Subject: Truth in Lending - Version 2

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Comments:

July 10, 2008 Jane Ahrens Federal Reserve Board RE: Multi-featured open end lending and Regulation Z Dear Ms. Ahrens: The proposed actions that the Federal Reserve Board (FRB) staff has in regards to multi-featured open end lending and regulation Z are of great concern to me. What seems like a simple disclosure to increase an understanding of the costs borrowing will be will actually significantly increase the actual cost of borrowing for many of our low income borrowers. In the past twelve months, CoVantage Credit Union has made 5,235 loans under $1,000 for a total loan volume of $2,565,479. Each loan is underwritten to assure the member has the ability to pay back the loan. Assuming rate of 16% APR (many loans done for less) the cost of borrowing for two weeks at CoVantage was approximately $15,787.54. Currently, members with an established OE Plan can call on the phone often while on break at work. Since they do not need to sign a new document, our loan officer gathers the information, makes a decision, and sends the member a check or deposits the funds in their account in 5 to 10 minutes. If the member would be required to come in to sign, many of our members who are paid hourly would have to take off work and travel to the Credit Union. Most would need to take off at least 2 hours. (Many have a half day vacation requirement.) Assuming they earn $10.00 per hour, it would add $20.00 to the cost of borrowing. If they live 10 miles from the credit union (20 miles round trip), it would cost $4.00 in gas. By requiring the member to come in and sign would result in a hidden cost of approximately $24.00 per loan (wages and gas) or an additional $125,640.00 (8 times the charge by the credit union). This does not take into consideration the credit union would need to double or triple interest cost to compensate for the additional time to meet face to face with the members. One local payday lending store in Antigo that provides all of the required disclosures, charges the borrowers $22.00 per hundred for two weeks. The cost had our members borrowed there would have been $564,388 ($548,000 more than we charged). The payday lending store does not determine the member's ability to repay. While I understand that on the surface these additional disclosures and signatures seem appropriate, they significantly increase the actual cost for borrowing. In addition, in the case of the payday lender that does provide the disclosures, they do not result in reduced borrowing costs because of the disclosures. Sincerely: Paul E. Grinde Executive Vice President PEG/mrr