CEFCU®
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December 23, 2010

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

Dear Ms. Johnson:

CEFCU (Citizens Equity First Credit Union) appreciates the opportunity to comment on the Federal Reserve Board's (Board's) proposed rule that will revise the Regulation Z requirements for disclosures regarding credit insurance and debt protection programs. CEFCU, a $4.4 billion credit union located in Peoria, Illinois, serves nearly 280,000 members.

We understand that the Federal Reserve Board (Board) has issued these and other rules to address the high-cost and abusive practices that certain insurers and financial institutions have made to unsuspecting borrowers. And, CEFCU has consistently supported fair and accurate disclosures that will be helpful for consumers. However, CEFCU's Board of Directors and Management believe the proposed disclosure changes go well beyond ensuring that members are informed about these products, instead casting these products in a strictly negative light. In fact, the proposed disclosures misrepresent the purpose and value of credit insurance and debt protection products to our members and will create uncertainty and contribute towards a poorer understanding by the consumers, as the proposed disclosures would go so far as to imply that the products are inferior or of low value.

We have several key areas of concern about the proposed changes which are as follows:

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

  This statement is very misleading to a borrower. According to most financial planning experts, the typical American family needs more life insurance, not less. By focusing on the borrower's ability to pay off only this loan with savings or other insurance, the disclosure does a disservice to consumers by not encouraging them to assess their *total* debt when making a credit insurance decision. For example, a borrower may have $150,000 in term life insurance; however when adding up their $150,000 1st mortgage balance plus a $30,000 home equity loan and a $25,000 auto loan, without credit insurance, the borrower's family would be left with $55,000 in outstanding debt.

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

  This statement is inaccurate and gives the impression that term life insurance products and credit insurance products are similar products with equal ease of access for consumers. They are not. Credit life insurance can be easily obtained by completing a brief application with only one health question at loan closing. For a low monthly cost, the borrower obtains just enough life insurance to cover the loan balance. Typically, the only eligibility requirement is that the consumer must be under a certain age (66 or 70, defined by each state).

To purchase term life insurance, most companies require minimum coverage amounts anywhere from $50,000 to $100,000. The application process can be lengthy with detailed questions about the borrower's health, family health history, smoking habits, family finances, occupation and recreational interests. It is well-established that the life insurance application process alone is a barrier to many consumers acquiring adequate coverage.

It is difficult, if not impossible to make an apples-to-apples cost comparison between these two insurance product types. More importantly, term life insurance is simply not considered by many consumers, but those same consumers will often choose to purchase payment protection products, and they often receive valuable benefits by doing so.

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

  This statement is misleading to consumers and makes it sound like buying credit insurance is a waste of money. The number one reason for purchasing any type of insurance policy is peace of mind. But benefits are paid through these products to many of our customers at their time of need. The products deliver on their intended purpose to consumers.

  We believe this disclosure attempts to alert consumers that there are eligibility requirements, conditions and exclusions that could prevent the policyholder from receiving benefits. A more clearly stated alternative, which is language required by the OCC, to this disclosure might be: "There are eligibility requirements, conditions and exclusions that could prevent you from receiving benefits under this product. You should carefully read our additional information and/or the contract for a full explanation."

If these proposed changes are implemented, we fear that our members will be actively discouraged from choosing to manage their personal financial risk through purchasing credit insurance, and potentially putting their financial future at risk. Credit insurance and debt protection plans provide important protection to borrowers, in particular those who do not have, and may not qualify for, other types of insurance. These products help protect borrowers' credit ratings, which are invaluable to ensure they have continued access to credit, maintain their ability to find employment, and much more.

Over the last three years, CEFCU members have benefited from $3.8 million in paid Credit Disability claims, and more than $4 million in paid Credit Life claims. The disclosure as proposed would have harmed many of these innocent borrowers by discouraging them from selecting protection which ended up benefitting them when they needed it most.

On behalf of CEFCU's management team and volunteer Board, I request 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 accurate and balanced information about the products.

Very sincerely,

Charles E. Walker

Charles E. Walker
Chief Financial Officer