

From: "Sally McKnight" <smcknight@libertycu.com> on 10/11/2007 03:45:01 PM

Subject: Truth in Lending

Dear Sir:

My primary objection to the proposed changes to Reg. Z pertain to the multi-featured open-end lending rules.

The current system is 25 years old and has worked very well for credit unions in the past; the proposed change will force credit unions to do away with an expected level of service to the consumer and replace that with slow, antiquated and more expensive methods of delivering funds from a credit transaction.

In the case of Liberty County Teachers Federal Credit Union (LCTFCU), we are a rural credit union serving members in multiple school districts scattered around Liberty and Polk County, Texas. It is not unusual for a member to drive 50-75 miles (each way) to come to the credit union. That was necessary under the Closed End lending structure the credit union operated within up until April of this year. Now, following that recent conversion to open-end lending, our members can make one trip to the credit union to establish their Plan and subsequent advances of credit can be done by placing funds into their checking account for immediate access and without that long drive, lost time at work or even the extra gas at current gas prices. Additionally, under the current program the credit union has the ability to review the credit worthiness before each advance thus ensuring that the asset quality of the loan portfolio is maintained. All of these factors were part of our recent decision to move to open-end lending.

Implementing open-end lending was not cheap! We are a very small credit union and the cost to sub-license the forms for use in our core data processing system had a significant impact on our expenses. Now we find that the convenience we hoped to provide may be taken away. This places LCTFCU in a dilemma. . . do we revert back to closed-end lending? or should we hope that the Federal Reserve will reconsider and elect to continue multi-featured open-end lending? Either way LCTFCU, a very small credit union, has expended a considerable amount money for forms and the staff training necessary to convert from closed-end lending to open-end lending in hopes of providing a more consumer friendly and competitive loan product. Now we face the possibility of expending scarce funds to convert back to closed-end lending.

Small credit unions have a compliance burden equal to large credit unions, banks and thrifts; however, small credit unions do not have the same resources to address those compliance issues. The current method for managing an open-end credit program is more cost efficient than a closed-end program that must rely upon the mail or overnight delivery services for round trip transportation of loan documents.

ATM machines, ACH, home banking, checking accounts, debit cards and finally the mail are methods members can use to transact credit union business. These work efficiently for savings transactions; lending isn't that simple. Regulations require precise calculations; if accuracy in the cost of credit is one reason for this change, may I suggest that the use of the mail system to get loan documents back and forth to members living in rural areas will not address that issue. Mail is one of the least efficient and certainly among the most unpredictable methods of handling credit transactions. The member should not be charged interest until the loan is established, the loan isn't established until the member signs the documents; under a closed-end method this is a Catch-22 situation. With the multi-featured open-end program, once a Plan is established, the documents can be completed and the loan funded the same day with a simple phone call. The multi-featured open-end lending structure provides for accurate credit disclosures, member access to the funds when they need it (not several days later) and improved operational efficiency over a closed-end method of providing credit to people of modest means.

For the reasons I have outlined, revising the regulation as proposed, will not benefit the consumer; credit

disclosures will not be any better, access to credit may be delayed and Liberty County Teachers Federal Credit Union will be a less competitive player in the market.

Please retain the current multi-featured open-end lending rules.

Sincerely,

Sally McKnight
Interim Manager
Liberty County Teachers Federal Credit Union
3712 N. Main
Liberty, Texas 77575
936-336-7236
smcknight@libertycu.com