Texell
Your Credit Union

Tony Hale
President/CEO

October 14, 2010

Chairman Ben S. Bernanke
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Docket No. R-1390
Federal Reserve Board's Proposed Changes to Credit Insurance Disclosures under Reg Z and the Truth-in-Lending Act

Dear Chairman Bernanke:

I write in opposition to the Federal Reserve Board's proposed changes to Regulation Z relating to credit insurance and debt protection disclosures.

I am the President/CEO of Texell Credit Union, a low-income designated community credit union with 25,000 members, located 50 miles north of Austin, Texas. As a not-for-profit financial cooperative, we are solely in existence for the benefit of our members, with no obligations to stockholders or Wall Street. I am very concerned about the proposed regulatory change, which would most certainly mislead and potentially cause harm to our members.

Most of our members do not have sufficient life or disability insurance when they step foot into one of our branch locations to apply for a loan. We offer credit life insurance at a very reasonable cost, based on the loan amount and as regulated by the State of Texas. For many of our members, the credit life coverage represents a material portion of their total life insurance death benefit. As the balance of the loan decreases, so does the benefit, and so does the monthly premium.

I wish to address each of the proposed required disclosures that I object to, in order to provide what I hope is a compelling counterpoint, and a logical foundation for striking down the proposal.

Disclosure A: ***"If you already have enough insurance or savings to pay off this loan if you die, you may not need this product."***

This is a very troubling disclosure, largely because it requires the borrower to momentarily assess whether their current savings and life insurance benefits are sufficient. Certainly, any borrower equipped to make such an evaluation is going to likely already have sufficient insurance, and therefore decline the additional coverage. But what about those who are underinsured and ill-equipped to assess their insurance adequacy? This statement may lead them to decline coverage at their own peril.

Disclosure B: ***"Other types of insurance can give you similar benefits and are often less expensive."***

This is a true statement, but taken out of context it is designed to influence the borrower to decline credit life insurance, as it calls into question the value proposition of said product. Level term life insurance for a young and healthy individual is most certainly less expense per unit of benefit, but credit life insurance is issued with almost no underwriting standards, no medical exam, and no lengthy questionnaire. A borrower might be lead by this disclosure to pass on credit life insurance in pursuit of level term life insurance, which she may or may not qualify for. The borrower would naturally seek alternative insurance from an insurance agent in business for profit, who might persuade them to purchase costly whole life insurance, if they even qualify.

Disclosure C: ***"You may not receive any benefits even if you buy this product."***

We hope they don't! By definition, to receive benefits from credit life insurance, one must expire. But this proposed disclosure could lead one to believe that a death event would not be covered, despite premiums paid. This is simply not true. If the insurance is in force at the time of death, and the borrower is below the maximum age allowed (70), then the remaining balance of the loan upon death is paid in full because of the insurance. Often the spouse of the deceased may not even know the loan is protected, and they are always relieved and delighted to find out otherwise. In a few very sad cases, the borrowers declined credit life coverage, and upon a death event left their surviving relatives with a greater burden.

Disclosure D: ***"This product will cost up to <u>$118 per month</u>. The cost depends on your loan balance."***

This is terribly misleading and many borrowers would see this statement and immediately decline the coverage. The maximum premium for credit life insurance at my credit union is closer to $35 per month, for joint coverage. However, the average loan amount for a typical car loan is going to result in a monthly premium of less than $10 per month—a veritable bargain considering the convenience and liberal underwriting.

Chairman Bernanke, the Federal Reserve Board proposes excessive interference with commerce, and the unintended consequences of the proposal may mean financial disaster or hardship for many of our borrower-members. The Credit Union earns non-interest income from the sale of credit protection products, but not to the detriment of members. If the Board ventures into philosophical gerrymandering, the financial values of the rule writers will be unfairly prescribed to Americans. To assume such a role is far beyond the purview of financial regulations.

Instead of objective disclosures designed to inform consumers of the cost of credit, the disclosures are biased, half-truths designed to steer consumers away from the product. We respectfully ask that you intercede on our behalf in this rulemaking so that the proposed disclosures are withdrawn. We ask that the current disclosures remain in effect unless and until they can be revised in an objective, unbiased manner that does not unreasonably interfere with commerce and the business of insurance.

Respectfully,

Tony Hale

cc: Board of Directors, Texell Credit Union
Harold E. Feeney, Texas Credit Union Commissioner
Richard L. Ensweiler, President/CEO, Texas Credit Union League