



**VIA EMAIL**

December 23, 2009

Ms. Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.,  
Washington, DC 20551  
Docket No. R-1367

**RE: Truth in Lending, Open-end home-secured credit, or home equity lines of credit (HELOCs); Docket No. R-1367.**

Dear Ms. Johnson,

The Wisconsin Bankers Association (WBA) is the largest financial trade association in Wisconsin, representing approximately 300 state and nationally chartered banks, savings and loan associations and savings banks located in communities throughout the state. WBA particularly appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's (FRB's) proposal to revise Regulation Z, which implements the Truth in Lending Act (TILA), and the Official Staff Commentary to the regulation as it relates to open-end home-secured, or home equity lines of credit (HELOCs).

FRB has proposed changes to the format, timing and content requirements for the four main types of HELOC disclosures required by Regulation Z: (1) disclosures at application; (2) disclosures at account opening; (3) periodic statements; and (4) change-in-term notices. Additionally, FRB has proposed to provide further guidance on when a creditor may temporarily suspend advances on a HELOC or reduce the credit limit, and what a creditor's obligations are concerning reinstating such accounts.

WBA recognizes all of the efforts taken by FRB in its review of these matters and strongly supports FRB's efforts to ensure effective consumer disclosures; however, WBA does not support FRB's proposed revisions. WBA implores FRB to not lose sight of the fact that financial institutions have, only recently, been implementing massive new changes to compliance and lending as required under the Mortgage Disclosure Improvement Act (MDIA), Higher-priced Mortgage Loans (HPML) rules, and HUD's Real Estate Settlement Procedures Act (RESPA) rules, all of which have imposed exhaustive compliance costs and excessive regulatory burdens upon financial institutions of all sizes, and in particular community banks.

WBA stresses that political pressure felt by FRB must be weighed against the economic impact that continued, excessive regulatory revisions (aimed purely so that consumer disclosures—which already hold that of a clear and conspicuous standard as required under Regulation Z—now be contorted into graph and tabular formats) have on financial institutions.

4721 SOUTH BILTMORE LANE  
MADISON, WI 53718

P. O. BOX 8880  
MADISON, WI 53708-8880

608-441-1200  
FAX 608-661-9381

[www.wisbank.com](http://www.wisbank.com)

First, WBA recommends FRB not adopt its proposed revisions to HELOC disclosures, requiring graph and tabular formats. WBA believes that existing HELOC model disclosures and formats should remain as is because they currently provide consumers with clear disclosures of terms.

Secondly, Regulation Z currently restricts creditors from making changes to terms of HELOCs after plans have been open, with minor exceptions. Those exceptions include the restriction or reduction of credit during any period in which the: (1) value of the dwelling that secured the plan has declined significantly; (2) creditor believes the consumer will be unable to fulfill repayment obligations under the plan due to material changes in the consumer's financial circumstances; and (3) the consumer is in default of any material obligation under the agreement.

In addition to that addressed in the regulation, the federal banking agencies have previously issued multiple guidances regarding HELOC risk management (*Credit Risk Management Guidance for Home Equity Lending*, and an *Addendum to Credit Risk Management Guidance for Home Equity Lending*) which financial institutions utilize to effectively manage HELOC portfolios. Financial institutions are currently actively working to balance the principles of changes-in-terms of HELOCs as permitted under Regulation Z, with HELOC portfolio risk as required by the banking agencies, while still addressing the needs of consumers.

WBA stresses that FRB must not further restrict financial institutions in their ability to balance these elements; and recommends FRB not proceed with its proposal to specifically list or endorse certain definitions as it relates to a consumer's inability to repay, or a material change in financial circumstances. WBA is greatly concerned that such a list will then be interpreted as an exclusionary list. Creditors need to have the flexibility to work through each borrower's unique circumstances and events in making such decisions. Financial institutions do not make arbitrary decisions when granting credit or suspending or terminating such lines of credit. They are in the business of making loans and will continue to do so prudently within the confines of the law.

WBA strongly believes financial institutions have acted in good faith in their review of HELOC portfolios and the associated risks. As such, WBA does not believe FRB's proposed revisions are necessary. If FRB moves forward with these revisions, it should be clarified that the provided additional guidance is not exclusionary.

Lastly, under Regulation Z, creditors are responsible for ensuring that credit privileges are restored as soon as reasonably possible after the condition that permitted the creditor's actions ceases to exist. This may be accomplished by the creditor monitoring the line or may shift the duty to the consumer to request reinstatement of credit. FRB has proposed to impose upon financial institutions new requirements to monitor these conditions. WBA does not support such an idea and recommends FRB not adopt its proposal.

Imposing such a monitoring requirement is unnecessary and burdensome, particularly to small community banks. Financial institutions are not in a position to have all of the necessary resources to monitor changes in property values or financial circumstances. Creating such systems would be extremely costly and would excessively outweigh the alternative currently available in the regulation that consumers request, in writing, reinstatement by the creditor.

WBA recognizes all of the efforts taken by FRB in its review of these matters and strongly supports FRB's goal of ensuring effective consumer disclosures; however, WBA does not support FRB's proposed revisions as WBA believes they are unnecessary.

WBA recommends FRB not adopt its proposed revisions to HELOC disclosures, requiring graph and tabular formats, and, instead, recommends that the existing HELOC model disclosures and format remain model disclosures within Regulation Z. WBA also recommends FRB not specifically list or endorse certain definitions as it relates to a consumer's inability to repay, or a material change in financial circumstances unless it is very clear by FRB that such actions are not exclusionary. Lastly, WBA recommends FRB not finalize its proposal to require new monitoring requirements on financial institutions as it relates to credit reinstatement, but to instead retain existing requirements within Regulation Z.

Again, WBA appreciates the opportunity to comment on FRB's proposal.

Sincerely,

Rose Oswald Poels  
Senior Vice President and Counsel