SUNTRUST[SM]

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Keith W. Reynolds
Senior Vice President and Deputy General Counsel

December 21, 2009

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

VIA FACSIMILE (202) 452-3819; and
VIA EMAIL regs.comments@federalreserve.gov

Re: Request for Comments on Proposed Amendments to Regulation Z for HELOCs ("Proposal")
Docket No. R-1367

Dear Ms. Johnson:

SunTrust Banks, Inc., including its operating affiliates and subsidiaries (together, "SunTrust") is pleased to submit this response to the Federal Reserve Board (the "Board") in response to the Board's Request for Comments on proposed amendments to Regulation Z, Docket No. R-1367, which was published in the Federal Register on August 26, 2009 (the "Proposal").

Concerning the Proposal, SunTrust endorses the Board's efforts to address the concerns it has recognized as warranting regulatory change. More specifically, we support the Board's efforts to simplify and improve mortgage disclosures; optimize the timing of disclosures; utilize standardized disclosures; and address those loan originator compensation practices that have been proven harmful to consumers. We agree with many points of the Proposal; however, we further believe that clarification on certain points is needed, and further have grave concerns about some of its aspects.

Transaction Specific Disclosures

The Proposal would require a creditor to disclose information about two plan options. We assume the intention was to view a HELOC plan containing multiple repayment options during the borrowing period, as well as a set repayment requirement during the repayment period, as a single plan and not as multiple plans; however, we would appreciate confirmation to that effect.

If the credit line amount approved is a different amount than the amount the applicant requested, and the requested amount was reflected in the initial TIL disclosure, must a revised early TIL disclosure be provided, or would it be sufficient to disclose the revised, approved amount in the final disclosure at account opening? Although it would seem that the final disclosure would be sufficient, the Proposal is unclear in this respect.

Account Opening Disclosures

Regarding disclosures at account opening, the Proposal permits creditors to disclose certain optional charges orally or in writing before the consumer agrees to or becomes obligated to pay the charge. The Proposal further disallows the imposition of a charge for a feature or service previously not subject to a charge, or to increase a charge for a feature or service previously subject to a lower charge, even if the absence of a charge, or the lower charge, had not been previously disclosed to the consumer.

First, it is unclear as to what charges may be considered "optional charges" in this regard and believe further clarification and guidance to be appropriate.

It is universally recognized that costs for services increase over time. It seems that the Proposal would require a fee to remain "set in stone" forever and always once determined, even if for many years. If a service or feature had been provided without charge, but costs increase, the Proposal would prohibit the creditor from ever imposing a charge for such service or feature. Under the Proposal's language, even newly-originated consumers would be shielded from any charge (or increase in charge). Even if the Proposal allowed for such charges (or increased charges) to new customers, the tracking of which customers should be charged what fee would be extremely difficult if not impossible, as well as very costly, to administer. This is unreasonable and unworkable, and would serve to cause creditors to eliminate such features and services if they were prohibited from ever imposing or varying the charge. This would be to the detriment of the consumer, who may often benefit from or even require the feature or service, such as an expedited delivery fee. We urge reconsideration of this aspect of the Proposal.

Account Management

A. Change in terms notices
   i. It is our view that an increase to the notice requirement, a 300% increase from 15 days to 45 days, is more than sufficient to accomplish the goals as expressed by the Board (to provide consumers enough time to analyze upcoming changes

and determine whether the consumer wishes to make alternative arrangements). As the Board notes, there are very few terms that may be amended in HELOC plans. 45 days provides more than adequate time for consumer planning, and would also match requirements under the new Card rules.

ii. Because a change in the rate due to fluctuations in the Index shall be disclosed in the Account Opening disclosures, as well as the Agreement, and also because such changes are outside the control of the creditor as the Regulation requires, it is assumed that a change-in-terms notice would continue to not be required in such circumstances, is as the case today; however, the Proposal is unclear on this point and a clarification to such effect would be helpful for the industry and the consumer.

B. Account Terminations

i. We agree with the Board's goal of protecting consumers from "hair-trigger" terminations based on minor payment infractions, and support the proposed 30-day minimum delinquency period before a creditor may terminate borrowing privileges under a HELOC in such circumstances.

We further strongly agree with the Board that, under such circumstances of payment delinquency, a creditor must retain the right to impose late fees and suspend and/or reduce credit limits during such 30-day period so as to avoid or mitigate deeper potential losses; should the consumer rectify the situation then the temporary nature of the suspension and/or reduction may allow for reinstatement. In this regard, we believe a stronger clarification statement would be helpful to the effect that creditors may continue to suspend and/or reduce credit lines at any time (and without the necessity of a 30-day waiting period) during periods of noncompliance with material obligations, material change in financial circumstances or significant decline in collateral value.

Such consumer protection is not warranted, however, in the circumstances of chronic consumer default. In such circumstances, consumers would remain protected from "hair-trigger" terminations if creditors have the right to immediately terminate borrowing privileges upon payment delinquency or default if such delinquency or other default has occurred more than once within the prior twelve months. This would be similar to other state legislation which would require certain notices to cure only if the same basis had not existed in the prior 12 months. Chronic default causes significant risk to an institution's safety and soundness, increases creditor costs, and has a significantly higher likelihood of future default, thus justifying immediate protective action by the creditor.

C. Account Suspensions

i. Material Change in Consumer's Financial Circumstances

Currently, a HELOC may be reduced or suspended when the creditor reasonably believes that the consumer will be unable to fulfill the repayment obligations of the plan because of a material change in the consumer's financial circumstances.

We agree that significant uncertainty exists as to when action is permissible, what constitutes a material change, and as to what information may be considered to justify such reasonable belief. In this regard, we are in full support of clarification in the Commentary that evidence of a material change in financial circumstances may include credit report information showing late payments or nonpayments on the part of the consumer, such as delinquencies, defaults, or derogatory collections or public records related to the consumer's failure to pay other obligations. We suggest that this line of clarification be extended to allow significant declines in FICO or other bureau-derived credit scores as safe-harbor bases for suspension in and of themselves, as is done with origination underwriting. Credit scores are integral factors in understanding credit history and future risk for origination purposes, and similarly a significant decline is such score would be highly authoritative as to an adverse change in the borrower's overall financial circumstances as well as strongly predictive of future default and risk. Significant decline in credit score should therefore be able to be safely utilized by creditors as independent bases for line suspension and/or reduction.

D. Reinstatement of Accounts

We agree that, upon suspension and/or reduction of a HELOC's credit line, consumers should be properly informed about the creditor's obligation to reinstate credit lines upon certain conditions as well as consumers' rights to request reinstatement. In this regard we support the Proposal's requirements to provide sufficient information in notices of suspension or reduction about consumers' ongoing right to request reinstatement and creditors' obligations to investigate such requests.

We do believe, however, that the requirements of the Proposal in this regard, specifically the requirement to complete an investigation of a request within 30 days of receiving the request, and even more onerously the requirement of the creditor to cover the costs associated with investigating the first reinstatement request of the consumer, shall allow for significant abuse by consumers acting with less than full good faith, with resulting unnecessary cost and expense to the creditor and, ultimately, the consumers overall in the form of higher rates and fees.

Depending upon the basis(es) for suspension or reduction, 30 days may be an insufficient time in order to properly investigate, particularly when a creditor must rely upon documentation and information provided by 3rd parties as well as the consumers themselves. Regulation B recognizes this dilemma by defining "incomplete applications" and allowing for a longer period than 30 days when additional information is needed from the consumer. The Proposal should therefore allow for more than 30 days to complete such investigation if the reason for delay is information still needed from the consumer or 3rd parties.

Of great concern is the aspect of the Proposal requiring the creditor to pay the costs associated with investigating the first reinstatement request by the consumer. If a creditor is so required, then the consumer has no risk or other downside in making such request, which will result in a flood of frivolous requests, made regardless of whether there is any indication that the basis on which the suspension was made has been rectified. A consumer should be required to have a good-faith belief that such circumstances have been resolved prior to requiring the creditor to undertake such a review, much less requiring the creditor to shoulder the costs for the review. Further, in the event the consumer makes a frivolous claim in this regard, the consumer should equitably be required to cover such costs. So as to ensure good-faith requests, the creditor should only be required to pay such costs in the event that the circumstances have been resolved (or in cases where the creditor has not shifted the responsibility of notification to the consumer, and undertakes its own review).

An alternative method may be to differentiate between an "appeal" and a "reinstatement request". An "appeal" would be seen as a challenge to the creditor's finding – i.e., the consumer disagrees with such finding and challenges the result. Since the creditor had only recently made the determination of the basis of the suspension, it is suggested that a challenge to the creditor's finding within 6-months of that finding be considered an "appeal", and that the creditor bear the costs of such re-review if the original finding turns out to be erroneous. Six months seems a reasonable period of time in which to have such bases correct themselves (e.g., increase in property value), and creditors may be required to bear the costs of a reinstatement request if made more than 6 months after the initial determination. This method will serve to limit frivolous reinstatement requests by consumers, albeit by less than under the method described immediately above.

Conclusion

SunTrust thanks the Board for the opportunity to comment on the Proposal relating to HELOCs. We agree with many of the Board's points and goals in this regard, but also believe that clarifications and additional guidance, as well as additional creditor protections, are essential. Should you have any questions or concerns regarding our comments, please do not hesitate to contact us at your convenience.

Sincerely,

Keith W. Reynolds

Keith W. Reynolds
Senior Vice President and Deputy General Counsel
SunTrust Banks, Inc.