From: Genisys Credit Union, Thomas H Alter

Subject: Regulation Z - Truth in Lending

Comments:

Date: Nov 10, 2010

Proposal: Regulation Z - Truth In Lending Act
Document ID: R-1390
Document Version: 1
Release Date: 08/16/2010
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Commentary on Docket No. R-1390, Regulation Z - Voluntary Credit Insurance Premiums; Voluntary Debt Cancellation and Debt Suspension Fees Thank you for the opportunity to comment on the proposal to change the timing, format, and content disclosures for voluntary credit insurance premiums and debt cancellation/suspension products. I agree with the Board's direction to provide clear disclosures on these products to consumers. However, there are aspects of the proposal that I agree with and many others that I believe are misguided and onerous. Disclosure timing. The proposed regulation states that a creditor will be required to fulfill the conditions of the new regulation before the consumer enrolls in the insurance or coverage. While I agree with the spirit of advanced disclosure, I have concerns regarding implementation in a call center or on-line environment if this means that the borrower must actually sign the disclosure before the loan is disbursed. The current approach is a
better way. Our current certificate of insurance reads "Within 15 days after you receive this Certificate, you have the right to return the Certificate to the credit union for cancellation and any premium paid by you will be immediately returned." This stipulation addresses the desire that a borrower have the opportunity to cancel the insurance following receipt of a mailed disclosure. Disclosure format. I do not disagree with a required disclosure format. However, I strongly disagree with several aspects of the model forms provided with the proposal. Much of the language is so negative toward this product, I believe that it will discourage even those members who would benefit from the coverage provided. The use of the word "Stop" at the beginning of the model form is excessively negative. Our disclosures already state clearly and in bold type that credit insurance is voluntary and not required to obtain the loan. I believe that the disclosure can simply state this without the word Stop and the negative statement that you do not have to buy the

insurance. I disagree with the wording of the required statement that if the consumer already has enough insurance or savings to pay off or make payments they may not need the product. If this is stated, the consumer should also be reminded that their current insurance may be a term policy that could rut or be cancelled for lack of premium payment. Also, consumers should be reminded that their life insurance may be provided by their employer and could be cancelled at any time. A more general disclosure that a consumer should consider all of their financial resources before deciding if the credit insurance is appropriate for them would be more appropriate. I disagree with the required statement that other forms of insurance "are often less expensive." I believe that this is misleading and overly alarming. This statement alone may scare some borrowers who would definitely benefit from this coverage from obtaining it. This makes it sound as if we are admitting to cheating the member. Credit insurance is a legitimate product meeting a very specific need for many borrowers. Depending on their individual circumstances, other forms of insurance may be more or less expensive. I agree with the intent of providing clear disclosure of the actual cost of premiums. However, I do not agree with the requirement that the cost be expressed as the maximum premium charged. This is more misleading than the way we currently disclose, which is as a cost per $100 of loan balance. We also disclose that the premium amount varies monthly with the balance of the loan. Just disclosing the maximum premium will lead borrowers to believe that the highest premium will be charged throughout the entire term of the loan. This will cause many borrowers to decline coverage that would benefit them because the disclosure overstates the cost. The required statement that "You may not receive any benefits even if you buy this product" is overly negative and misleading. This could be stated with any insurance product. Instead, required disclosures on the circumstances under which benefits may or may not be paid (as are currently disclosed) would be much more appropriate. Overall, I do not agree with the model forms' unbalanced perspective. These disclosures would definitely lead many borrowers to decline coverage that would benefit them. After more than 30 years in the financial services industry, I have learned that credit life and disability insurance are valuable services for many consumers. We counsel our members on the wise use of debt and to ensure that they can afford to fulfill their payments. For many of our members, loss of life or disability would put an extreme hardship on their household's ability to fulfill their obligation.
Yes, many members have sufficient resources to fall back on in these situations. However, many members do not. Credit life and disability is one wathat borrowers can protect themselves from future financial hardship. We frequently hear from members who have had claims paid and express their appreciation for the coverage made available to them. The overall tone of the model disclosures is such that many who would benefit would be unnecessarily discouraged from purchasing coverage. Finally, I must also add that I am alarmed that regulators and legislators continue to take aim at reducing sources of revenue for credit unions. As a member owned financial institution, we rely on sources of non-interest income to support paying the best possible rates on savings, charging the lowest possible rates on loans, and providing core banking services with little or no fees. By continuing to limit or discourage sources of income, regulators are making this more difficult and consumers will ultimately end up paying more for other core services. Worse yet, the safety and soundness of smaller financial institutions will continue to be challenged if sources of revenue continue to be reduced. Thank you for your consideration.

Tom Alter
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