accurate and objective information concerning payment protection products.

Thank you for this opportunity to share our comments.

Respectfully,

A handwritten signature in black ink that reads "Robbie Thompson". The signature is written in a cursive, flowing style.

Robbie Thompson  
CEO/President