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February 9, 2009

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

Re: Proposed Changes to Regulation Z

Dear Ms. Johnson,

The Georgia Credit Union League (GCUL) appreciates the opportunity to comment on the Federal Reserve Board's (FRB) proposal to revise the Regulation Z disclosure requirements for mortgage loans. The revisions implement provisions of the Mortgage Disclosure Improvement Act (MDIA), which was enacted this past July and amends certain provisions of the Truth in Lending Act (TILA). As a matter of background, GCUL is the state trade association and one member of the network of state leagues that make up the Credit Union National Association (CUNA). GCUL serves approximately 173 credit unions that have over 1.7 million members. This letter reflects the views of our Regulatory Response Committee, which has been appointed by the GCUL Board to provide input into proposed regulations such as this.

GCUL's Position

GCUL commends the FRB for its ongoing review of Regulation Z. As processes and circumstances within the financial services industry have changed over the years, the need for intermittent review of regulations is both healthy and necessary. However, we encourage the Agency to ensure consistency and uniformity among (and within) regulations where possible, while ensuring that undue burdens on financial institutions are avoided. The challenge lies with ensuring adequate information and education are provided to the consumer without subjecting financial institutions to unnecessary requirements that only serve to confuse the borrower and/or add unnecessary expense to those providing credit. A review of our analysis follows.

Applicability to HELOCs

The MDIA requires creditors to mail or deliver good faith estimates of mortgage loan costs within three business days after receiving the application for the loan and before any fees are collected, other than a reasonable fee for obtaining a credit report. Creditors must wait at least seven business days after they provide the early disclosures before closing the loan. For these

provisions, “business days” are defined as any day in which the lender’s office is open for business. These early disclosure provisions are consistent with the FRB’s recent final rule that amends the Home Ownership Equity Protection Act (HOEPA), which imposes this requirement for the consumer’s primary home, although the MDIA now broadens this requirement to include all dwellings, such as second homes. These requirements will apply to refinancings and home equity loans, but will not apply to home equity lines of credit (HELOCs), which are considered “open-end” loans and not subject to these provisions of TILA and Regulation Z. While it is true that many credit unions voluntarily adhere to these guidelines for HELOCs, the MDIA does not apply to these loans and therefore, we would suggest that that process remain voluntary. In our view, to apply the same requirements when not mandated by the Act, the FRB would be implementing a process in which the potential costs to financial institutions would outweigh any potential benefit to consumers.

Corrected Disclosures

Under the proposal, creditors must provide corrected disclosures with a revised annual percentage rate (APR) if there are any changes that result in the APR being inaccurate beyond certain tolerances, which will generally be 1/8 of 1 percent. These disclosures must be received at least three days before the loan closing, and the consumer will have been considered to have received these disclosures three business days after they are mailed by the lender. For these corrected disclosure provisions, “business days” are defined as all days except Sundays and specific Federal public holidays, which differs from the definition that applies to the provisions described above for providing early disclosures. This is an example of where we believe consistency and uniformity are necessary. We believe the FRB should ensure consistency regarding the definition of “business days” throughout the Regulation.

Additionally, we suggest that the trigger point at which financial institutions have to re-disclose should be based on the difference between the rate and the APR. For example, suppose the loan begins at 5.00%, and with closing costs the APR is 5.25%. If the rate changes due to the loan-to-value (i.e. the appraisal comes back and the appraised value is different from what the member estimated), then the rate may move to 5.25% and the APR to 5.50% (representing the closing costs). The difference between the two (rate versus APR) is still 25 basis points. Yet, the APR to APR has increased more than 1/8 of one percent. This is not uncommon in the current environment, as housing values have declined across the country and consumers believe their home is worth more than the market bears. As proposed, the rule would require many lenders to re-disclose many loans of their loans.

Waiving the Timing Requirements

With regard to the seven-day and three-day timing requirements, as described above, the proposed rule will allow a consumer to modify or waive the timing requirements for the loan closing if due to a bona fide personal financial emergency that must be satisfied before the end of the waiting period. An example may include an impending foreclosure. However, accurate disclosures must be provided at or before the time these requirements are modified or waived. In these situations, the consumer must give the lender a dated, written statement describing the emergency. All consumers entitled to receive the disclosures must sign this statement and printed forms will not be permitted. Whether the emergency exists will be determined based on

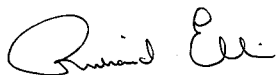
the facts surrounding the individual circumstances. We support this process as it provides the borrower with as much flexibility as possible.

Added Disclosure

Under the proposal, both the initial disclosures and corrected disclosures must include the following statement: *“You are not required to complete this agreement merely because you have received these disclosures or signed a loan application.”* We do not support the addition of this requirement. In our opinion, the addition of this disclosure does not provide a benefit the consumer, but does add considerable expense to financial institutions. We would encourage the FRB to delete this requirement.

Thank you for the opportunity to comment on the proposal to amend the disclosure requirements for mortgage loans under Regulation Z. If you have questions about our comments, please contact Cynthia Connelly or me at (770) 476-9625.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard Ellis". The signature is fluid and cursive, with the first name "Richard" and last name "Ellis" clearly distinguishable.

Richard Ellis
Vice President/Credit Union Development
Georgia Credit Union League