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Proposal: Regulation Z - Truth in Lending
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Comments:

It appears that the proposed changes to Regulation Z and its impact on programs such as CUNA's multi-featured open end lending plans will adversely affect those who the government is seeking to protect. By requiring the borrower to sign each time they take an advance under the plan, it would often require that the member take off work to come to our office. At a minimum, they would lose one to two hours of income. This would be income that they need to support their family. Many of our members live in excess of 60 miles from one of our offices. It would make credit inaccessible to them. Our elderly members, who find travel difficult, if not impossible, would not get needed help for prescriptions and XXX. One evening as I was preparing to go home for the day, I received a frantic call from one of our members. She was traveling from California home to Wisconsin. There had been some fraud on her credit card so the issuer had frozen the card until the issues could be resolved. She had no cash on her and a poor credit history. She had no means to pay for gas and no money to stay in a motel. She did have a reasonable plan to repay the credit union once she got home, and she did have a loanliner open end plan with the credit union. I extended a \$300 loan to her for five days so she could get home and get her affairs in order. I deposited the funds into her checking account, and she was able, within the hour, to go to an ATM and withdraw the funds. The cost to the member was under \$1.00, as we charge 17% interest APR for the exact number of days outstanding. This member currently would not be eligible for a defined revolving balance account. The only way I could have helped her with the proposed regulations would have been to send paper documents overnight and get funds to her in two or three days. Motel room costs and food expense would have been significant. Even if a family member could have wired her funds, it would have been the next day at a significant cost. Everyone of our loan officers at CoVantage Credit Union have at least one, if not more, stories of where they have been able to assist members who were stranded somewhere. These

are typically members who have maxed out their credit cards and have poor credit. In the twelve month period ending August 31, 2006, CoVantage did 4,756 loans under \$1,000 with a maximum interest rate of 17% or lower. Assuming the \$2,273 we lent would have been borrowed for two weeks and paid in full at the end of the period, at a pay day lender the cost would have been \$500,060 verses the \$15,000 charged by CoVantage Credit Union. The recommended changes to Regulation Z would significantly raise the cost of these small loans to our members that we would need to pass on to our members. In addition, the member's time and loss of income would be a factor that must be considered. The proposed changes would make the time involved in a car loan more. Members will be tempted to take the financing offered at car dealers often at higher costs, rather than make the extra trip to the credit union. We have been offering multi-featured open end lending for a number of years. We have never been questioned in court that the member felt the interest rate or collateral was different from what they understood. CoVantage Credit Union is a \$590 million credit union serving 49,000 members. Its charter includes 12 counties in northern Wisconsin and 2 counties in upper Michigan