From: Maryland and District of Columbia Credit Union Association, Jennifer M. Simmons

Subject: Regulation Z - Truth in Lending

Comments:

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December 21, 2010 Ms. Jennifer Johnson, Secretary Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue, NW Washington, DC 20551 RE: Docket No. R-1390 Federal Reserve Board's Proposed Changes to Credit Insurance Disclosures under Reg Z and the Truth-in-Lending Act Dear Ms. Johnson: I write on behalf of the Maryland and District of Columbia Credit Union Association (MDDCCUA) in opposition to the Federal Reserve Board's proposed changes to Regulation Z relating to credit insurance and debt protection disclosures. I am interim President and CEO of MDDCCUA, headquartered in Columbia, Maryland, which represents 102 Maryland Federally-chartered credit unions, 9 State-chartered credit unions, and 60 D.C. Federal credit unions with Maryland, with a combined membership that serves 2.5 million consumers. While MDDCCUA understands that the intent of these regulations is to provide consumers with the tools to make informed decisions, MDDCCUA fears these new
disclosures will confuse consumers and cause them to reject a product that is in their best financial interest. Maryland and District of Columbia credit unions have offered credit insurance and protection products for decades, and members have benefitted from the safety and security these products have provided to members and their families. Thanks to credit insurance products offered by providers such as CUNA Mutual Group (CMG), consumers are buffered from the devastating effects of personal loss and other circumstances beyond their control. Credit insurance has proven to be in the best interests of consumers, a major component of the value proposition that CUNA Mutual Group offers to credit unions and their members. CMG alone issued 120,000 certificates in this region, covering over 80,000 credit union members and honoring claims of approximately $7 million in credit life, credit disability and credit protection insurance between September 2009 and August 2010. Neither credit unions nor their members hope to face the situations that make credit insurance and products necessary, but they understand the value that this

protection provides to financial institutions and consumers alike. For every loan a member insures, credit unions are better able to serve members with that extra capital. MDDCCUA believes strongly that the disclosures mislead consumers with a negative bias in regard to the value of credit protection products to consumers. There are good financial reasons credit union members have made an educated decision to pay for these products/services with their loans. Again, no one buys credit insurance and protection products looking forward to getting a payout, as this would mean a bad event has happened, but should the worst happen, their decision has proven to be a significant financial safety net for them. These products offer relief in the unforeseeable events of death, disability or unemployment by making a family's financial obligations more manageable. In addition, it protects their credit and often their life savings. These types of products help credit union members make loan and other types of payments in times of need. These products provide members with peace of mind, especially for those members who do not have, and may not qualify for, other types of insurance. These products also help protect members' credit ratings, which is invaluable in ensuring that they have continued access to credit at reasonable rates. MDDCCUA believes the additional disclosures misleading and do not further the purpose of Truth-In Lending Act (TILA). These disclosures will scare consumers away from buying a product that could have great benefit to them. These proposed disclosures will have a significant negative impact on credit union members. MDDCCUA is concerned that a significant portion of credit union members who would benefit from these products will elect not to purchase them because they are told that these are bad and inferior products. This decision to not purchase these products will potentially expose them to unnecessary risks if they are unable to make future payments. MDDCCUA also believes that including the credit protection premiums and fees in the APR will hurt consumers. They do not understand the effective APR, and forcing us to include fees in the APR will cause the consumer to be comparing apples to oranges when shopping for credit. This defeats the purpose of TILA. MDDCCUA believes that the disclosures can be written in a more balanced, clear and reasonable manner without using loaded and biased language to prompt the consumer to read and understand the products and conduct a thoughtful self analysis in order to decide whether the product is in their best interest. MDDCCUA asks the Board to withdraw the credit protection proposal or, alternatively, to reconsider more balanced, objective disclosures. Sincerely, Jennifer M. Simmons Interim CO/Chief Membership Officer Maryland & District of Columbia Credit Union Association