American Airlines
Federal Credit Union

VIA E-MAIL regs.comments@federalreserve.gov

December 22, 2010

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

RE: Docket No. R-1390, Regulation Z: Truth in Lending

Dear Ms. Johnson:

I am writing on behalf of American Airlines Federal Credit Union (AA Credit Union). I am the Senior Vice President Lending & Product Management for AA Credit Union. AA Credit Union is a federally chartered credit union with over $5.3 billion in assets. It is the eleventh largest credit union in the United States and has over 224,000 members located throughout the United States including Puerto Rico. We have been in existence for almost 75 years.

I am writing to comment on the Board's proposed rule amending Regulation Z, the Truth in Lending Act (TILA). Specifically, I am writing to express our concern regarding the proposed disclosure for credit insurance, debt cancellation and other suspension products. AA Credit Union offers our members the opportunity to purchase credit life or credit disability insurance when they take out a consumer loan with us. We agree that this type of insurance is not for everyone. Less than 25% of our eligible loan dollars originated in 2010 were protected with this insurance.

Our Credit Union's mission is to ensure that our members lives and financial welfare are enhanced as a result of credit union participation. As such, we offer free financial planning and credit education services to our members. We also want to make sure that their families are financially prepared for death. An October 3, 2010 article in the Wall Street Journal noted that life insurance companies have gradually shifted away from their broad historical base of middle-class households who are the core of our membership.

A 2010 US Life Ownership Study indicated that many households are not financially prepared for death. For households earning less than $35,000, over 50% of households would be in immediate trouble if a primary wage earner died. For households earning

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between $35,000 to $49,999, approximately 40% would face immediate trouble in the event of a death. This same group of households has decreased their ownership of life insurance significantly from 2004 when 82% of households had life insurance to 2010 when only 66% have life insurance. This same study indicated that most households know they need more life insurance but that they aren't likely to buy it – especially amongst households earning less than $100,000 per year.

Credit life insurance is designed to augment a financial plan and other forms of insurance. Because the underwriting process for credit life insurance is very simple, it can provide our members with an easy way to obtain insurance and provide the protection their family needs to avoid financial trouble that so many Americans may face in the event of death. In addition, we are able to provide great comfort and relief to our members when they need to make a claim.

We recently had a member who was very worried about her financial situation when her husband died unexpectedly. The deceased husband had a car loan with credit life insurance and no one was concerned about it because we knew that the insurance would pay that off. However, the deceased husband also had a line of credit that was recently used to purchase various items when they remodeled their home. The loan was set up for automatic payments and even though the first insurance payment on the line of credit balance had been paid after the husband died, the insurance company approved the claim for the line of credit loan. Our member/spouse almost started crying on the phone.

A different member had a line of credit with credit life insurance coverage. Subsequently on November 17th that member took out a second personal loan of $1200 with credit life insurance coverage. Unfortunately, the member passed away two days later on the November 19th. A Credit Union employee spoke with the insurance provider and both loans were paid off by the insurance company.

Our concern is with the proposed model insurance disclosure. First, let it be noted that we provide disclosures to our members already under state insurance rules. Second, rather than giving a neutral point of view about insurance, the disclosure is very negative, derogatory and inaccurate in certain areas towards the purchase of insurance. We would recommend that the disclosure be neutral regarding insurance, provide good facts and not bias a consumer's decision either for or against purchasing insurance.

In proposed model form G-16(B) the first word of "**STOP**" in all bold is negative. It leads consumer to automatically think that the insurance is a "bad" product.

In the tabular, the first box list of "If you already have enough insurance or savings to pay off this loan if you die, you may not need this product" is not accurate because this may be contrary to advice from financial planners. Additionally, the statement "Other types of insurance can give you similar benefits and are often less expensive" is inaccurate because we have found that for a small loan of $10,000, there is no comparable insurance for our member to purchase. We have found that credit insurance can be less expensive than term life insurance. In our experience, when our members create their financial plan, many do not have enough insurance or savings to pay off debts, especially those debts incurred after the insurance was initially purchased.

In the second box regarding the cost of the insurance, the listing of the cost of insurance per month is very misleading because the cost is based on the loan balance. We would recommend that we be allowed to give the payment differential or the cost per $100. That is the way insurance is usually quoted.

In the fourth box regarding benefits, the statement of "You **may not receive any benefits even if you buy this product**" is misleading. People buy many different types of insurance and do not receive the benefit of the product in terms of a payout other than "peace of mind." For example, many consumers purchase fire insurance for their homes, but do not receive the benefit of the purchase because their homes do not burn down. Credit insurance is no different.

Insurance products in and of itself are good products that have been helpful to our members. We believe that a tabular disclosure would be easier to read. However, to be fair to consumers, the language in the model forms should provide accurate and fair information so that the consumer can make the decision that is right for his or her personal circumstances.

Thank you for the opportunity to comment on the proposed rule. We appreciate the opportunity to comment on this matter. If you have any questions, please call me at 817-952-4904.

Sincerely,

Gail K. Enda
Senior Vice President Lending & Product Management

cc: NCUA
CUNA
NAFCU