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October 11, 2007 Ms. Jennifer J. Johnson Secretary, Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue, NW Washington DC 20551 RE: Dockets R-1286 Truth in Lending Dear Ms. Johnson: Belvoir Federal Credit Union appreciates the opportunity to comment on the Federal Reserve Board's proposed amendments to open-end credit rules under Regulation Z, Truth in Lending. The Board's proposed amendments to the staff commentary defining open-end lending would severely curtail the ability of credit unions to use open-end multi-featured loan products, products that credit unions have used successfully for many years. These loan plans allow flexibility and convenience for member/borrowers, especially those who no longer reside in close proximity to their credit union. Eliminating these loan plans would create a disadvantage to some members as their loan proceeds could be delayed because of the additional paperwork that would be required as a result of the proposed changes. Additionally, if credit unions are forced by this proposal to revert to closed-end lending programs by the end of the implementation period, will they then have to revisit those programs when the Board reviews the provisions of closed-end lending as they have stated is their intention? This could significantly increase the cost to credit unions in terms of system reprogramming, the purchase of forms, and even more staff training. CUNA Mutual Group, the main provider of loan documentation for many credit unions in the United States, estimates that the conversion in loan products will cost a mid-sized credit union a minimum of \$125,000, with that cost increasing as a credit union's size increases. Ultimately, that cost will be borne by consumers. Proposed changes to the Staff Commentary at §226.4(a)(Comment 4) would require a credit card issuer to treat any transaction charge in its entirety as a finance charge. This change may simplify the determination of a finance charge as stated by the Board. However, in many cases, it would negate the ability of federal credit unions to charge cash

withdrawal transaction fees initiated by credit cards comparable to those initiated by debit cards since they must comply with the statutory rate ceiling imposed under the Federal Credit Union Act (FCUA). The National Credit Union Administration (NCUA) has opined that it looks to Regulation Z for guidance on what constitutes a finance charge for purposes of FCUA's interest rate ceiling. Consequently, under the proposed rule, very modest fees on low balance accounts held by federal credit unions would constitute a violation of the usury rate established by the FCUA. We believe it is grossly unfair to penalize the only group of lenders that are held to an interest rate cap of 18% by federal statute. We encourage the Board to seek other ways to simplify its regulations that avoid adversely impacting the only group of lenders that are already held to higher statutory lending standards than most – federal credit unions. The proposed rules would extend the time period for a change in terms notice from 15 days to 45 days. Many financial institutions issue monthly periodic statements and include with those statements applicable change in terms notices. We urge the Board to consider requiring that the change in terms notice be provided to consumers 30 days prior to the effective date of the change. This is consistent with the notice requirements in the Truth in Savings regulations. We support the prominent disclosure of a penalty APR on credit card applications/solicitations and on account opening disclosures. However, because the penalty APR would be so prominently disclosed in those instances, we do not feel that the imposition of a penalty APR is a situation that should require a change in terms notice. We also believe that for those financial institutions that use credit risk to price credit cards, an increase in the rate should not be considered a “penalty APR” and thus not require a change in terms notice. We strongly support eliminating the requirement to disclose the “effective APR” on periodic statements. Because the effective APR incorporates certain fees and costs, its disclosure may be confusing to consumers because it may reflect a much higher APR than was originally disclosed and may vary greatly from month to month. Including fees for non-proprietary ATM charges in the APR may be problematic in that credit card issuers may not have all of the necessary information to calculate the required APR; non-proprietary fees and charges may not be separately identified by the imposing financial institution to the card-holding institution. Additionally, these fees are agreed to by the card user at the time of the transaction and are not a condition for the “loan advance.” Therefore, we do not feel that these fees should be required to be included as part of the APR calculation for periodic statements. As for the disclosures regarding describing the effects of making minimum payments required under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, we believe creditors should be permitted to describe this information as a “good faith estimate” or similar terminology since it is based on assumptions that may or may not apply in each specific situation. We also support the flexibility provided under the proposal that will allow creditors to bypass certain requirements if they provide actual repayment information on the periodic statement or through a toll-free number, instead of the hypothetical repayment information. If the Board chooses to implement all of the changes as proposed, we strongly urge the Board to consider an implementation period of no less than 24 months in order to allow for the extensive data processing system reprogramming, hiring and retraining of staff, updating websites, and the development and implementation of new loan forms, disclosures, and periodic statements. Thank you for the opportunity to comment on these proposed rules. Please do not hesitate to contact me should you need further clarification on our views. Sincerely, Gaye DeCesare Vice President, Administration Belvoir Federal Credit Union