



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

Docket No. R-1390

Freedom Credit Union appreciates this opportunity to comment on the Federal Reserve's proposal to amend Regulation Z, outlined in Docket No. R-1390. As a general matter, the Credit Union supports consumer protection and believes that consumers should receive adequate and fair disclosure of the terms and conditions of credit. Since 2008, the Federal Reserve and other financial service regulators have been adopting sweeping measures, creating an incredibly difficult and expensive compliance environment for credit unions. Accordingly, we have grave concerns about the proposed rules that impact credit insurance and debt suspension/cancellation products, the right of rescission and the refund of fees.

#### Credit Insurance

Credit unions are member-owned, nonprofit cooperative organizations. As such, credit union services are designed to provide value to our member owners. A credit union has no incentive to extend any product or service that could be contrary to the interests of a member/owner.

There are many instances on a monthly basis where a member has made use of the benefits of credit insurance. In these cases it enables the member to keep their loan current without having to dip into savings account when a disability occurs preventing the member from working. Also it assists the Credit Union system from incurring loses in many cases where loan payment is the last thing member or the member's family would like to worry about.

The proposed series of credit insurance disclosures characterize such products in an unfair light. The drafts are paternalistic and would tend to ward a consumer away from a product that offers tangible benefits and peace of mind.

Credit unions support consumer protection and disclosure or explanations of how a product works. Then, it's the consumer's job to judge the ultimate value of a product and decide whether to buy it. Such decision making should lie with the consumer, free from

the taint of a government agency's "value judgment" of what is or is not an appropriate product or service.

#### Rescission Notices

Credit unions, as consumer-friendly lenders, generally support the policy of permitting a consumer to rescind a mortgage or home equity loan, particularly if the consumer discovers that the loan may not best serve her needs or create a financial burden. Accordingly, we support and appreciate the changes to the rescission notice that clarify a consumer's right to rescind including the detachable form.

In stark contrast, the extended right to rescind represents a minefield of technical Regulation Z "violations," that only foster litigation. The Federal Reserve should create a safe harbor for lenders, like credit unions, that offer conventional mortgages and home equity products. Extended protections consistent with the right to rescind may be appropriate in the case of lenders who deploy sharp and abusive practices and frequently change significant terms between the time of the application and loan closing. Credit unions are tired of carrying the compliance burden for bad actors and the commensurate compliance and legal exposures.

#### Refund of Fees

Consistent with the rescission argument above, we appreciate the merits of refunding fees if the borrower cancels a loan request in a timely manner. Unfortunately, the proposed timing rules are radically unclear and place a lender in a position of refunding fees out of an abundance of caution. The proposed rule appears to ignore legitimate and necessary costs such as appraisals and other processing costs. These rules add undue time and uncertainty to the mortgage or home equity process. In sum, credit unions support transparency with the aim of educating a consumer of the costs and value associated with a mortgage or home equity loan. In the end, the consumer has to make an informed decision and appreciate the value of the underlying credit. The refund rules as currently drafted create significant room for mischief and do not advance the interests of an informed consumer.

Sincerely,

A handwritten signature in black ink, appearing to read "L. MacMinn", with a stylized flourish at the end.

Lee T. MacMinn  
President/CEO Freedom Credit Union