

Office of the President

May 26, 2009

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

Re: Docket No. R-1353; Truth in Lending

Dear Ms. Johnson:

Navy Federal Credit Union provides comments on the Federal Reserve Board's proposed changes to Regulation Z to implement provisions of the Higher Education Opportunity Act (HEOA) of 2008. Navy Federal is the nation's largest natural person credit union with almost \$40 billion in assets and over 3.2 million members.

Navy Federal makes a variety of federal education loans. However, when members are not eligible for the federal loans or would prefer to obtain traditional consumer loans to cover their postsecondary educational expenses, we offer loans for "personal expenses." Loan applications for personal expenses are accepted online, over the telephone, in person, and by mail. While Navy Federal doesn't currently distinguish between personal expense loans requested for postsecondary educational expenses and those requested for other purposes, it is reasonable to believe that at least some of these loans would be used by members to pay postsecondary educational expenses as defined in the proposed regulation.

We believe timely loan processing is essential to providing effective financial services for our members, including helping them meet deadlines for educational expenses. Accordingly, Navy Federal makes every effort to review and approve loan applications promptly through the use of automated evaluation tools and efficient loan officer procedures. Approximately 70% of all personal expense loan applications are recorded, reviewed, and decided within the same day. In most cases, loan funds are disbursed to our borrower in the same time frame.

The proposed regulation does not contemplate a process whereby loans are approved and accepted the same day. The six-day mailing and rescission period would frustrate consumers' ability to meet deadlines for funding many postsecondary educational needs. For example, funds to pay for tuition, books, and materials for a class at the local community college could not be made available until the requisite waiting periods expire. Additionally under the proposal, many borrowers would receive both approval and final disclosures containing over nine identical loan information items at the same time. Some frustrated and confused applicants would likely turn

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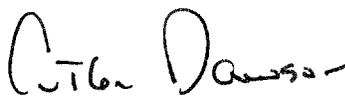
to poorly regulated high-cost lenders or simply abandon their educational objectives. We strongly urge the Board to use its authority under Sections 105(a) and (f) of the Truth in Lending Act to streamline this cumbersome proposal that would offer little, if any, real consumer protections.

We support the Board's proposal to except multi-purpose loans from the application disclosure requirements of Section 226.38(a). Navy Federal's personal expense loans may be used for a variety of purposes (e.g. furniture, vacation, relocation, and education). We cannot determine prior to receiving and reviewing a personal expense loan application whether or not the loan funds would be used for post-secondary educational expenses. As noted by the Board, providing application disclosures on or with multiple purpose loan applications would likely be complicated and burdensome. We believe subsequent disclosures accomplish the objectives of the statute.

The Board requests comment on whether six months would be an appropriate implementation period for the proposed rule. We urge the Board to afford lenders the maximum time allowable under the law as several other regulatory changes that require significant efforts are currently underway. Sufficient time for orderly implementation of regulatory changes will help mitigate cost that must be passed on to consumers in the form of higher interest rates and higher fees.

Navy Federal appreciates the opportunity to provide comments on the Board's proposed changes to Regulation Z. If you have any questions, please contact Suzanne Slingluff, Senior Policy Analyst and Compliance Officer, at (434) 293-6754.

Sincerely,



Cutler Dawson  
President

CD/ss