

From: Cities Credit Union, Mike Enright
Subject: Reg Z - Truth in Lending

Comments:

Dear Committee:

Cities Credit Union would like to record its displeasure with the provisions that effectively change all open lines of credit to its membership. These changes not only affect the credit card programs, but also place undo burden upon programs such as checking LOC, personal lines of credit, and home LOC. In many instances members utilize these products in their every day life, and will place a greater cost or hardship to these members who utilize the programs. The facets of this program will affect how we offer these programs in many ways:

The costs to effectively manage these programs will be much higher, with the increased number of statements and compliance burden. Many members wish to pick there specific payment dates, which will likely now need to be more uniform to meet the statement and compliance requirements. Many underserved, credit rebuilding, and members trying to establish credit will have these options taken away as viable programs; due to the higher cost of compliance. Many of our members have \$300-500 checking LOC to back up their checking accounts. Many students and people establishing credit have \$300 personal LOC or credit cards. These programs make no money, but are ways we work with people to help them start and begin working towards establishing conservative responsible credit.

While I agree with many aspects of what the Act attempts to accomplish, I cannot agree with the final version. It may attempt to educate the general public of the possible dangers of open credit, but it is unlikely to effectively change people's behavior. The actual effect may have implications that have the opposite reaction intended. Those institutions that offer conservative, consistent, and helpful programs to its customers will likely need to rescind, amend, or discontinue these cost prohibitive services. While institutions that generally run programs to gain influence and control over its customers through predatory lending with high balances, interest only payments, variable rates, and high fees will be able to continue their practices with little distress. These institutions may need to disclose how their customers are being affected by this type of abuse, but few will have the means, capacity, or knowledge to act on better options.

If the agency truly wants to help the consuming public, and even the playing field, the agency should look to limiting the structure of loans that may be issued to consumers. For instance, setting a maximum on rates, limits, fees, collateral vsnon-collateral, variable rate escalation, and minimum payment or balance reduction, help to level the playing field between institutions, guarantee more conservative and less abusive lending practices, and place less burden for the consumer to monitor and fully understand their position. While I would agree the consumer is ultimately responsible for their own actions, and

intuitions should provide them with the best information to make judgments, the actual reality is many do not always understand their options or take responsibility for their actions. Many people find the long contracts and disclosures intended to protect and inform the general consumer actually make them more apathetic, helpless, and under informed. Many credit unions like Cities Credit Union, try to help members understand their financial situation, and in many ways protect members from themselves by working to help them make better financial decisions; instead of leading them into a cycle of never ending debt like large financial institutions focused on profits.

In closing I would like to reiterate that this Act may end up taking away valuable services to our members by increasing the cost to run responsible programs, and in the end help the very institutions that you seek to curtail against negative lending practices.

Sincerely,

Mike Enright
Cities Credit Union