



Defense Credit Union Council, Inc.

Roland A. Arteaga
President/CEO

October 10, 2007

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

RE: Docket No. R-1286

Dear Ms. Johnson:

Thank you for the opportunity to comment on the proposed changes to Regulation Z. While we support your efforts to enhance consumer protections, vis-à-vis the full and fair disclosure of information to consumers, we are concerned about the possible unintended consequences of your draft revision --- particularly as it relates to the financial support provided by defense credit unions to our Armed Forces.

By way of background, the Defense Credit Union Council represents 245 military affiliated credit unions, the vast majority of whom operate on military bases worldwide and all of whom support the military and civilian personnel of the Department of Defense. Two-thirds of our members are federally chartered and one-third are state-chartered. *All* of our member credit unions, however, share the same common goal: to provide innovative products and services to meet the financial needs of their members...especially, their military members and their families.

Whether our military are stationed stateside or overseas, or engaged in peacekeeping or peacemaking operations, given their frequency of rotations and deployments, when it comes to financial readiness, they want and need convenience and flexibility. And, they want that convenience and flexibility from a reputable financial institution.

For more than 75 years our members have consistently fulfilled that need, providing an array of financial products and services both conducive and supportive of a military lifestyle. Our members have tailored their products and services to ensure our troops receive the quality financial support they richly deserved...anytime, anyplace. Open-end lending is an integral part of that product mix; it is a key ingredient to sustaining the financial quality of life our troops.

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To that end, the Board's proposal offers two fundamental changes to multi-featured open-end lending that could impact the financial support provided our Armed Forces. First, the Board proposes to revise the Commentary in 2(a) (20)-2 to require that each subaccount in a consumer's open-end credit account meet self-replenishing criteria as loan payments are made. Second, the Commentary in 2(a) (20)-5 would provide that the creditor may not underwrite each individual loan transaction.

Both of these changes significantly restrict the ability of credit unions to offer multi-featured open-end credit. Under such a plan, members, many which have had a long-term relationship with their credit union, can complete a loan transaction without having to enter a branch or mail and fax information back and forth. This ease of use provides convenience to the credit union member and encourages repeat transactions.

Because of the frequent relocation of service members, remote lending is a critical service provided by our member credit unions. Even after leaving military service, many former or retired service members continue to keep their membership with their credit union in order to avail themselves of the benefits of lower loan rates. As a result, defense credit unions have a very broad geographical membership...and multi-featured open-end lending allows both active duty personnel and veterans (and their families) to obtain loans over the phone in a quick and efficient manner.

During a recent meeting at the Federal Reserve Board, Ms. Kathryn Bonaventura , Chief Lending Officer at VyStar Credit Union, located in Jacksonville, FL, highlighted this point to key officials, advising of the advantages of multi-featured open end lending. She noted, "The flexibility and convenience of the open end lending system is very important to our members as a whole and particularly important to our military membership. Utilizing the features of the open end lending system allows our military members to simply call us from anywhere in the world and receive a loan to fulfill their needs the same day without any additional paperwork being signed. The convenience and speed of service this system provides allows us to serve our military members and could potentially help them avoid looking to alternative sources, such as pay day lenders, for unexpected borrowing needs."

The Board's proposed changes to Reg Z would alter the above scenario, as many credit unions will likely abandon multi-featured open-end lending and move to closed-end lending. In such cases, defense credit unions would incur costs switching from open to closed-end lending and incur additional costs developing alternative products. Products that may not afford the same level of convenience and support currently provided to our members' members...our troops.

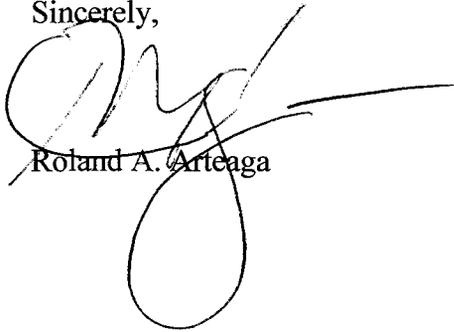
We understand the Board's proposed changes are intended to provide closed-end disclosures for "big ticket" items. But rather than erode the benefits of multi-featured open-end lending, we would encourage the Board to explore additional disclosures within the open-end framework while continuing to preserve member convenience.

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For a quarter of a century, the Board has affirmatively permitted the present framework for multi-featured open-end lending and many defense credit unions have come to rely upon this product --- and frankly, so have our troops. As the lending landscape has changed and the military environment has become more transient, multi-featured open-end lending has allowed defense credit unions to meet the needs of their members in the United States and abroad. We want to preserve the flexibility open-end lending provides...we want to ensure our member credit unions have the flexibility to serve the financial needs of our troops --- wherever they are located; whenever they need it; whenever they want it.

In that regard, we seek your fullest consideration of our concerns and strongly urge your support to retain the present Regulation Z framework for multi-featured open-end lending.

Sincerely,

A handwritten signature in black ink, appearing to read 'Roland A. Arteaga', with a long horizontal line extending to the right and a large loop at the bottom.

Roland A. Arteaga