From: "Bob Glenn" <bglenn@airforcefcu.com> on 10/03/2007 05:35:03 PM

Subject: Truth in Lending

October 3, 2007

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551

Dear Ms. Johnson:

Thank you for the opportunity to make comment on the Proposed Changes to Regulation Z – Truth in Lending. I know that the proposed changes are offered with the highest of ideals, but I would submit to the Board that there are unintended consequences that adversely impact the consumers the Regulation is promulgated to protect.

For more than 20 years, I labored as a commercial banker. I entered the workforce just following the implementation of Regulation Z, so over the years I have seen the changes that have been designed to aid consumers in understanding and receiving more comparable information on which to base their credit purchasing decisions. In 1991, I began working in credit unions and initially I struggled with the concepts embodied in the multi-faceted open-end credit plan. However, since I have been able to work with the product and come to understand the details of the flexibility such a plan offers the consumers who have relied on it for more than 25 years, I have to say that going back to closed-end credit does a great disservice to consumers.

Consumers want convenience. You merely need to look at the number of automobiles, trucks and other consumer goods that are financed at the point of purchase to understand that very important point. You can look at many of these same transactions and note that the consumers' cost of credit for these transactions is significantly higher than those facilitated through multi-faceted open-end credit plans. I would love to have a dollar for every phone call made to a credit union from a member wanting to get approval on the car they just test drove. The member was given the rate and the approval over the phone, the money deposited into their account and they then wrote a check to the dealership for their new ride. Convenient, affordably priced credit is what the member received.

For many years, credit unions and community banks have relied on the flexibility of these plans to facilitate sound credit decisions and to provide easy access to affordably priced consumer credit. The framers of the original regulation obviously saw a distinction between open-end credit in general and open-end credit as involves a credit card. I remember well the first credit I received. It was through a department store and I was not given a limit. I used the charge card on a limited basis for a number of years, but as time passed my desire to purchase their goods on the card grew to larger sums. Each individual transaction was separately underwritten. When I received my periodic billing, there was no limit noted, merely the minimum amount due, the balance of the account and a summary of my activity. If I made a purchase that was larger, the clerk might hand me the phone and I would speak with someone in the credit department who would update my credit file with current income and employment information prior to making the decision. There was never a guarantee of a future limit – I earned my credit transaction by transaction.

Creditors that adopted this type of plan operate in a not so different method. We recognize that consumers' circumstances change and updating information is a critical part of making sound lending decisions. It is the ability to make a sound lending decision that holds down the cost of credit. Certainly the Board would not abandon a process that is so obviously good for the credit system and consumers alike. Members sign the loan documents once. Multiple advances for different purposes are made over the life of the arrangement. Each advance is priced on its own merits – length of term, frequency of payment, collateral offered. Disclosures for each type of advance are provided at the time of the account opening and should there be any increase, consumers are provided notice of change. With every statement, consumers are given their Annual Percentage Rate and a Daily Interest Factor on each advance type. Consumers using this type of credit will see their APR every month as compared to once for closed-end credit. This makes continual comparison easy. If the consumer sees this added disclosure they are likely to realize when the cost of their credit is higher than market, they likely to act to refinance their credit to a lower rate. If we treat open-end credit as closed-end, the amount and nature of disclosure is actually reduced. This will not benefit the consumer.

Creditors which have adopted this type of credit plan have considerable investments of time and money in their plan and the processes supporting it. The cost to unwind 25 years of legacy will be substantial. The consumers will bear the cost of the retrofitting of the credit plan. This hardly seems consumer friendly.

As I mentioned, I have been using this type of credit plan for more than 16 years and not once in that time am I aware of a complaint regarding what the member was charged versus what they understood their charge to be. That is an amazing record.

Hundreds of financial institutions use this type of credit plan. We can document that the majority of the 80 plus million credit union members are served by credit unions that use the plan. They will all be disadvantaged. I am searching for the rationale to this change.

Most Sincerely,

Robert A. (Bob) Glenn, CCE
President and CEO
Air Force Federal Credit Union
1560 Cable Ranch Road, Suite 200
San Antonio, Texas 78245
210-678-5222
bglenn@airforcefcu.com