CO-OP CREDIT UNION

"We're your financial home"

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 on behalf of Co-op Credit Union of Montevideo to voice our opposition to the proposed amendments to the credit insurance and debt protection disclosures under Regulation Z. The Board of Directors and management of Co-op Credit Union of Montevideo have many years of experience in the financial industry and have always believed in providing fair and accurate disclosures to consumers. It is our belief that the proposed changes are misleading and cast a totally negative impression to the consumer regarding credit insurance and debt protection products. If the proposed changes are implemented, 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. We respectfully ask the Federal Reserve Board (FRB) to withdraw the current proposal to change payment protection disclosures. We ask that they be replaced with revisions that provide the consumer with more accurate and balanced information about the products.

Our credit union has been offering payment protection products for over 25 years, complying with all regulations and with our member's best interests in mind. We believe the proposed disclosure changes are inaccurate and misleading to consumers.

For example:

- "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. In my 30 years of experience as a lender, I have heard borrowers state many times that they already have insurance so they don't need anymore. Once we discuss their total debt and their wish to take care of their family, many borrowers change their mind regarding credit insurance. By focusing on the borrowers 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 <u>*total*</u> debt when making a credit insurance decision.

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- "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 and both can be obtained easily. Our credit life insurance can be easily obtained without answering any health questions and can be purchased in small amounts to coincide with the loan balance. However, that is not usually the case with term insurance. In addition, we believe it is difficult, if not impossible to make an apples-to-apples cost comparison between these two insurance product types.

  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. Many health conditions or age can make term insurance not available or cost prohibitive.

  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.

  I recently was contacted by a borrower whose term insurance needed to be renewed. Because his health situation had changed since he took out the policy 10 years ago, he found the policy was now cost prohibitive and he was going to be forced to let his term insurance lapse. I was able to give him peace of mind that the credit insurance he had chosen to cover his real estate and vehicle loans with the credit union would be there for him until his loans were paid off. Knowing his family would not be burdened with debt, if something happened to him, put this borrower at ease.

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

  We don't believe anyone purchases any type of insurance with the intention of automatically receiving benefits from the insurance. Most consumers buy insurance for peace of mind while hoping they never need to use the insurance they have purchased. We believe this is a very negative statement by making it sound like buying credit insurance is a waste of money. Credit insurance has paid many benefits to our members over the years.

  I worked with a borrower for many years and this borrower always put life and disability coverage on his loans. At one point, he decided he wasn't going to add the insurance coverage to his loan. About 6 months later, he became disabled for a total of 8 months. Once the disability was over, he came back and requested the insurance be added to his loan again. He indicated that it was worth knowing the coverage was there if he needed it, even if he never had another claim.

  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."
>
> As a lender, I have sat across the desk from someone that has just lost a loved one many times. I can honestly say that credit insurance brings relief to those loved ones when they are told they do not need to worry about the debt. I have also seen great despair when those loved ones struggle with remaining debt while dealing with their loss.

After reviewing these statements in the proposed disclosures, what consumer would even consider purchasing these products given the 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?

We also believe consumers will be more confused than ever if voluntary fees and premiums are required in APR calculations. It will also make comparing competing lender's APRs impossible. We believe APR calculations should be standardized.

While credit unions are in the business of putting their members first, we must also work diligently to keep credit unions solvent. To do any less is a disservice to our members. 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.

In conclusion, we believe the proposed disclosure changes will mislead and cause confusion among our members, ultimately discouraging them from purchasing credit insurance. 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 the payment protection disclosure proposal and consider alternative revisions that would give the consumer fair, accurate and balanced information about credit protection insurance.

Respectfully,

Ruth Schoen

Ruth Schoen, on behalf of Co-op Credit Union of Montevideo
Officer