



Arizona Credit Union League
& *Affiliates*

November 23, 2010

Via Electronic Mail: regs.comments@federalreserve.gov

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

Re: *Proposed Regulation Z Rule: Payment Protection Products*
Docket No. R-1390

Dear Ms. Johnson,

The Arizona Credit Union League appreciates the opportunity to provide comment to the Federal Reserve Board concerning the recently proposed disclosures for payment protection products such as, credit life, credit disability, and debt cancellation/suspension.

The League represents 52 credit unions in the state of Arizona, whose assets total over 12 billion dollars. As an organization, we have always supported reasonable regulation, which protects consumers without negatively impacting the operations of our credit unions. Credit unions, as not-for-profit, member-owned financial institutions endeavor to provide the best products and services to their consumer members. They are often regarded in the financial marketplace as entities that strive to assist consumers avoid predatory lenders and practices. Our member credit unions offer payment protection products in that same spirit.

The Truth in Lending Act (TILA) was enacted to increase consumer awareness of the cost of credit. One of the main purposes of this Act is provide clear and meaningful disclosures to enable consumers to compare credit offers and terms that are available in the marketplace. Although we are very supportive of this purpose, we believe that the proposed disclosures for payment protection products are overreaching and will have a significant adverse affect on credit unions who offer these types of products and the consumers who could benefit from the protection such products provide.

Although supportive of the tabular format, the content of the proposed disclosures cast payment protection products in a very unflattering light. Many consumers will be hesitant to purchase these products and will opt not to take advantage of these products. The disclosures cross the line from providing clear and useful disclosures that enable a consumer to determine whether optional insurance products are the right fit for their financial and personal situation into actively discouraging the purchase of these products. The average consumer, upon receiving the proposed disclosures, will certainly be less likely to take advantage of payment protection products.



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The proposed Regulation Z amendments will convince consumers that payment protection products have no purpose and value. This only serves to put consumers and their financial futures at risk. Products such as credit life and disability and debt suspension step in when unforeseen circumstances impact a member's ability to pay their loans. In today's uncertain times, these products are more important than ever. Although we support fair and accurate disclosures, we do not support biased and misleading disclosures, which will undermine a consumer's ability to determine if they would like to purchase a payment protection product.

Additionally, we urge the Board to reconsider including the premium or other charges associated with payment protection products as a finance charge. We believe these optional charges should continue to be excluded from the finance charge calculation. Credit unions can continue to provide fair and accurate cost disclosures for payment protection products without adding these costs to the finance charge calculation.

It is our position that although some amendments to payment protection product disclosures may be warranted, this proposal only serves to hinder the purchase of these products, harm consumers who benefit from and would like to purchase these products, and place credit unions at increased risk for lost fee income and loan loss. We strongly urge you to reconsider this proposal and propose fair and balanced disclosures for payment protection products.

Thank you for the opportunity to comment.

Sincerely,

Nicole M. Holt, Esq.
ACUL & Affiliates