GEORGIA'S
Own
CREDIT UNION

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December 23, 2010

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

As Senior Vice President of Lending, I am writing on behalf of Georgia's Own Credit Union to express our opposition to the proposed changes to the credit insurance and debt protection disclosures under Regulation Z. If these proposed changes become reality, we fear that our members will be discouraged from purchasing credit insurance, thus putting their financial future at risk as well as our Credit Union's safety and soundness.

Georgia's Own Credit Union has been offering payment protection products for over 20 years in a responsible manner, complying with all regulations and with our members' best interests in mind. We believe in providing fair, accurate and appropriate disclosures; however, we believe the proposed payment protection disclosure language casts the products in a negative light and discourages the purchase of these products.

We ask the Federal Reserve Board (FRB) to withdraw the current proposal to change payment protection disclosures and replace it with revisions that provide the consumer with more accurate and balanced information about the products.

The purpose of this letter is to bring to your attention our key objections to the proposed changes:

1. Disclosure language changes are unnecessarily negative and discourage the purchase of payment protection products by consumers.

   Here are the specific disclosures that cause us the most concern:

- "If you already have enough insurance or savings to pay off this loan if you die, you may not need this product."

- "Other types of insurance can give you similar benefits and are often less expensive."

- "You may not receive any benefits even if you buy this product."

After reviewing the above disclosures, what consumer would even consider purchasing payment protection given the apparent fact that our federal government is advising that they probably don't really need this coverage; they can get the coverage cheaper elsewhere; and even if they buy the coverage, they probably won't be covered anyway?

These statements about the products are simply not true. The vast majority of consumer borrowers are eligible for these products, and for a reasonable monthly premium, they receive valuable benefits from these products.

In addition, we believe these disclosure changes will have a profoundly negative effect on our credit union's non-interest fee income and the risk to our loan portfolio. In these difficult economic times, when many of our credit union's sources of non-interest income have disappeared due to regulatory change, we feel these disclosure changes will hurt our credit union and the credit union industry as a whole.

We challenge the FRB to go back to the original intent behind these disclosure changes and find a better way to help consumers understand payment protection products.

2. Insufficient sample size used to test disclosures.

   Our understanding is that only 18 consumers were actually involved during two rounds of testing the proposed disclosure changes. Using an insufficient sample size does not seem adequate to make such impactful changes to these products, which are important to our members and to our Credit Union.

3. Standardize APR calculations to assist consumers when comparison-shopping.

   Consumers have always found it difficult to understand which costs are included in the effective APR calculation. This proposal will make it even more difficult for consumers to understand and will make comparing the APRs of competing lenders impossible. APR calculations should be standardized as intended by the Truth in Lending Act (TILA).

4. The proposed rule revisions to Reg Z will jeopardize many credit union's ability to generate non-interest income and increase risk of loan losses and charge-offs.

While credit unions are in the business of putting their members first, we realize we do our members a disservice if we do not work diligently to keep our credit unions solvent. We believe that the proposed credit insurance disclosures will not only hurt our credit union's ability to generate much needed non-interest income but also lead to an increase in loan losses and charge-offs if consumers are made to feel credit insurance is an unwise investment through misleading and inaccurate disclosure language. Ultimately, this will lead to less available consumer credit.

In conclusion, we believe the proposed disclosure changes will mislead and cause confusion among our members, ultimately discouraging them from purchasing credit insurance. This would translate into less non-interest income for our credit union, more risk for our loan portfolio and fewer members enjoying the benefits of payment protection on their loans. We believe credit insurance is beneficial to our member's financial health and the safety and soundness of our credit union. We respectfully ask the FRB to withdraw this payment protection disclosure proposal and consider alternative revisions that would give the consumer fair, accurate and balanced information about credit protection insurance.

Help us protect our members' financial health and the safety and soundness of our Credit Union.

Sincerely,

Bonnie J. Kimmey

Bonnie J. Kimmey
Senior Vice President of Lending