Texas Credit Union League
Richard L. Ensweiler, CCUE, CAE
President and Chief Executive Officer

December 23, 2010

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

VIA ELECTRONIC MAIL TO: regs.comments@federalreserve.gov

Re: Docket No.: R-1390; Proposed Changes to Regulation Z and Disclosure of Credit Protection Products.

Dear Ms. Johnson:

This comment letter represents the views of the Texas Credit Union League (TCUL) regarding the Federal Reserve Board's (Board's) proposed disclosures for payment protection products such as credit life, credit disability, and debt cancellation/suspension products. TCUL is the official trade association serving over 500 federal and state credit unions and more than 7.4 million credit union members in Texas. TCUL opposes the Board's proposed changes in their current form and urges the Board to consider recasting any new disclosures in language that more fairly and accurately represents the before mentioned insurance products.

As the trade association for credit unions in Texas, our concerns about the proposal are two-fold.
First, we are concerned about each credit union's financial strength and well-being. Secondly, we are concerned the proposal will have a negative impact on credit union members directly.

Regarding the financial strength of credit unions, TCUL is concerned credit unions could lose the ability to generate substantial non-interest income while simultaneously increasing the risk of charge-offs and loan losses. Credit insurance provides a safety net in an industry that has seen significant turmoil in recent history. At this time when mere solvency can be in danger, it would be inappropriate to discourage a product that ultimately allows credit unions to provide greater access to credit within their communities. With all the Board's efforts to create additional liquidity in the credit markets, this proposal would seem to be at odds with greater goals of access to credit for consumers.

Even more important is the potential impact this proposal may have on credit union members. Please note, TCUL and its member credit unions *strongly support fair, accurate, and appropriate disclosures to credit union members.* Credit unions have a long tradition of being the "customer friendly" choice in financial institutions. This positive reputation is closely related to our purpose and structure...credit unions are financial institutions formed by an organized group of people with a common bond. Members of credit unions pool their assets to provide loans and other financial services to each other. As not-for-profit cooperatives owned by the members, we simply are not out to take advantage of consumers. We strive to keep our members informed about products and services that may be in their best interest. Credit unions take the duty of proper disclosure very seriously.

So, although the proposed disclosures may be well intended by the Board, the language and format is simply not in credit union members' best interest as proposed. The proposed disclosures go far beyond providing information permitting members to make an informed decision; instead, in our view, the proposal actually misrepresents the purpose and value of the insurance products, and furthermore provides inaccurate information with an unwarranted negative tone.

In our experience, credit payment protection products assist members of credit unions in making loan and other types of payments in times of great financial need. Many of these members may not qualify for other types of insurance; and failure to obtain these products could place many members at financial risk unnecessarily.

Real Life Examples
TCUL strongly urges the Board to read closely the individual comment letters from our Texas credit unions. These letters are filled with real life stories of how these insurance products are both and good value and have benefitted credit union members. For instance, Texas Bay Area Credit Union (whose field of membership includes many members working in dangerous manufacturing jobs) described scenarios where its members were injured on the job, and the insurance product stepped in to cover loan payments while the member was unable to work due to a disability. Additionally, in its letter, Texoma Community Credit Union details several stories of members who spouses' died an early death and without the assistance of the credit life product, the living spouse would have otherwise been left in deep financial hardship.

Specific Problems with the Proposal
The recent proposal would impose new disclosure rules to require disclosure of the maximum premium or charge per period, which has the effect of grossly overestimating some payments in the disclosure; the cost often decreases as the balance is paid, and the proposed disclosure does not take that into account but instead, in our view, misleads the member by suggesting he could pay the maximum monthly payment throughout the life of the loan. The disclosure requires also the maximum benefit amount, along with a statement that the borrower will be responsible for the balance above the maximum benefit, which is dependent upon the balance and/or interest rate. This portion may result in significant confusion among borrowers as well as discouragement from purchasing a beneficial product.

This proposal also includes a disclosure to the borrower that the product may not be necessary, and that persons who might apply for protections could have enough insurance or savings to pay off the loan in the event of death. In our view, this disclosure is not necessary. This particular requirement would seem to indicate the Board's particular bias against a certain product offering. We would respectfully suggest this is not an appropriate role for government. Further, the regulation of insurance has always been a state regulatory role and we fear the proposed changes could have the unintended consequence of duplicative and confusing disclosures.

This particular disclosure could only have the effect of swaying members of credit unions against the purchase of products that could protect them from the risks in these uncertain economic times of being unable to make payments on their debts. Further, many members need more insurance coverage than they currently hold - not less. To suggest that debt insurance coverage is not necessary is to prefer the eradication of one's savings and life insurance payouts to their family at their greatest time of need. This disclosure encourages members to look only at the current debt and not at their total debt - which could exceed other insurance coverage available to them.

When the Board suggests other insurance products could give members similar benefits, the disclosures are also inaccurate. This gives an impression that other life insurance products are similar in coverage, premiums, payout and access as credit insurance. This is not the case. Credit life insurance is available easily through the loan application process, which covers the balance of the loan. Life insurance and other similar insurance offerings require qualifications that members may not meet. Life insurance further requires high minimum coverage amounts, a lengthy detailed application process that is often intrusive and laborious, and the proactive action on the part of the member to seek out an insurance professional to purchase a product that he or she may not independently desire or otherwise consider.

Finally, the methodology utilized to obtain the disclosures was based on a total of only 18 consumers. We would respectfully suggest that the sample size is inadequate particularly when balanced with the potential damage to the industry these disclosures in their current form pose.

In conclusion, we strongly discourage the adoption of the proposed disclosures and urge the Board to withdraw the payment protection disclosure proposal and consider revisions in the alternative that would be more accurate and balanced, as well as more informative to members, about credit protection insurance.

Sincerely,

Richard L. Ensweiler
President/CEO
Texas Credit Union League