



Port Huron

Marysville

Fort Gratiot

May 12, 2009

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Board of Governors of the Federal Reserve System  
Attn: Jennifer J. Johnson, Secretary  
20<sup>th</sup> Street and Constitution Ave., N.W.  
Washington, DC 20551  
RE: Comment Call - Regulation Z - Private Education Loans

To Whom It May Concern::

It is believed that the purpose of Title X of the Higher Education Opportunity Act (HEOA) is to amend Regulation Z to provide consumers with additional protections through clearer disclosures to prohibit misleading practices. This is demonstrated by the requirements of providing consumers disclosures with applications, when a loan is approved, and at consummation of the loan. However, these additional disclosure requirements seem burdensome to financial institutions and may not result in any additional protection for the consumer.

Under the proposed rule, certain disclosures must be given out to consumers during several phases of the loan: application, approval, and consummation. For instance, certain information about loan rates, fees, and terms must be given at the time of application. These same disclosures, although more specific to the consumer's actual loan, must then be given again at the time of approval. Additionally, closed-end disclosures have to also be given twice: once at approval and again at consummation.

Although it is understood that the purpose of these disclosure requirements is to provide consumers with additional protection, many consumers will never fully read the disclosures especially if they are receiving them for a second time. This seems like unnecessary paperwork, which can just make the process of a loan more confusing for consumers, and a burden to financial institutions. Disclosures should only need to be clearly and conspicuously provided to consumers once during the cycle of a consumer loan. It seems that the proposed rule makes disclosure requirements for private education loans follow more closely with mortgage loan disclosure requirements than consumer loans disclosures requirements. It is unclear why private education loans are not following the same rules as other consumer loans.



In reference to the change in the annual percentage rate (APR) disclosure, it is unclear why such a change is needed. It is unclear why interest rate and the APR disclosures differing would impair a consumer's understanding of the rates of a private education loan compared to the disclosure requirement of any other consumer loan. It seems that interest rate and APR disclosures should follow the same guidelines as any other type of consumer loan.

It is also understood that open-end credit lines and closed-end loans secured by real property will be excluded from being considered a private education loan. However, further clarification of disclosure requirements for consumer loans secured by other collateral, such as an auto, is needed. Also, it is unclear if multiple closed-end loans used for private education expense totaling over \$25,000 would be required to follow the disclosure requirements. For example, if a consumer opened a \$10,000 loan one year to pay for education expenses and the next year opens a \$20,000 loan, it is unclear if the second loan would then trigger the additional disclosure timing and content requirements.

Additionally, multiple purpose loans should be excluded from the disclosure requirements of private education loans. In many cases, the amounts financed from such loans used for private education purposes would be under the \$25,000 threshold for the additional disclosure requirements. For example, a consumer opens a \$30,000 loan but only uses \$10,000 to pay of education expenses. Again, it seems burdensome on financial institutions to comply with the additional disclosure requirements when the amount used for private education doesn't meet the threshold dollar amount.

Lastly, there seems to be vast amounts of content and timing requirements for the various proposed disclosure requirements. Further clarification is needed. Through reading information about the proposed rule and the rule itself, it is easy to become lost in the language and not understand the true intent of the proposed rule. There seems to be very little additional consumer protection at the expense of financial institutions through a large burden of compliance. In order for financial institutions to be able to understand the rule and comply, a common-sense approach must be taken to provide financial institutions with the necessary guidance as to why this proposed rule is being adopted and how compliance can be successfully achieved.

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Sincerely,

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