

From: Tracey Bishop
Subject: Regulation Z - Truth in Lending

Comments:

December 20, 2010

Jennifer J Johnson
Secretary, Board of Governors of the Federal Reserve System
20th St. and Constitution Ave. NW
Washington, DC 20551

Dear Ms. Johnson:

Thank you for the opportunity to comment on the Federal Reserve Board's proposed changes to credit insurance and debt cancellation disclosures under Regulation Z. Industrial Credit Union of Whatcom County is a 21,500 member strong State chartered credit union located in Washington state. As a not-for-profit financial cooperative, our sole reason for being is member service, not stockholders or Wall Street.

Credit unions have historically supported fair, reasonable, and informative disclosures on financial products. We believe that it is our job to educate our members to make good financial decisions. The proposed revisions to the disclosure required for credit insurance and debt cancellation products is biased, misleading, and confusing. We, therefore, oppose them as written.

There are several disclosures we object to. All are true, but all are written in an inflammatory way. The first of these is the statement: "If you already have enough insurance or savings to pay off this loan if you die, you may not need this product." This disclosure is objectionable simply because, as a nation, Americans generally do not have enough savings or life insurance. In the news every day there are stories about the dismal rate of savings or the general lack of financial planning. This disclosure reads as a discouragement to purchase the product. Disclosures are intended to be a trustworthy source of neutral information, not an advocate for one course or the other. A more neutral phrasing of this disclosure would read: "This product provides additional insurance above any you may already have. Please review your financial condition before deciding to purchase this product."

The next disclosure I object to is: "Other types of insurance can give you similar benefits and are often less expensive." Again, while true, this disclosure ignores the reality of the insurance world. A healthy 20 year old would probably have no trouble obtaining sufficient life insurance to cover whatever loan he or she wished to insure at minimal cost. But many members are not in such a fortunate position. Other types of insurance are extensively underwritten. Credit insurance and debt cancellation contracts are not. Members do not need to submit medical information or complete lengthy questionnaires. As written, this disclosure encourages members to decline coverage and shop the open market. Many of them will not be able to obtain insurance. Or, if they can, they may not be able to afford it. This disclosure should be removed from the required list.

The final objectionable proposed disclosure reads: "You may not receive any benefits even if you buy this product." This disclosure is simply unnecessary. What insurance purchaser hopes that they will receive benefits? Insurance is there to mitigate the effects when disaster occurs. But to receive benefit from the insurance, the disaster must first occur. I don't know any consumer who would choose disaster just to receive insurance benefits. I recognize that the Board is concerned about members who may not meet eligibility criteria or be barred from a legitimate claim. To address that concern, please consider adopting a disclosure required by the OCC instead: "There are eligibility requirements, conditions and exclusions that could prevent you from receiving benefits under this product. You should carefully read our additional information and/or the contract for a full explanation." This is a much more neutral, informative phrasing.

Credit unions absolutely believe in keeping members informed about the financial impact of their decisions. The movement as a whole expends a great amount of resources on financial literacy efforts. We want our members to make the best choices. I support a fair, balanced and informative disclosure about credit insurance. The disclosure proposed by the Federal Reserve Board is none of these things.

Sincerely,

Tracey Bishop