NORTHWEST CREDIT UNION ASSOCIATION

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July 22, 2011

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

Subject: Northwest Credit Union Association Comments Regarding Proposed Rule, Regulation Z: Truth in Lending, Docket No. R-1417; RIN No. 7100-AD75

Ms. Johnson:

The Northwest Credit Union Association is grateful for the opportunity to address this proposed rulemaking updating the Truth in Lending Act as prescribed under the Dodd-Frank Act. The Association represents the 4.2 million credit union members belonging to 193 credit unions in Oregon and Washington.

We understand that this proposal and comments will be transferred to the Consumer Financial Protection Bureau (Bureau) to be finalized and implemented.

General Comments
The proposed regulation makes many common sense changes to mortgage lending practices and requirements. While we support many of the changes we caution the Bureau in implementing this proposal that potential borrowers not be excluded from the housing market altogether. Ensuring access to the American Dream while making sensible lending decisions is a key balance that needs to be struck when making such proposals.

The majority of credit union's lending practices already approach compliance with these regulations. As member-owned not-for-profit organizations, credit unions are guided by the needs and wants of their members. Because of this cooperative nature, credit unions have little incentive to practice risky or predatory lending.

The Association supports requiring all lenders to follow such standards. However, we urge caution in over-regulating and increasing the compliance burden for small lenders. Credit unions have already seen, and know to anticipate, additional changes to mortgage lending practices in the near future and ask that the Bureau consider the extensive burden credit unions face in keeping up with changing regulations. As many of these regulations have been issued piecemeal, our members find themselves in a constant state of updating forms, disclosures, terms, staff training, and processes.

"Qualified Mortgage"
The proposal outlines two alternative definitions of a "qualified mortgage" under which a creditor may make a mortgage loan. The Association supports "Alternative 1"providing a safe harbor rather than "Alternative 2" which would provide a rebuttable presumption of

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compliance. The safe harbor alternative provides creditors with more definitive guidelines and a path to confidently follow in determining what is a qualified mortgage loan with limited legal exposure while “Alternative 2” does not add any additional protections.

Special accommodations
In offering a qualified residential mortgage, income and assets must be verified by a third party. Credit unions and small lenders serve diverse populations where this information is not always verifiable - such as with self-employed borrowers. The Association supports the broad definition of “third party records” to be used as verification to include “a document prepared or reviewed” by a third party, a tax return, and a borrower’s account held by the creditor or another institution. In addition we support the staff commentary allowing consumers to orally verify their employment status.

Unduly tightening these requirements would push some well-qualified borrowers out of the market entirely because of their non-traditional income. Credit unions are often seen as more flexible lenders, willing to take a closer look at borrowers rather than simply passing their information through a one-size-fits-all process. This allows creditors and borrowers the flexibility needed when making loans where eligibility is not always clearly defined.

Rural and underserved areas
The Board’s definition of “rural” and “underserved” areas is inconsistently narrow when compared to other federal agencies, including National Credit Union Administration (NCUA) definitions of “underserved areas” and “rural districts”. We would ask that the Bureau, in finalizing this proposal, utilize the broader and more commonly used definitions such as those outlined by the NCUA or Department of Agriculture. These definitions, being more inclusive of truly underserved areas, more closely address the needs of consumers in those areas. Allowing flexibility for lenders helps them to better serve these populations. Meaningful adjustments, such as allowing balloon payments, help ensure access to affordable loans in those areas.

Conclusion
Overall the Association appreciates the intent of the Board in developing this regulation and the requirements issued by Dodd-Frank under which it worked. We support the broad application of consistent and high-quality mortgage lending practices throughout the industry.

Once again we ask that the Bureau, in consideration of these comments, look at the overall compliance burden being placed on small institutions. The President recently requested agencies to review regulations and make changes that would “make the agency’s regulatory program more effective or less burdensome in achieving the regulatory objectives.” The Association fervently supports this ideal and looks forward to working with the Bureau as this process is undertaken.

We would be pleased to answer any questions you may have.

Kind Regards,

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Northwest Credit Union Association