

December 21, 2010

Via Electronic Mail: regs.comments@federalreserve.gov.

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

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

Dear Ms. Johnson,

As a Loan Officer of Seaford Federal Credit Union, I appreciate the opportunity to comment on the Federal Reserve Board's recent proposal to amend the disclosure rules that will mandate specific disclosures for protection products such as credit life insurance, credit disability, and debt cancellation/suspension coverage. I am very concerned about the impact this will have on the basic consumer loan such as signature balances, titled loans, personal lines of credit and the home equity loan products.

I have been offering credit union members voluntary credit insurance and protection products for over 20 years and have seen many cases where the members or their families have greatly benefitted with this added protection. For example, I once had the spouse of a member who had passed approach me regarding making the payments on their \$45,000 home equity loan balance. She thought they had plenty of life insurance to cover things only to find out it was accident and dismemberment coverage only. He had passed from a heart attack and I was so pleased to be able to tell her that there was life insurance coverage on the home equity loan balance and it would be paid off in full! I also had a member who had signed for a small \$2000 signature loan. We had discussed payment protection and she first said no, I don't need that. Then she thought since it costs so little, she decided to take the disability insurance coverage. Two months later she stopped in my office and said she was so glad she took the insurance. She was on crutches, unable to work from hurting her knee and her payments were being made! Having a payment satisfied during times when there is loss of an income not only relieves financial burden, but also protects their credit and saves them money.

There are many examples of these products not only benefiting members, but they also help provide safety and stability to the credit unions lending risk. These products can prevent foreclosure, repossessions and charged off loans. Losses affect all members of the credit union.

I agree members need to be well informed on the cost of their borrowing through clear, concise and accurate disclosures. However, these products are strictly voluntary and I do not agree that these costs should be calculated as part of an APR. The optional charges need to remain excluded from the finance charge calculation. The proposed amendment will make it even more difficult for consumers to understand how the APR is calculated and will make comparing APRs of competing lenders impossible. APR calculations should be standardized.

I believe the model forms G-16 and H-16 mislead the potential consumer with a negative bias to the true value of our payment protection products. A high percentage of our members making only \$8.00 to \$10.70 an hour don't have financial planners or the income for extra insurances. The benefit packages from the plants that employ them may be limited; therefore they need to have these services offered in an objective viewpoint. In today's economy, people are seeing cuts in pay and benefits. Where else can they affordably purchase payment protection products tailored specifically to these types of consumer loans and needs? Our members need to have the freedom in choosing these products to supplement other policies they may have.

Credit unions have a long history of providing these types of products fully disclosed to their members in a fair and reasonable manner. We believe that the proposed Reg Z amendments is an example of the federal government going beyond its scope of authority by driving changes to insurance product disclosures, which are typically regulated at state level.

Seaford Federal Credit Union has always supported fair and accurate disclosures to members who purchase payment protection products. Perhaps some amendments to payment protection products are warranted, however, this proposal only serves to hinder the purchase of these products, harm consumers who benefit from and would want to purchase these products, and place credit unions at increased risk for lost fee income and loan loss. We urge you to withdraw this proposal in order to consider alternative revisions that would give the consumer fair, accurate and balanced information about credit protection insurance.

Thank you for the opportunity to comment.

Sincerely

Mary Lou Faithful
Loan Officer, SFCU