



December 22, 2010

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

RE: Docket No. R-1390  
Proposed Changes – Regulation Z, Truth in Lending – Payment Protection  
Products

Dear Ms Johnson,

I am writing to express concern with proposed changes to required disclosures for payment protection products in Regulation Z, the Truth in Lending Act. Credit Unions have always supported fair, accurate, and appropriate disclosures for members who purchase these products. The proposed disclosures go beyond providing useful information and instead cast the product in a negative light by misrepresenting the purpose and value of the payment protection product to the member.

State Farm Federal Credit Union (SFFCU) offers its members a debt cancellation product to help them to plan for the unexpected and make their loan payments in times of need. Our debt cancellation product provides our members with the opportunity to have peace of mind in knowing that obligations will be met in the event of death or disability. It also protects the member's credit rating, ensuring future access to credit at reasonable rates.

Debt cancellation is a beneficial product for SFFCU also in that it provides assurance that the loan payments will continue to be paid on time, decreasing our charge-offs and loan losses. It provides only a minor source of income. Overall, debt cancellation enhances the safety and soundness of the Credit Union.

SFFCU does not object to providing new or revised disclosures, as long as those disclosures are accurate and reasonable. Language in the proposed disclosure seems inaccurate and misleading.

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The tone of these disclosures is negative and seems designed to discourage members from purchasing the debt cancellation product:

- ***“If you already have enough insurance or savings to pay off this loan if you die, you may not need this product.”***
  - Members may not have adequate insurance or savings, or may not want to use other insurance proceeds or savings to pay loans to the Credit Union. Debt cancellation offers a valuable option in financial planning.
  
- ***“Other types of insurance can give you similar benefits and are often less expensive.”***
  - Members may not be eligible for other types of insurance. If they are eligible, the cost is dependent on the type of policy, the term, and other factors.
  
- ***“You may not receive any benefits even if you buy this product.”***
  - An insurance product, by its nature, may not pay benefits if death or disability does not occur. This seems an unnecessary negative comment.

These proposed disclosures could have a significant negative impact on Credit Union members. It seems likely that the impact would be to discourage members from considering the purchase of a payment protection product that could be entirely appropriate to meet their personal needs. SFFCU would be negatively impacted as well with an expected increase in loan losses, charge-offs, and loan portfolio risk profile.

SFFCU asks that the Federal Reserve Board reconsiders these proposed disclosures and make changes so that they will be more accurate, fair and objective. Thank you for allowing us to share our concerns, and for your consideration of our request.

Sincerely,



Thomas W. DeWitt  
CEO  
State Farm Federal Credit Union

cc:	Mary Dunn	CUNA
	Jeff Bloch	CUNA
	Anthony Demangone	NAFCU
	Don Edwards	ICUL
	Steve Gilrowski	CUNA Mutual