

FLORIDA CREDIT UNION LEAGUE, INC.



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October 10, 2007

Jennifer J. Johnson  
Secretary, Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington D.C. 20551

Submitted VIA <mailto:regcomments@FederalReserve.gov>

Comments on Notice of Proposed Amendments to Regulation Z, (Open-end Credit) Docket # R-1286

Dear Ms. Johnson:

The Florida Credit Union League, Inc. (FCUL), representing approximately 170 of Florida's credit unions, appreciates the opportunity to offer our comments on the Federal Reserve Board of Governor's (FRB) action to amendment or issue regulations. The FCUL is always glad to be able to participate and represent the opinions of the Florida credit union community.

The FCUL and its member credit unions support the FRB's efforts to review and amend current regulations in order to enhance consumer understanding and assist financial institutions, including credit unions, in properly meeting regulatory requirements.

The FCUL polled our associated credit unions on the FRB's proposal and have considered and discussed the proposal and its intended and unintended consequences with credit union personnel as well as with the Credit Union National Association (CUNA) and other state trade associations. We hope the concerns addressed in this letter will assist the FRB in reaching in a decision that will not only

Jennifer J. Johnson, Secretary  
October 8, 2007  
Page 2

benefit consumers but one that will, also, not unduly burden financial institutions which are currently striving to meet the needs of average American consumers as well as striving to provide them with timely and convenient credit services.

### FCUL Concerns and Comments

- We have concerns with the FRB's proposal to require closed-end disclosures for certain advances such as "automobile loans" that many credit unions currently offer under a multi-featured, open-end lending plan. The FRB's current proposal would require many credit unions to either abandon such plans or offer additional lending plans and services to the same individual. This would necessitate credit unions to incur significant expenses in order to comply with such requirements. Expenses which might include: design and acquisition of additional forms such as: notes, disclosure statements and security agreements, etc.; purchase or modification to current hardware systems and associated software; as well as personnel expense increases for training and possibly increased personnel needs.  
This would also inconvenience consumers who would be required to make additional trips to apply for affected credit, complete additional applications, be subject to additional credit check and their associated fees and most likely pay higher interest rates that will be charged to cover increases in providing such service.  
This proposed change address's a problem that does not currently exist and where credit union members are justly satisfied with existing services. It will require credit unions to undergo significant expenses which will be passed on to consumers. The current disclosures provided under these multi-feature plans are certainly sufficient and provide consumers with the clear and applicable information they need in order to make a competent decision in a timely manner, as well as the ability to rely on ongoing credit availability.
- The FCUL agrees with the proposed changes to the application and solicitation disclosure and the table format; 10-point font size may be easier for consumers to see and understand. When disclosing the possible annual percentage rates (APRs) that may apply. The FCUL does not agree with the proposal to list only the highest possible APR. We believe that to do so would be confusing to consumers, and may misrepresent the probable charges that would apply.
  - These comments are also applicable to the proposed account-opening disclosures
  - We believe that credit unions as well as all other financial institutions should have the flexibility to amend and reduce these disclosures when the disclosure is provided elsewhere.

Much of this information is often provided in cover letters provided to credit union members or other consumers when an account is opened.

- We believe that the model account-opening disclosures and application and solicitation disclosures should be identical, as opposed to substantially similar. We think that this will reduce confusion for both consumers and financial institutions that choose to use these model disclosures.
- The FCUL supports the FRB's proposal to provide additional information on credit cards on its website. This should include information based on the specific needs of certain individuals and information on the various types of card issuers, such as credit unions.
- The FCUL strongly supports the FRB's proposal to eliminate both:
  - the requirement to disclose the "effective" APR on the periodic statement (the APR that incorporates certain fees and costs), The effective APR is confusing and difficult to understand, because:
    - it may vary greatly from month-to-month, and
    - it 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.
  - the requirement to disclose the periodic rate.The FCUL encourages the FRB to retain these exemptions in its final rule.

- The FCUL has concerns regarding the FRB's proposed periodic statement model form. The FRB's consumer testing that grouping transactions by purchases, cash advances, balance transfers, fees, and interest, is easier for consumers to understand. However, credit union's experience does not yield the same results. Credit union members seem to prefer transactions to be listed in chronological order. Credit unions have, generally, used this chronological format for years and is has been widely accepted by credit union members, who have made few, if any, complaints regarding the format. We believe a change in the statement format would lead to confusion and misunderstandings.
  - We believe financial institutions should have the option of using a chronological listing format, as long as the purpose/type of each transaction is prominently and clearly noted.
- We support the FRB's proposed change increasing the 15 day advance notice requirement before a lender might change certain terms of an open-end credit plan. However, we certainly believe that a 30 day notice is more than sufficient and believe that 45 days is far too long and does not provide financial institutions with the ability to properly respond to quickly changing market conditions. This ability to respond to changing markets is a basic underlying principle for most open-end credit plans.

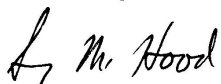
Jennifer J. Johnson, Secretary  
October 8, 2007  
Page 4

- We support the FRB's proposed changes to electronic application and solicitation disclosures. We agree that there are instances when consumer consent may not be necessary for certain electronic disclosures, such as the disclosure of fees when the consumers make online payments.
- The FCUL supports the additional guidance provided for debt suspension coverage, which is comparable to the guidance for debt cancellation coverage.
- The FCUL does not support the requirement for maintaining a toll-free number to provide consumers with more information from the creditor as to how the balance and finance charges are determined. We believe that this information has already been clearly provided and identified.
  - This requirement should be an option.
  - If a consumer needs additional information, they may contact the lender in person, over the normal telephone system, my mail or by electronic means.
  - This service would be rarely used and its benefit very limited.
  - Direct and indirect cost to provide such service is unwarranted and presents an unnecessary burden on the provider.

This proposal incorporates extensive and comprehensive changes to the Regulation Z open-end rules. This is the most significant change to these rules in many years, and will require significant lead time so that credit unions and other lenders may make necessary changes to materials and equipment and provide personnel with proper training in policies and procedure changes necessary for implementation. Therefore we are recommending a lead time of not less than 24 months. If this is not acceptable, we would recommend a required compliance date of not earlier than the 31<sup>st</sup> of December of the first full year following the publication of the final rule. (For example if the final rule is published in July of 2008, the required compliance date would be not earlier than December 31, 2009.)

Thank you for allowing us to share our comments. We always appreciate the FRB's Board's decision to give financial institutions, associations and others an opportunity to participate in the regulatory process. We hope the FRB finds our comments useful in evaluating their action on this proposal.

Sincerely Yours,



Guy M. Hood, President/CEO  
Florida Credit Union League, Inc.

cc: Mary Dunn, Associate General Counsel CUNA