members choice
credit union

14960 Park Row Blvd.
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December 21, 2010

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Proposed Changes to Credit Insurance Disclosures under Regulation Z and the Truth-in-Lending Act
Docket No. R-1390

Dear Board of Governors:

I am writing you in regard to the proposed changes to Credit Insurance Disclosures under Regulation Z. I am opposed to these changes because they appear to have been written by consumer protection groups who have little understanding of the products that we offer and indeed of the overall financial system and how financial institutions operate. My fear is this particular disclosure is being pushed through without careful scrutiny, due diligence, and research about how it will impact financial institutions and their consumers.

While I will acknowledge that some financial institutions may have engaged in predatory practices with regard to selling credit insurance products, I believe that with appropriate research you will find that this is the exception rather than the rule. By implementing this disclosure you will effectively punish the masses for the actions of the few and demonstrate that consumer watchdog groups dictate the actions of the Board of Governors of the Federal Reserve System without limit.

Our debt cancellation products fulfill a specific need of our members for whom they are appropriate. We have offered this product to our members for over ten years. We clearly explain that the purchase of credit insurance is **not** a requirement for the loan and that their approval or denial is based solely on their credit worthiness and our underwriting guidelines (processes that have been examined at length and accepted by the NCUA and the State of Texas Credit Union Department). Furthermore, our members currently sign **two disclosures** indicating that the loan approval is **not contingent** on the purchase of the credit insurance product, and they must acknowledge acceptance or declination of the product on **both disclosures** as well.

Considering this, it seems that implementing this disclosure would be redundant and create bureaucratic and regulatory burdens that are not necessary and could serve to create more confusion for the consumer.

With regard to the disclosure itself, I feel compelled to point out several areas of concern:

First, in the *Do I need this product?* section it states that *Other types of insurance can give you similar benefits and are often less expensive.* What data is this statement based on? Has a quantitative analysis of all insurance products, their costs, and benefits been completed to support this statement? This is a blanket statement and could be **misleading** to consumers; what if a consumer cannot obtain coverage elsewhere? Pricing of "other types" of insurance is also contingent upon many more factors than those of credit life insurance offered by lenders – this statement does not specify that, and therefore is **misleading and deceptive.**

Some of our members do have other insurance that will cover their loan payments, and in such instances we realize that our product may not appropriate for them, and in those cases we do not recommend it. For those members who do not have other insurance, our product provides a very convenient and easy way to insure their loan; there's no medical exam or waiting period and coverage is available immediately a benefit that is not typically found in traditional life insurance policies.

Second, in the *Can I receive benefits?* section it states *You meet the age eligibility requirements, but there are other requirements that you must meet. If you do not meet these requirements, you will not receive any benefits even if you buy this product and pay the monthly premium.* Again, what data is this statement based on? Is the assumption being made that all credit life policies are exactly the same; based on the verbiage, it seems so. Also, what requirements must be met, and in what exact circumstances will a consumer pay for the product and not receive its benefits? This statement is **misleading** and appears to be a **deceptive** way to steer a consumer away from purchasing a product that may be very beneficial to them.

With this disclosure, **misleading and deceptive** statements that should be avoided and eliminated are actually created. Consumers can be deceived in many ways, and <u>deception is wrong no matter what the source, be it a financial institution or the Federal Reserve Board.</u>

I would like to see the Board of Governors take a serious look at these proposed changes. Credit life insurance provides many benefits to consumers and it appears that these changes have the goal of steering consumers away from the product completely. Ultimately the decision to purchase these products is up to the consumer and should not be dictated by financial institutions OR the government.

I implore the Board of Governors not to accept what consumer watchdog groups present at face value. Please complete adequate research and obtain empirical data from an independent source before making broad and sweeping changes to a federal regulation. Additionally, I propose that current disclosures being used in the industry be re-evaluated. I suspect you will find that they are more than adequate at helping consumers understand credit life insurance products and their benefits, limitations, and costs; effectively eliminating the need for these flawed proposed revisions.

Sincerely,

Timothy J. Stokes

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