



December 15, 2010

Ms. 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:

I am writing on behalf of Desert Schools Federal Credit Union, a federally insured and chartered credit union, with over 360,000 members and \$2.8 billion dollars in assets. We oppose the proposed changes to the payment protection product regulations (payment protection products including credit life, credit disability, and debt cancellation/suspension) and believe that the disclosures and amendments will be detrimental to our members.

As the largest member-owned financial institution in Arizona, we've seen first-hand how the economy has had a negative impact on the residents of our state. Since, Arizona has one of the highest foreclosure and unemployment rates in the nation, many of our members are struggling financially and do not have any emergency savings to get them through these difficult times. Payment protection products are sometimes their only solution. Our members want and deserve to have a sense of security knowing that their consumer loan payments are taken care of while they get back on their feet.

Over the years, Desert Schools has witnessed how payment protection products have helped members save their homes, autos and credit during economic downturns. They are able to use their resources to provide necessities such as food and shelter for their families and not have to be burdened with loan payments.

For example, one of our members had both a home equity and auto loan with Desert Schools and purchased debt cancellation for both loans. Sometime later, while his wife was having surgery, she tragically passed away. Because of the debt cancellation product, \$33,339 was paid out for the home equity loan and \$16,998 for the auto loan. If the member did not possess this benefit, the surviving spouse would be obligated to pay out \$900 per month in loan payments. Having this product took away his financial worries while having to grieve the loss of his beloved wife. According to industry data, consumers have received an estimated \$2 billion in benefits from credit protection products over the past five years.

On the other hand; we have also seen the negative implications that arise by not having these products. Many of our members, who find themselves in financial distress, forego their mortgage payments in order to make other consumer loan payments and end up in foreclosure. Unemployment, disability and other temporary benefits are not enough for the average American family to cover all of their expenses. This could be prevented or alleviated with affordable payment protection products.

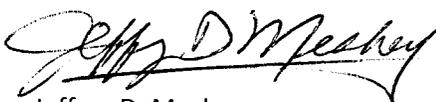
To suggest that possessing life insurance lessens the need for payment protection products or in some cases even serve as replacement is misguided. Today, most Americans do not carry enough life insurance to cover their debt in the event of death and some are unable to attain it due to their profession or health. Also during times of struggle, life insurance is often one of the first expenditures to be cut in an effort to save money. The primary reason our members purchase life insurance is to provide a sound financial future for their loved ones once the member is deceased. The stress of paying off a deceased member's outstanding loan balances should not be the responsibility of the inheritors. Payment protection products can provide peace of mind to the policy holder by assuring that their loans will be paid without their beneficiaries having to use their inheritance.

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. Desert Schools can continue to provide fair and accurate cost disclosures for payment protection products without adding these costs to the finance charge calculation. Adding the premium for payment protection makes it more difficult for our members to understand true finance charges and is contrary to the intent of the Truth in Lending Act (TILA).

In closing, the suggested regulation changes cast an unfair shadow on payment protection products and present false assumptions which will discourage purchase. This tactic will only cause harm to our members who may find themselves in financial hardship. Although we support fair and accurate disclosures, we believe the proposed changes will be misleading and will undermine a consumer's ability to determine if they would like to purchase a payment protection product. Therefore, we respectfully ask the Board to withdraw the credit protection revisions or to alter the disclosures with impartiality.

Thank you for the opportunity to comment.

Sincerely,



Jeffrey D. Meshey
Senior Executive Vice President
Desert Schools Federal Credit Union