

From: "Brian Akin" <bakin@ngcu.org> on 09/24/2007 12:40:04 PM

Subject: Truth in Lending

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September 24, 2007

Federal Reserve Board Comment

Dear Federal Reserve Board Comment:

We strongly object to the proposed changes that would severely curtail the ability of credit unions to use multi-featured, open-end lending plans. These changes address a problem that does not exist and will require credit unions to undergo significant expenses. The disclosures currently provided under these plans are sufficient and provide members with the information they need on a timely basis.

- For the proposed changes to the application and solicitation disclosures, we agree that the table format and 10-point font size may be easier for consumers to understand. However, we recommend several changes to reduce the redundancy of certain terms that are described. As for disclosing possible annual percentage rates (APRs) that may apply, we do not believe listing only the highest possible APR would be appropriate, as consumers may very likely believe this would be the APR that would apply to them.
- Many of our comments on the proposed application and solicitation disclosures also apply to the proposed account-opening disclosures. In addition, financial institutions should have the flexibility to amend and reduce these disclosures since much of this information may also be in the cover letter that is provided to consumers when the account is opened. We also believe that the model account-opening disclosures and the application and solicitation disclosures should be identical, as opposed to substantially similar, as this will reduce confusion for both consumers and financial institutions who choose to use these model disclosures.
- We support the Board's proposal to provide additional information on credit cards on its website. We provide a number of suggestions for the specific information that should be provided. This includes information based on the specific needs of certain individuals and information on the various types of card issuers, such as credit unions.
- We strongly support eliminating the requirement to disclose the "effective" APR on the periodic statement, which is the APR that incorporates certain fees and costs. The effective APR is confusing and difficult for consumers to understand, since it may vary greatly from month-to-month and may significantly differ from the interest rate that has also been disclosed to the consumer. However, we do agree that the dollar amount of these fees and costs should continue to be disclosed. CUNA also supports eliminating the requirement to disclose the periodic rate.
- With regard to the proposed periodic statement model form, the Board's

consumer testing seems to indicate that grouping transactions by type, such as purchases, cash advances, balance transfers, fees, and interest, is easier for consumers to understand. However, credit unions have generally been grouping transactions chronologically and have heard very few complaints from their members with regard to this format.

- With regard to the proposal that will include information on the effects of making minimum payments, as required under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (Bankruptcy Act), creditors should be permitted to describe this information as a "good faith" estimate, or similar terminology, since it is based on assumptions that may or may not apply in each specific situation. We also support the flexibility provided under the proposal that will allow creditors to bypass certain requirements if they provide actual repayment information on the periodic statement or through the toll-free telephone number, instead of the required hypothetical repayment information.

- We support the proposed change that would require a 30-day advance notice before changing certain terms of an open-end credit plan, instead of the current 15-day requirement.

- We generally support the changes that will apply to electronic application and solicitation disclosures. We also agree there may be instances when consumer consent may not be necessary for certain electronic disclosures, such as the disclosure of fees when the consumer is making payments online.

- We support the additional guidance that is provided for debt suspension coverage, which is comparable to the guidance for debt cancellation coverage.

- Because this proposal incorporates the most extensive and comprehensive changes to the Regulation Z open-end rules since the early 1980s, credit unions and others should be given a significant amount of time to prepare for these changes. For this reason, mandatory compliance should not be required until at least two years after these changes are issued in final form.

Sincerely,

Brian K. Akin