



Credit Union National Association

[cuna.org](http://cuna.org)

601 Pennsylvania Ave., NW | South Building, Suite 600 | Washington, DC 20004-2601 | PHONE: 202-638-5777 | FAX: 202-638-7734

February 1, 2011

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

Submitted via email to: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

Re: Docket No. R-1399 and RIN No. 7100-AD59 under Regulation Z  
(Consumer Credit Transactions)

Dear Ms. Johnson:

This comment letter represents the views of the Credit Union National Association (CUNA) on the Federal Reserve Board's (Board's) proposal under Regulation M to increase the threshold for exempt consumer credit transactions as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) effective July 21, 2011. By way of background, CUNA is the largest credit union advocacy organization in this country, representing approximately 90 percent of our nation's 7,600 state and federal credit unions, which serve more than 93 million members.

CUNA generally agrees that the Board's approach to increase the threshold for exempt consumer credit transactions under Regulation Z is consistent with the new statutory requirement. However, we do not support certain changes to the staff commentary beyond the scope of the threshold increase, which are not necessary and will impose additional compliance and continuous monitoring costs. In addition, we urge the Board to minimize the rule's compliance costs, particularly for small credit unions.

The Dodd-Frank Act amended the Truth in Lending Act (TILA) by increasing the threshold for exempt consumer credit transactions from \$25,000 to \$50,000 effective July 21, 2011. In addition, the threshold must be adjusted annually by any increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers beginning January 1, 2012.

Specifically, the Board proposes comment 3(b)-2 to clarify that an open-end credit transaction would qualify for the exemption if it is either an initial extension of credit or a firm commitment in excess of the threshold at account opening. In contrast to the current commentary, the proposed comment would also require funds for an initial extension of credit to be advanced at account opening.



OFFICES: | WASHINGTON, D.C. | MADISON, WISCONSIN

It is not necessary to require an initial extension of credit to be advanced at account opening. The current commentary which allows funds to be advanced after account opening is more flexible and does not add to the uncertainty of whether an open-end credit transaction is exempt at account opening. We urge the Board not to adopt this requirement.

In addition, proposed comment 3(b)-2.iv provides guidance regarding the effect of subsequent changes to an open-end account or the threshold on the exemption status.

We are concerned with the proposed requirement that an exempt firm commitment must continue to exceed the current threshold to maintain the exemption. This will result in continuous monitoring costs for transactions that have already been determined to be exempt. Instead, we believe that once a firm commitment exceeds the threshold at account opening, the loan should remain exempt, as the Board is proposing under Regulation M for consumer leases.

Further, the proposed comment for a subsequent extension of credit will likely result in additional monitoring costs because a lender would have to monitor any subsequent extension of credit in addition to the firm commitment throughout the term of the loan and the thresholds.

The Board proposes to clarify that a closed-end loan would qualify for an exemption based on either an extension of credit or a loan commitment at consummation in excess of the threshold, regardless of subsequent changes in the threshold or account balance. We believe these are useful clarifications.

Lenders are required to retain evidence of compliance for 24 months and the regulation does not specify types of records that must be retained. We urge the Board to clarify these compliance requirements, taking into consideration the impact of these recordkeeping requirements in particular.

Thank you for the opportunity to comment on this proposal. If you have any questions concerning our letter, please feel free to contact Senior Vice President and Deputy General Counsel Mary Dunn or me at (202) 508-6733.

Sincerely,

A handwritten signature in blue ink that reads "Dennis Tsang". The signature is written in a cursive, flowing style.

Dennis Tsang  
Regulatory Counsel