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Proposal: Regulation Z - Truth in Lending
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September 21, 2007 Board of Governors of the Federal Reserve Board RE: Open-End Credit Rules under Regulation Z, the Truth in Lending Act Dear Federal Reserve Board: On behalf of Augusta Metro Federal Credit Union, a \$50M asset non-profit member owned cooperative, we believe many of the proposed changes to Regulation Z are necessary to prevent deceptive and unscrupulous lending practices by many credit card issuers. We support efforts to inform and educate consumers of credit products. However, multi-featured open-ended lending as practiced by credit unions is very different from the revolving credit accounts of many retailers. We use multi-featured open-ended lending to allow our members the convenience of a one-time application. Each loan becomes a sub-account. We use this process for unsecured and collateral loans (vehicles, boats, etc.) and underwrite each sub-account. The items listed below: Requiring closed-end disclosures OR replenishing the credit line to the extent the borrower has repaid the outstanding balance AND no longer allowing a creditor to verify credit for a particular advance (This is necessary when the sub-account is secured by collateral that decreases in value.) Will not improve multi-featured open-ended lending, but will prevent credit unions from using open-ended lending for collateral loans, creating an inconvenience for members through longer processing times and multiple trips to the credit union to handle increased paperwork. Due to the added inconvenience, some members will choose higher priced loans from auto dealers. Open-ended lending allows credit unions to compete with larger retailers and auto dealerships because there is less paperwork requiring less staff time thereby lowering costs associated with lending. There will be significant disruption to lending while we incur switching costs to closed-ended lending and reposition our marketing strategies. We believe the current 15-day change-in-terms notice is sufficient notice when a rate is increased due to the member's default or late payment. We do not support current provisions which allow creditors to

increase rates when a consumer defaults with a different lender. We believe the proposal to require maintenance of a toll-free telephone number that will provide generic repayment estimates based on the minimum payment formula that applies to most of the issuer's accounts would be extremely difficult for small to mid sized credit unions. We prefer disclosing the actual repayment based on the member's circumstances. Open-ended lending in the credit union industry helps us to create a financial relationship with our members and makes it easier to provide more convenient, faster, and better financial services to those members. Sincerely, Paula P. Kitchens, C.U.C.E. Vice President Human Resources & Compliance Officer