

From: AmeriCU Credit Union, Joseph C. Anderson
Subject: Regulation Z - Truth in Lending

Comments:

Federal Reserve Board

Dear Federal Reserve Board:

December 21, 2010

Ms. Jennifer J. Johnson, Secretary
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 No. R-1390

Dear Ms. Johnson,

On behalf of AmeriCU Credit Union I am writing to express our opposition to the proposed amendments of the credit insurance and debt protection disclosures under Regulation Z. Although we appreciate the Federal Reserve Board's efforts to protect consumers, we believe the proposed disclosures go beyond protecting the U. S. consumer. We are concerned that the verbiage distorts the positive merits of these services through the use of misleading, inaccurate and biased language. It is our belief that our members will be if not discouraged, frightened away from even considering credit insurance coverage if these proposed amendments remain as currently drafted. This development would in turn potentially expose our membership to unnecessary financial risks.

AmeriCU is most concerned with three (3) statements within the proposed disclosures. In our opinion, these three (3) statements do not represent a fair or objective view of the costs and benefits of credit insurance coverage.

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

The purchase of credit insurance is intended to support AmeriCU's members and their families. By its very nature, credit life insurance benefits beneficiaries offering protection from having to use or deplete savings accounts or other insurance policies in order to pay off outstanding debts.

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

We believe that while this statement centers upon the most simplistic objective of insurance, the financial benefits ignore the more relevant

reasons a member of AmeriCU Credit Union would consider credit insurance coverage, including the conveniences related to payment protection solutions such as credit insurance coverage. Further the proposed statement should offer a comparison between the credit insurance coverage and traditional insurance plans.

Statement 3- "You may not receive any benefits even if you buy this product."

This proposed statement is fairly obvious given the nature of any insurance plan not just credit insurance coverage. Consumers purchase insurance as protection against the financial consequences related to unplanned, life altering events. For example if a consumer with a twenty (20) year life insurance plan does not pass away during that twenty (20) year period, no benefits are paid on the policy. This does not mean that the consumer did not benefit from the purchase of this product. At the very least the consumer receives peace of mind.

Our records show that between January 1, 2007 through November 30, 2010, 571 members of AmeriCU have received a total payment associated with credit disability of over \$927,000.00 for an average of over \$1,600.00 per claim. Further during the same period of time, 55 AmeriCU members have received a total payment associated with credit life of over \$415,000.00. That equates out to an average of more than \$7,500.00 per claim.

Examples of members that benefited from these solutions include a member living paycheck to paycheck who purchased a vehicle through AmeriCU which was involved in an accident. The vehicle was totaled in the accident. Fortunately the disability insurance the member purchased is helping him during this difficult period of his life.

In another example, a member who is a truck driver hurt his knee while on the job. The member has six (6) loans with AmeriCU Credit Union. On three (3) of the loans, the member signed up for disability coverage while he did not sign up for the coverage of the other three (3). Due to the injury to his knee, the member has been out of work for three (3) months. Recently while visiting the office of the Member Relationship Advisor who worked with him on all his loans, the member naturally stated that he wished he had the coverage on all six (6) of the loans.

A final example we want to share is related to the mother of a soldier who was killed while serving in the U.S. Army. The mother came into our Financial Center on the U.S. Army Base, Fort Drum, very distraught over the death of her son. Her reason for visiting that day was to discuss the challenges she thought she would have with her son's car loan through AmeriCU Credit Union. Fortunately the young soldier unbeknown to his mother had taken out Life and Disability on his loan.

In these three examples members and their families benefited from AmeriCU's philosophy to educate our members on all their options, including credit insurance coverage. By conducting business in this fashion we are allowing our members to make unbiased, informed decisions based strictly upon their needs.

Finally, it is our belief that the proposed amendments will have a considerable negative impact on not only AmeriCU Credit Union but the

entire credit union industry. By offering these services, credit unions receive credit protection on loans. This in turn keeps charge offs and loan losses to a minimum, protecting our membership as a whole.

In closing it should be noted that AmeriCU Credit Union always has and will continue to support fair and accurate disclosures to members who purchase payment protection products. We are recommending that the proposed amendments are revised in order to provide all consumers fair and accurate information about payment protection products.

Sincerely,

Joseph C. Anderson

Chief Operating Officer
AmeriCU Credit Union