



April 4, 2008

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

RE: Regulation Z; Docket No. R-1305

Dear Members of the Board:

On behalf of GECU, the largest locally owned credit union in El Paso, we appreciate the opportunity to present our comments on the proposed amendments to Regulation Z. With over \$1 billion in assets and over 276,000 members, we recognize the impact that loan regulations have on today's mortgage market and our membership.

El Paso is an exception to what the mortgage market is currently experiencing, throughout the US. El Paso is growing, mostly due to the influx of military troops to Fort Bliss Military Base, and GECU wants to be at the forefront of the mortgage lending industry. We fully support the Federal Reserve Board's efforts to protect consumers from unfair, abusive, or deceptive lending and servicing practices in the mortgage market. We have provided the following commentary which we feel may more efficiently allow credit unions to continue providing members responsible mortgage loan products and sustainable homeownership:

Higher-Priced Mortgage Loans:

GECU believes that it would not be appropriate to create another threshold for first and subordinate liens, as well as for purchases and refinances. It would simplify matters to maintain the same thresholds as currently set under HOEPA and be less cumbersome and confusing. Currently, lenders are accustomed to the HOEPA restrictions, if the same restrictions are placed on higher priced loans, the restrictions would be more feasible to implement in terms of costs related to employee training and/or the potential need to purchase additional software. If thresholds are changed it would have a negative effect on Alt-A credit. We would have to spend more time verifying each threshold to ensure that we are not in violation and it would limit current pricing making current Alt-A rates less competitive. Any lender that chooses to lower thresholds would see an impact on their balance sheet and possibly result in a limitation of the allowance set for these types of products. We do agree however, that a different threshold to cover the sub-prime market would be better to eliminate the categorizing of the Alt-A market as sub-prime.

Verification of Income and Assets:

GECU opposes the proposal that requires documentation of income verification for self employed borrowers. This would nullify the purpose of this product under the Alt-A market which is categorized as a higher risk market, in which income is not verified. The proposed changes discuss flexibility when in all scenarios; the lenders are still required

to provide documentation. When underwriting these loans, we feel that a credit report is indicative of income and asset verification.

Additionally, phrases such as "net tangible benefit" and "rebuttable presumption" need to be clarified to avoid the potential of numerous lawsuits.

Prepayment Penalties:

We believe that the five year prepayment penalty is appropriate; however it should be based on the product and not only applied to loans whose periodic payments may increase. Although we feel that higher risk loans or assisted loans should have a prepayment penalty, we do not agree with imposing the same penalty to consumers that are refinancing their home and have sufficient equity. The prepayment penalty provision is critical in making borrowers aware of any penalties. It should be addressed in subsequent disclosures and borrowers should be required to acknowledge their awareness of the provision.

Requirement to Escrow Tax and Insurance Payments:

We do not agree that lenders should always require escrow accounts on higher priced mortgage loans. We believe that if the borrower qualifies for the entire payment then they should have the option to place the funds for their escrow in an interest bearing account. A lender should be permitted to make a business decision whether to allow a borrower to opt out of an escrow account after review of certain criteria such as the borrower's payment history. It may be necessary to provide an additional disclosure for non-escrow mortgages, so that they may acknowledge responsibility for escrow tax and insurance payments.

Rules for all Mortgage Loans:

Creditor Payments to Mortgage Brokers:

GECU agrees with the provisions regarding creditor payments to Mortgage Brokers. Placing restrictions on broker payments to in-house loan officers/brokers is essential in keeping the borrower's best interest in mind. Most borrowers do not appreciate the extent to which a loan officer/broker's interest diverges from theirs because of yield spread premiums. Borrowers do not read the fine print and are not aware that the loan officer/broker is receiving a higher payout for promoting or offering one product over another. GECU promotes full disclosure of all fees and services, responsible loan products and sustainable homeownership.

Coercion of Appraisers:

We support the proposal to prohibit lenders/brokers from coercing appraisers to misrepresent the value of a borrower's principal dwelling.

Servicing Abuse:

We support the proposal that prohibits loan servicers from failing to credit the borrower's payment as of the date received, imposing a late fee or delinquency charge due to a prior similar charge, failing to provide a current schedule of all possible fees and charges, failing to provide an accurate payoff statement within a reasonable time after a request is made.

Proposed Amendments to the Advertising Rules:

Advertising Rules for Open-end Home-Secured Loans:

GECU disagrees with the proposed amendments to the advertising rules due to the increased costs, time constraints and possible member confusion that will result due to the additional information and to maintain the various media sources that we utilize. It is unreasonable to burden credit unions with more costs when these costs would ultimately be passed on to the members.

Early Mortgage Loan Disclosures:

GECU opposes providing a good faith estimate of the loan costs within three days after a consumer applies for any mortgage loan secured by a consumer's principal home. The additional costs will outweigh the benefits to our members and if the provision is adopted more guidance is needed to clarify which fees would be "in connection with the application".

GECU was established with the philosophy of "people helping people" and to be penalized for the instability the sub-prime lenders have caused the mortgage market is unreasonable and unfair. It is the sub-prime lenders that must be scrutinized further and not lenders such as GECU that were founded to help improve the financial lives of their members, to include the opportunity for sustainable homeownership. GECU has always offered and will continue to offer more in the area of competitive financing terms in accordance with existing regulations and in the best interest of our membership.

GECU understands the need for the immediate attention to end abusive lending practices and we want to be proactive in the struggle. We thank you for your efforts to preserve responsible mortgage lending and sustainable homeownership and greatly appreciate the opportunity to express our suggestions and recommendations to you.

If you have questions regarding any of our comments, please call me at (915) 774-1702. Thank you for your time.

Sincerely,



Harriet May
President/CEO

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