

From: Lisa Malesky
Subject: Regulation Z - Truth in Lending

Comments:

December 22, 2010

Federal Reserve Board

Dear Federal Reserve Board:

I have been reading the recent proposal by the Federal Reserve Board regarding specific disclosures on payment protection products, including credit life, credit disability, and debt cancellation. These products not only provide peace of mind to our members, they have made a significant difference to their financial well being during difficult times. There are many examples in which we can provide to stress the value these products bring to our members. Here's just a sampling: One member had Credit Disability, and he crushed his ankle. He was a warehouse employee, and the disability insurance paid his loan off over a 3 year period. Our members' wife came in after his passing, not aware that he had Credit Life on his auto loan. She had planned to make arrangements to sell the vehicle due to not being able to afford the payments; however, Credit Life took care of the balance owed on the auto loan. Our members' auto was totaled; after the insurance paid off the claim, there was a difference of over \$2k, and Guaranteed Asset Protection took care of the difference. A disability claim paid over $\frac{3}{4}$ of the balance owed on one members' motorcycle loan.

There are many examples of members who could have benefited from these products, but did not elect to have them on their loan. Our member was injured on the job and could not work. He went on long term disability with his company, but was not enough to make ends meet. When he tried to go back to work he was let go after a few weeks and the position was not re-filled. He could not find similar work. His auto was repossessed and sold leaving a deficiency balance. His personal loan and credit card were also charged-off. Our member was disabled due to hip surgery and unable to work for months. Her disability did not cover enough to meet all of her obligations; in addition she had significant medical expenses. Her credit card was charged-off. After our members' death, we discovered that she had been ill for awhile, and her entire estate went toward the medical claims. Her personal loan and LOC were charged-off. After our members' death, the families' auto was repossessed and sold at auction, leaving the family without a vehicle. Our member fell off a horse by accident and was permanently disabled and disfigured. Her vehicle was repossessed and sold at auction, leaving a deficiency balance. Our member died in a motorcycle accident going to work, and his recreational vehicle was repossessed and sold leaving a deficiency balance. Credit unions have always supported fair, accurate, and appropriate disclosures for members who purchase credit insurance and debt cancellation and suspension products. However, these proposed disclosures put these products in a strictly negative light and strongly discourages the purchase of these products. Our members', who use these products, benefit from them. The proposed amendments to Reg Z would have significant

negative impact to our members as well as the entire credit union industry.

In addition, the proposed disclosures are inaccurate and misleading.

Under "Do I need this product?" - There are many circumstances that could determine rather or not there is sufficient insurance or savings to cover the loan. After a long illness, typically the savings that they had has been depleted, and they may not have enough to cover this loan, especially if there is a loss of income as well. Most employer disability insurances will pay only a portion of their pay rate. "How much does it cost?" - This is misleading considering that most insurance premiums are based upon a declining balance. This may be the highest amount that they pay on their first payment, but it is not representative of the amount that would be paid over the life of the loan. Can I receive benefits? - This statement implies that there are additional requirements that they must meet to qualify for the requested product. There may be documentation required to document the loss (death certificate, doctors statement, etc.), and if there is a question regarding the loss, but that is standard with any claim. Most members purchase insurance hoping that they never have to use it. Insurance is purchased to protect our members and their families in the event that they do need it. I urge the Federal Reserve Board to change these disclosures so that they will instead reflect accurate, fair, and objective information about these payment protection products.

Sincerely,

Lisa Malesky