



October 12, 2007

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

Re: Docket No. R-1286

Secretary Johnson and Members of the Board:

Coastal Federal Credit Union ("Coastal FCU") offers the following response to the Federal Reserve's proposed amendment to the open-end credit provisions and substantive protections provided under Regulation Z. Coastal FCU, federally chartered in North Carolina, South Carolina and much of Virginia, serves more than 165,000 members and maintains 1.7 billion dollars in assets.

Coastal FCU recognizes that the intent of the proposed revisions to Regulation Z is to improve disclosures provided to consumers by creditors both at application and throughout the life of the revolving account in response to the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005. However, the proposed changes are overreaching and would prove technologically and/or financially onerous, if not destructive to smaller financial institutions due to increase implementation and compliance burdens and costs, while providing minimal benefit to consumers.

#### Credit Card Applications and Solicitations

Specifically, the proposed rule would require certain additional disclosures related to penalties and certain fees, such as late payment and cash advance fees, be made in the table (the "Schumer box") with applications and solicitations. The Schumer box would also require new disclosures regarding payment allocation methods and examples of subprime accounts. Coastal FCU does not oppose the inclusion of additional, relevant information and examples within the disclosure. However, the original intent of the Schumer box was to provide a readily identifiable format and location for key information of credit terms. The addition of numerous secondary fees and penalties, payment terms, and examples within the Schumer box would dilute the clarity of terms and negate the entire purpose of such box.

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
Page Two  
October 12, 2007

The proposed rule would also require disclosure of key terms in a new summary table, similar to the Schumer box, prior to account opening, to include additional fee and interest charges. Coastal FCU embraces the use of the Schumer box as an effective approach to providing potential customers with standardized, key terms of an offer for ready comparison to other offers. Coastal FCU, however, is concerned that the use of more than one box confuses the consumer and once again dilutes the importance and clarity of such terms and negates the primary purpose of the Schumer box.

#### Consumer Interest Rate and Account Terms Changes

Coastal FCU supports the proposed revision expanding change in terms notice to include consumer default and delinquency events, so long as a lender is only required to provide change in terms notification on the first occurrence of the triggering condition. Repeated notifications mailings for repeat trigger events are wasteful and ineffective for the informed consumer. Coastal FCU also supports a 30 day advance notification period to provide consumers with sufficient response time to any credit rate or other increase.

#### Periodic Statements

The proposed rule also seeks to modify periodic statements by requiring creditors to itemize interest charges for different types of transactions and provide separate totals of fees and interest for both the month and year-to-date. The proposed rule would also require a variety of minimum payment information on periodic statements, including minimum payment warning, hypothetical example, and a toll-free number, based on the manner in which repayment information is provided to consumers. Coastal FCU opposes these proposed requirements as confusing and inconsistent to the consumer and supports requiring only clear snapshot of transactions and charges arising and standardized repayment terms required during the periodic term. All other secondary calculations, examples and other information provided on the periodic statement should be offered to the consumer in the most feasible manner and at the discretion of the lender, such as through a lender website.

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
Page Three  
October 12, 2007

#### Advertisements

Advertising is generally defined as a paid form of disseminating a specific message. So long as an advertisement is not intentionally misleading or false, an advertiser should not be required to state all information within the advertisement that supports the specific message. However, under the proposed revision, an advertisement that state a minimum monthly payment on an open-end plan offered to finance the purchase of good or services must state, in equal prominence, the time period required to pay the balance and the total of payments if the consumer makes only minimum payments. While this information should be available to consumers upon request, the adoption of such revision unduly dilutes the advertising message and unduly burdens lenders.

#### Other Disclosures and Protections

Finally, the proposed rule would effectively eliminate multi-featured, open-end credit plans such as LOANLINER that utilize convenient multiple advance structures for many lending products by prohibiting individual approval and underwriting of subaccounts and advances. To ensure adequate business protection and soundness under the proposed revision, a lender would surely require a separate application for each advance to ensure it maintained the right to evaluate a consumer's credit information, thereby triggering closed-end disclosures and signature requirements for each application and loan contract. Such effects would severely impede a lenders ability to provide timely credit products and services to customers and place a greater burden on lenders who fairly and uniformly apply credit analysis prior to an advance to a subaccount under a multi-featured, open-end credit plan. Coastal FCU submits that consumer receives the necessary disclosures in both closed-end and open-end transactions, and the implementation of such an arbitrary revision would significantly diminish the convenience to consumers and safety and efficiencies of the current open-end lending system.

In closing, Coastal FCU appreciates the opportunity to respond and the Board of Governors' consideration of its comments to the proposed revisions to Regulation Z.

Respectfully,

A handwritten signature in black ink that reads "Larry T. Wilson". The signature is written in a cursive, flowing style.

Larry T. Wilson  
President/CEO