

# SchoolsFirst™

FEDERAL CREDIT UNION

February 2, 2009

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551

RE: Amendments to Regulation Z – Docket No. R-1340

SchoolsFirst Federal Credit Union serves school employees in Southern California. We have more than 400,000 Members and \$7.7 billion in assets. SchoolsFirst FCU is pleased to have the opportunity to comment on the Federal Reserve Board's proposed changes to Regulation Z (Truth in Lending) that would implement the Mortgage Disclosure Improvement Act (MDIA) which was enacted as an amendment to the Truth in Lending Act (TILA).

We would like to comment specifically on the issues which the Federal Reserve Board has requested comment on.

- While the Board proposes to apply the general definition of "business day" to the seven-business day waiting period, should the more specific definition of "business day" apply to such waiting period?

As a federal credit union, we are a service-oriented institution that seeks to serve the credit needs of our Members in a timely and efficient manner. Our Members are often established borrowers with long-standing credit relationships with our institution. They look to us to provide them with accessible loan solutions for their real estate purchase and refinance needs.

We do not see any benefit to implementing the general definition of "business day" as proposed in the rule. Instead, the rule should adopt the more specific definition of "business day" to include all calendar days except Sundays and legal holidays. The effect of the general definition (which, in most cases, also includes Saturdays) is to create an unnecessary delay in the funding of loans beyond the reasonable time period necessary for a consumer to review disclosures. While we agree that there is a need for accurate and timely disclosures in mortgage loans, consumers can certainly review the provided disclosures and make an informed decision in a period significantly shorter than 10 days, which would be the ultimate result in many refinance loans (where the rescission period also applies) if the general definition is adopted.

- Should the bona fide personal financial emergency exception be limited to cases in which the emergency must be addressed before the end of the applicable waiting period?

We are of the opinion that, while the impending foreclosure of the borrower's real property is clearly a prime example of a bona fide personal financial emergency, this is not the only situation which could give rise to a bona fide emergency. A borrower might be faced with medical co-payments for an impending surgery which may need to be paid up-front with the proceeds of a refinance. A borrower may need the proceeds of a refinance in order to close escrow on another piece of real property on which the escrow period expires prior to the expiration of the waiting period.

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2115 North Broadway • Santa Ana, California • 92706-2613  
P.O. Box 11547 • Santa Ana, California • 92711-1547  
800.462.8328 • 714.258.4000 • [www.SchoolsFirstfcu.org](http://www.SchoolsFirstfcu.org)



We feel that the final rule should contain additional specific examples of situations where borrowers may avail themselves of the bona fide personal emergency exception. Furthermore, it would appear appropriate not to limit the situations to which the exception applies to exigencies falling strictly within the waiting period. There may be situations in which a borrower has a bona fide emergency which falls one or two days beyond the waiting period, but which cannot be resolved the very same day that a loan funds.

An example of this would be where a foreclosure sale is scheduled for the day after the expiration of the waiting period. There is an inherent risk created in a lender receiving payoff funds on the very day that a trustee sale is scheduled. The risk is that a lapse in communication may occur and that the sale will go forward. This potential risk could be ameliorated by including a 2 or 3 day window in the final rule through which a borrower could take advantage of the bona fide financial emergency exception even if the exigency technically exceeds the waiting period.

- Is it necessary or appropriate to change the timing of HELOC disclosures? In particular, should transaction-specific disclosures, such as the annual percentage rate, itemization of fees and potential payment amounts, be required after application but significantly earlier than account opening, at least in some circumstances?

Based on our experiences with our Members, there would be no tangible benefit to the consumer in having transaction-specific disclosures provided at an earlier stage in the transaction than they currently are. Under the current requirements of Regulation Z, a borrower already receives a substantial number of early disclosures at the time that credit is sought under a HELOC. Furthermore, the consumer receives the publication "When Your Home Is on the Line: What You Should Know About Home Equity Lines of Credit", which conveys additional information to the potential borrower in easy-to-understand terms.

In light of the above disclosures, it would be overwhelming and potentially confusing to a borrower to receive even more disclosures throughout the loan process. In our experience, the total processing time from application to closing of a HELOC is more abbreviated than for closed-end mortgages. The borrower receives all APR disclosures, payment amounts and an itemization of fees at closing. In fact, some items in the early disclosures must be re-disclosed at closing if they were not provided to the borrower in a format which the borrower may keep.

With all of the safeguards that are already in place for HELOCs, it seems that adding even more paperwork to the borrower's file would actually be creating confusion for the borrower rather than simplifying the process which, presumably, is the intended purpose of the rule.

- Fee restriction issues.

While not one of the specific issues requested to be addressed, we have a concern pertaining to the fee restriction provided in the rule. As a federal credit union, only our existing Members are eligible to apply for mortgage loans with us with us. They must have a share account in good standing with our credit union before they would be considered for mortgage loan.

As part of our application process, we presently collect a \$500.00 non-refundable deposit fee from our Members at the time of application, but prior to receiving the early disclosures. This fee is later credited against closing costs incurred.

We would request that the final rule contain a clarification allowing such a fee arrangement for institutions such as credit unions, which have a pre-existing relationship with the prospective borrower and thus, do not present the same predatory lending risk that other institutions might present.



Thank you again for the opportunity to express our views on this proposed rule implementing changes to Regulation Z.

Sincerely,

A handwritten signature in dark ink, appearing to read "Stephen P. Renock, IV". The signature is fluid and cursive, with the "IV" written in a smaller, more distinct font at the end.

Stephen P. Renock, IV  
Executive Vice President of Lending  
SchoolsFirst Federal Credit Union

cc: Credit Union National Association (CUNA)  
California/Nevada Credit Union League (CCUL)

