

From: "Delbert Morgan" <lmorgan@southeasternfcu.org> on 09/24/2007 04:50:03 PM

Subject: Truth in Lending

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September 24, 2007

Federal Reserve Board Comment

Dear Federal Reserve Board Comment:

We strongly object to the proposed changes that would severely curtail the ability of credit unions to use multi-featured, open-end lending plans. These changes address a problem that does not exist and will require credit unions to undergo significant expenses. The disclosures currently provided under these plans are sufficient and provide members with the information they need on a timely basis.

For the proposed changes to the application and solicitation disclosures, we agree that the table format and 10-point font size may be easier for consumers to understand. As for disclosing possible annual percentage rates (APRs) that may apply, we do not believe listing only the highest possible APR would be appropriate, as consumers may very likely believe this would be the APR that would apply to them.

We strongly support eliminating the requirement to disclose the "effective" APR on the periodic statement, which is the APR that incorporates certain fees and costs. The effective APR is confusing and difficult for consumers to understand, since it may vary greatly from month-to-month and may significantly differ from the interest rate that has also been disclosed to the consumer. However, we do agree that the dollar amount of these fees and costs should continue to be disclosed. We also support eliminating the requirement to disclose the periodic rate.

With regard to the proposed periodic statement model form, the Board's consumer testing seems to indicate that grouping transactions by type, such as purchases, cash advances, balance transfers, fees, and interest, is easier for consumers to understand. However, credit unions have heard very few complaints from their members with regard to the current format.

With regard to the proposal that will include information on the effects of making minimum payments, as required under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (Bankruptcy Act), 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 the toll-free telephone number, instead of the required hypothetical repayment information.

Because this proposal incorporates the most extensive and comprehensive changes to the Regulation Z open-end rules since the early 1980s, credit unions and others should be given a significant amount of time to prepare for these changes. For this reason, mandatory compliance should not be required until at least two years after these changes are issued in final form.

Sincerely,

Delbert Lee Morgan