SPOKANE MEDIA FEDERAL SMF CREDIT UNION

September 21, 2007

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

RE: Proposed changes to Regulation Z, Docket R-1286

Dear Ms. Johnson,

Spokane Media Federal Credit Union is a federally chartered credit union and serves members of the Media in Spokane, WA. We have 1285 members and around 7and ½ million in assets. SMFCU appreciates the opportunity to comment on the Federal Reserve Board's proposed regulations changing the requirements for open-ended lending under Regulation Z.

As the CEO of SMFCU I have a major concern with the Board's proposed regulations, as does my volunteer Board of Directors. The Board of Governors redefinition of open-ended credit will have a major negative impact on us. This type of plan has become standard practice, and has been in place in our credit union for over 10 years.

Credit unions are not-for-profit financial institutions whose primary mandate is to serve their members. This means that credit unions offer quick turnaround, convenience, and low rates to their members who borrow money. Open-ended lending minimizes application paperwork because the member need only fill out one application, and need make only one visit to the credit union for an advance. Additionally, because the credit union already has the member's information, turn around time for each request is minimal. Credit union loan rates have consistently been shown to be less than those of other lenders.

The Board's changes will significantly hamper our ability to serve our members. In addition to the high costs of switching to a closed-end program (which include IT systems, loan forms, internal processes, training, and data processor conversions), we will no longer be able to provide the convenient one stop, automatic loan funding that members expect. The quick turnaround time will also be gone. This could potentially eliminate one of our competitive advantages in the loan market, and make it more difficult to serve our members well.

The proposed regulations deal in detail with the Board's reasoning in proposing this change, but nowhere in that reasoning is a specific harm identified, much less a significant one. There is no information about credit union members paying higher rates, nor anything about purchasing unnecessary financial products. There's nothing about higher default rates, or member dissatisfaction.

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Since there is no identified harm, and multi-featured open-ended lending plans are integral to SMFCU's lending programs, I would encourage you to seek a better solution.

One such solution would be a compromise. Allow current open-end lenders to keep the benefits of its multi-featured open-ended loan plans, but add additional disclosures for those advances that are individually underwritten. These disclosures could mirror those required under closed-end lending. They would therefore provide consumers with fuller information, and address the Board's concern, but because our lending plan would not be dismantled entirely, we could continue to serve members as we currently do.

I appreciate the opportunity to comment on the Board's changes to regulation Z. Thank you for your time and consideration.

Sincerely,

DJ Keesee

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