

From: James Formosa
Subject: Reg Z - Truth in Lending

Comments:

I wanted to take an opportunity to comment on the Regulation Z changes, specifically the 21 day notice to all open ended credit plans. It is my understanding that the original intent of the changes was to offset practices generally performed by some lenders. The intent was to force lenders who are focused on improving the quality of life of their own financial statements through fees and higher rates (rather than improve the quality of life of the individuals that have the actual credit), to change their methods. As you are well aware, the credit union movement was started based on the need to accomplish the same thing. Quite simply, credit unions exist to provide a better way of distributing financial services. This why in most cases, credit union fees and rates are less expensive than other financial institutions.

The changes imposed severely hamper our ability to accomplish our goals. The costs involved with changes to our system are growing considerably. Which of these changes results in an improvement to the member's situation? Each of them knows that they borrowed funds under a particular mechanism (credit card, loan, etc.). Each of them knows that there is a need to make monthly payments by a certain date. Each of them are sent (paper or electronically) a notice regarding their upcoming payment. Each individual signs documents to that affect of a monthly obligation. In addition, most can see due dates using their on-line account. All are told and provided documentation stating that there could be a late fee (and how much the late fee would be) for each particular agreement. Lastly, like many other credit unions, we provide our members with an additional 5 day grace period providing them with a longer window to make a payment before getting a late fee.

Within the credit union industry there are discussions regarding what changes need to be made to bring us into compliance. Please review the following abbreviated options and the related flaws in logic and increased costs and inefficiencies with each option:

Change all due dates to the 28th of the month. This creates a number of problems. Most of our members chose a due date based on their budget. For example, the mortgage is due on the 15th so can we have the car payment due on the 30th? We set up the due dates for their convenience. Changing those dates will put a strain on many of our member's financial condition. The timing of having everyone due on the same day also will push inefficiencies to the staff. For example, instead of a steady stream of members coming into the branch throughout the month they will be heavily weighted towards the end of the month. The volume for handling phone calls related to payments will also shift and become lopsided. Both of the two aforementioned items will extremely impact the turnaround time for us to meet the needs of the member leaving them frustrated.

Re-document all open ended lending to make them into closed ending loans. This could be simply said, let's all start acting like a Bank. Next is, let's all start charging higher rates. Open-ended lending is flexible for the member. It provides them with the fastest, cleanest and cheapest way of meeting their financial needs. We pass on the savings on to the member with a lower rate.

Generate a statement for each loan the member has at the credit union. Perhaps an example is in order. If you have a checking account, a car loan, a home equity loan and a credit card, the credit union will have to send you four separate mailings each month. As much as I want to see additional revenue for the US Postal Service, this is not the answer. This is extremely inefficient and very costly. Unfortunately, a great deal of the additional cost will eventually be passed on the member through higher fees or higher rates. All this does is place further strain on an economy where far too many people are a payment or two away from filing bankruptcy.

Our credit cards are already in compliance with the 21 day rule. My request is to please consider removing all other open ended lending from being included.

I thank you for your time,

James Formosa