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CUNA MUTUAL GROUP
CUNA Mutual Insurance Society

December 23, 2009

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

RE: Regulation Z: Docket No. R-1366

Dear Ms. Johnson:

Thank you for the opportunity to submit comments on behalf of CUNA Mutual Group and our credit union customers. We recognize and appreciate the Board's extensive efforts to provide a thoughtful and comprehensive approach to closed-end home secured transactions.

CUNA Mutual Group provides a broad range of insurance and related financial services to credit unions and their members within the United States and internationally. Under the trademark of LOANLINER®, CUNA Mutual supplies consumer, credit card, real estate and home equity lending documents to almost 6500 credit unions. In addition, approximately 90% of all credit unions are covered by an insurance product sold by CUNA Mutual to protect credit unions for loss due to inadvertent non-compliance with federal consumer disclosure laws including the Truth in Lending Act (TILA). Our comments are based on our extensive knowledge and experience working as recognized compliance experts within the credit union system.

1) Overall Approach

CUNA Mutual Group applauds and agrees with the staff's approach of making the HELOC disclosures parallel, as much as possible, the regulatory approach to open-end lending plans. Such a parallel approach makes disclosures more understandable across product types for consumers and lenders alike. It can help with difficult and expensive information and data processing systems needs in such areas as periodic statements and change-in-terms notices. We believe the staff has done a good job of paralleling the format and contents of disclosures to make the HELOC disclosures and other open-end disclosures as similar as is possible, taking into consideration the real differences caused by dwellings being used as collateral for HELOC plans.

2) Reduced Credit Availability

CUNA Mutual Group, as the leading provider of compliant lending documents to credit unions is in a rare position to comment on the proposals the staff is making regarding HELOC lending programs. CUNA Mutual Group provides HELOC documents to over 2,000 credit unions. A large proportion of credit unions making HELOC's available to their members use CUNA Mutual Group's LOANLINER home equity lending system. As such, we see the types of home equity lending plans credit unions make available to their members and our compliance staff receives thousands of calls from credit union staff regarding their compliance and operational issues regarding HELOC plans. This deep experience in HELOC lending issues with credit unions goes back before 1980. It includes the last major change to HELOC plans, in 1989.

Based on that deep and long experience with credit union HELOC plans, CUNA Mutual Group is very concerned changes regarding suspension of further advances or reduction to credit limits contained in such sections as Commentary 226.5b(f)(3)(i) and (iii) will cause credit unions to limit credit to consumers. The nature of HELOC plans is that they must have some length to them, if anything to allow for a "reasonable expectation of repeated transactions". However, what CUNA Mutual Group saw with the 1989 rules was that credit unions (and other lenders) significantly reduced the length of draw periods and credit limits. It is inevitable that the proposals will have exactly the same effect. In the current and likely economic environment, such reduction in lending availability to borrowers is not in the best interests of lenders or borrowers.

CUNA Mutual Group urges the staff to reconsider and withdraw the proposal for additional restrictions on a lender's ability to make rational decisions regarding advances and credit limits. Strong protections from arbitrary decisions are already in place. The additional restrictions remove too much discretion from the lenders. As we have seen, credit unions will likely mitigate that risk by reducing credit limits and shortening draw periods, making HELOCs less attractive and useful for the borrower.

Thank you for this opportunity to comment on this proposal. We welcome the opportunity to visit further with the Board about suggestions included in this letter. Questions about our comments may be directed to William M. Klewin, Associate General Counsel, at 608-231-7009.

Respectfully Submitted,

William M. Klewin
Associate General Counsel
CUNA Mutual Group