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December 22, 2009

Ms. Jennifer J. Johnson,  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street & Constitution Avenue, N.W.  
Washington, DC 20551

**Re: Truth in Lending – Proposed Rule: Regulation Z Part 226; Docket No. R-1367**

Dear Members of the Federal Reserve Board:

I am contacting you from Woodstock Institute to oppose the proposed changes to the disclosure requirements for open-ended credit and to suggest several improvements. Woodstock Institute is a leading nonprofit research and policy organization in the areas of fair lending, wealth creation, and financial systems reform. Woodstock Institute works locally and nationally to create a financial system in which lower-wealth persons and communities of color can safely borrow, save, and build wealth so that they can achieve economic security and community prosperity. Its key tools include applied research, policy development, coalition building, and technical assistance.

Woodstock opposes the Board's proposals to allow lenders to make home equity lines of credit (HELOC) loans with no advance disclosures and permit lenders to use a flawed APR disclosure that, if adopted, would make comparing the total cost of borrowing closed-end and open-end credit difficult or impossible. We also believe that the Board has based this proposal on an incorrect assumption that all HELOC borrowers use the product as an ongoing line of credit. Some borrowers use HELOCs as part of 80-20 financing arrangements, where the entire credit limit is drawn down as part of the purchase arrangement. Taken together, these two changes significantly weaken the Board's existing oversight of these types of loans and may ultimately encourage unsustainable and abusive practices.

**The proposed rule should be revised to require disclosure of loan terms and conditions three days in advance of closing**

As discussed above, some lenders use HELOCs as part of a home purchase arrangement. In these instances, a lender may finance 80 percent of the obligation with a closed-end mortgage, and the remaining 20 percent is financed using a HELOC. This proposal would make it more difficult for the borrower to understand the terms of the deal before closing, particularly in cases where there are two and the entire credit line available is drawn down at closing. It is counterintuitive that the terms and conditions of a closed-end loan would be disclosed three days in advance of closing, as described in the proposed change to Regulation Z Part 226, Docket No. R-1366 and the terms and conditions of the

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HELOC disclosed only at the time of origination. It is particularly troubling since HELOCs used in this manner are likely to carry a higher interest rate.

**The proposed rule should be revised to require existing disclosures and ensure the disclosure of an inclusive APR for open-ended credit**

Woodstock also strongly opposes the Board's proposal to eliminate all previously adopted disclosures for HELOCs and replace them with a disclosure at the time of closing that relies on a non-inclusive APR for open-end credit. Unlike the Board's proposed for closed-ended credit, this new non-inclusive APR does not include up-front fees or charges in the APR. The rule should be modified to include the same definition of APR as described in the Board's proposed change to Regulation Z Part 226, Docket No. R-1366.

**Disclosure is not a substitute for effective regulation**

Woodstock believes that the Board's proposal on open-end credit reduces rather than increases protections for consumers from open-end credit lines. Rather than weakening disclosure, the Board should be mandating disclosures at least as effective as those proposed for closed-end credit. Finally, we believe that disclosure alone is not a substitute for effective regulation of both the closed- and open-ended credit markets, including prohibiting unfair, unsustainable, deceptive, or discriminatory practices where appropriate.

Sincerely,



Tom Feltner  
Vice President

TF/bab