Spokane Federal Credit Union

Family & Friends For Life!

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October 5, 2007

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

RE: Proposed changes to Regulation Z, Docket R-1286

Dear Ms. Johnson,

Spokane Federal Credit Union is a federally chartered credit union. It has approximately 12,600 members and $95M in assets. We are is pleased to have the opportunity to comment on the Federal Reserve Board's proposed regulations changing the requirements for open-ended lending under Regulation Z.

We have a major concern with the Board's proposed regulations. The Board's redefinition of open-ended credit will have a major negative impact on us. This type of plan has become standard practice, and has been in place in our credit union for many years.

Credit unions are not-for-profit financial institutions whose primary mandate is to serve their members. This means that credit unions offer quick turnaround, convenience, and low rates to their members who borrow money. Open-ended lending minimizes application paperwork because the member need only fill out one application, and need make only one visit to the credit union for an advance. Additionally, because the credit union already has the member's information, turn around time for each request is minimal. Credit union loan rates have consistently been shown to be less than those of other lenders.

The Board's changes will significantly hamper our ability to serve our members. Even setting aside the high costs of switching to a closed-end program (which include IT systems, loan forms, internal processes, training, and data processor conversions), we will no longer be able to provide the convenient one stop auto loan funding that members expect. The quick turnaround time will also be gone. This will eliminate one of our competitive advantages in the loan market, and make it more difficult to serve our members well.

The proposed regulations deal in detail with the Board's reasoning in proposing this change, but nowhere in that reasoning is a specific harm identified, much less a significant one. There is no information about credit union members paying higher rates, nor anything about purchasing unnecessary financial products. There's nothing about higher default rates, or member dissatisfaction.

Since there is no identified harm, and multi-featured open-ended lending plans are integral to credit union lending programs, a better solution should be found. One such solution would be a compromise. Allow credit unions to keep the benefits of its multi-featured open-ended loan plans, but add additional disclosures for those advances that are individually underwritten. These disclosures could mirror those required under closed-end lending. They would therefore provide consumers with fuller information, and address the Board's concern, but because the lending plan would not be dismantled entirely, we could continue to serve members.

We appreciate the opportunity to comment on the Board's changes to regulation Z. Thank you for your time and consideration.

Sincerely,

Susan Blain

Susan Blain
CEO Elect