League of Southeastern Credit Unions

December 22, 2010

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

Re: Proposed Rule – Revisions to Regulation Z – Docket No. R-1390

Dear Ms. Johnson:

The League of Southeastern Credit Unions (LSCU) recognize the efforts being made to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that require the combination of the disclosures currently required under the Truth and Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA). We are pleased to learn that the Federal Reserve Board (Board) is coordinating with the Treasury Department and the developing Consumer Financial Protection Bureau (Bureau) to ensure the transition of consumer protection regulation to the Bureau will be handled smoothly. By way of background, the LSCU is a credit union trade association in the Southeast representing approximately 300 credit unions in Alabama and Florida, which serve over 6 million credit union members.

LSCU and its affiliate members are extremely concerned with the Board's current approach to amending Regulation Z, the rule that implements TILA. This is of particular concern to our membership since this Act will be primarily under the Bureau's purview starting in July of 2011. Our member institutions are facing significant financial costs and burdens associated with the implementation of these revisions, which are compounded when the Department of Treasury and the new Bureau proceed with similar efforts to integrate the new and revised disclosures.

An example of our concerns about the increasing burden on credit unions can be found in the Board's recent interim final rule concerning credit protection provisions. We are very concerned with the Federal Reserve Board's recent proposal that will mandate specific disclosures for payment protection products, including credit life, credit disability, and debt cancellation and debt suspension coverage. Credit unions have always supported fair, accurate, and appropriate disclosures for members who purchase credit insurance and debt cancellation and suspension products. However, these proposed disclosures misrepresent the purpose and value of payment protection products to credit union

members. In the view of many of our members, "The Federal Reserve changes to Regulation Z relative to credit insurance and debt cancellation products are completely inappropriate." The disclosures required under the interim final rule impose significant burdens on credit unions without providing any corresponding benefit to consumers. Again, according to one League member "The proposed disclosures themselves were written by someone who does not believe in the value of insurance or understand it. Questions such as "Do I need this product?" with an answer suggesting you may not need it depending on other insurance you have, are extremely uninformed."

We urge the Board to reconsider implementation of such disclosures and allow state insurance regulators to address issues involving these products. If revisions are warranted, we urge the Federal Reserve Board to work toward change that will reflect fair, accurate and objective information about these payment protection products. In our view however, the Board's Regulation Z rulemaking process hinders current efforts to combine the TILA and RESPA disclosures to the benefit of all involved.

Let me be clear. The proposed insurance product disclosures seem based on a presumption of ill-intent by the credit union selling the policy. The wording of the proposed disclosure seems to assume that the credit union selling the policy may do so regardless of the borrower's eligibility to receive benefits. Absent some showing of this practice being prevalent in credit unions, this proposal will do significant harm to the ability of credit unions to insure loans, without any corresponding showing of a need for such a disclosure. Not only does these proposed disclosures give credit union members the view that their credit union is likely to defraud them, it may well convince them to not purchase a product that could be of significant benefit to them should an unforeseen circumstance inhibit their ability to pay the loan back. This endangers the financial position of both the member and the credit union. If a credit union is found to be knowingly selling insurance to ineligible borrowers, the National Credit Union Administration (NCUA) can take other administrative remedial action. But to force all credit unions to provide these proposed disclosures is misguided, harmful, and wrong.

In the past several years, a seemingly endless string of changes to the Regulation Z disclosure rules as well as numerous other consumer protection regulations have been issued by the Board. These efforts have coincided with numerous other regulatory burdens imposed by the other federal agencies. In the past three years, credit unions have been forced to address economic challenges not seen in over 50 years. In this environment, institutions have been subjected to new, and very significant operating requirements that have impacted mortgage lending, credit cards and other types of open-end lending, internet gambling, the Bank Secrecy Act, the Fair and Accurate Credit Transactions Act, gift cards, overdraft protection plans, student loans, credit insurance, debt cancellation products, and accounting.

Implementation of any one of these changes would be challenging to most credit unions, but constant change in each of these areas is a major burden to medium and large credit unions and almost insurmountable to smaller financial institutions, a significant number of which have very limited staff with multiple responsibilities. The non-stop issuance of regulatory amendments has made it extremely difficult for credit unions to monitor and prepare for the burdens of these and other new rules issued over the past several years, as

well as a variety of new rules now required under the Dodd-Frank Act. Under the Dodd-Frank Act new rules now include revised limitations on interchange fees, additional collection requirements on consumer loans, new disclosures under TILA and RESPA, additional disclosure requirements for remittances, and new Home Mortgage Disclosure Act reporting requirements.

In light of the economic climate present today, we urge the Board to suspend its current rulemaking activities with regard to Regulation Z in order to better coordinate these efforts with the Department of the Treasury and the Bureau as it moves forward with the process of combining the consumer disclosures under TILA and RESPA. This includes the proposal issued last year that would completely revise the TILA disclosures for both closed-end mortgage loans and for home equity lines of credit, as well as the mortgage loan proposal issued recently that would revise the rescission rules, amend the disclosure rules for reverse mortgages, and would impose a number of other restrictions on lenders.

In addition, numerous other rules are scheduled for implementation under the consumer protection provisions of the Dodd-Frank Act. LSCU is concerned that implementation of these provisions will be inconsistent with the Board's current rulemaking efforts and will be costly, burdensome and counterproductive to credit unions and confusing and expensive to consumers. LSCU considers a suspension of Regulation Z rulemaking beneficial to credit unions in avoiding unnecessary compliance burdens and to confused consumers who remain baffled about the dizzying number of changes. In 2009, final rules were issued by the Board that amended the Regulation Z open-end lending rules and these included new rules that applied to credit cards. Months later, Congress enacted the Credit Card Accountability, Responsibility, and Disclosure Act of 2009 (CARD Act). This Act imposed similar, but not identical, changes to credit card rules. The resulting confusion and costs associated with the Act created a titanic struggle for credit unions to reconcile and comply with the changes and the series of rules issued later under the CARD Act.

Finally, the LSCU urges the Board to be mindful of the intent of Congress that the Dodd Frank Act ensures regulatory burdens be reduced to the extent feasible. The Act should serve to ensure that "outdated, unnecessary or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens" and this intent should apply to rules that will transfer to the CFPB in 2011, including Regulation Z. As we have stated, we believe that suspending current Regulation Z rulemaking and withdrawing the recent MDIA interim rule will accomplish the objectives present in the Dodd-Frank Act.

Thank you for the opportunity to comment on this important issue for credit unions. We appreciate your consideration of our views and those of our members.

Sincerely,

Patrick La Pine
President/CEO