



## NORTH CAROLINA CREDIT UNION LEAGUE

*Committed to helping credit unions succeed*

December 23, 2009

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

RE: Docket No. R-1366 – Proposed Rule on Closed-End Lending

Dear Ms. Johnson:

On behalf of the North Carolina Credit Union League (NCCUL), I am writing in response to the recently issued proposal implementing new changes to the closed-end mortgage rules under Regulation Z, the Truth in Lending Act. In general, we support the intent of the Federal Reserve to establish simple, conspicuous and transparent disclosures. Further, we recognize the value in highlighting potentially risky mortgage features for consumers and preventing loan originators from steering consumers to more expensive loans. However, NCCUL is concerned with specific portions of the proposed rule and the potential for unintended problems for the consumer. As the association representing 98 North Carolina credit unions with a membership base of 3.1 million people, please consider our comments to the issues raised.

### Implementation of Proposed Disclosures

Changes to the format, timing, and content of disclosures for the four main types of closed-end credit information governed by Regulation Z are proposed: (1) disclosures at application; (2) disclosures within three days after application; (3) disclosures three days before closing; and (4) disclosures after closing. As a result of these comprehensive changes to the existing disclosure framework, credit unions and other lenders will undergo major modifications to their lending programs as well as compliance, training, core processing and software systems. At a minimum, the implementation period should be 18-24 months giving credit unions considerable time to prepare both financially and operationally for these and other significant changes to Regulation Z.

### Added Disclosures

Our credit unions believe the purposes behind the Truth and Lending Act and the Real Estate Settlement Procedures Act may be better affected by requiring less rather than more disclosures. It is their experience that borrowers often do not read the voluminous disclosures required by Regulation Z and providing an initial disclosure at application and one at settlement is sufficient. We applaud your efforts to replace the lengthy Consumer Handbook on Adjustable-Rate Mortgages at application with the one-page Board publication entitled "*Fixed vs. Adjustable Rate Mortgages.*" However, we urge you to make this a requirement when the borrower is only applying for an adjustable rate mortgage.

The disclosures that are required within three days of application, involving an APR graph comparing a borrower's credit score to their rate, will be exceedingly difficult to implement. This requirement would add new costs for credit unions as it would necessitate the purchase of a software system capable of pulling figures for prime loans and higher priced loans on a weekly basis to populate the APR graph. Contrary to the purpose of this additional disclosure, the vast majority of home buyers already understand their credit score's impact on the cost of credit which leaves our credit unions skeptical that adding more disclosures will produce any tangible benefit for the consumer. NCCUL encourages the Board to reexamine the new annual percentage rate graph disclosure envisioned by this proposal.

Mandatory Three Day Waiting Period

NCCUL is concerned by the proposal to require an absolute three day waiting period between when the consumer receives the TILA final disclosures and closing. While we understand the Board's attempt to protect borrowers from surprise costs at closing, such an inflexible rule simply exchanges one potential bad consequence for another. When the closing date falls within the mandatory three days, a seller could walk away from the transaction with a borrower's earnest money. We would recommend that the Board retain the existing exemption to the three day requirement for bona fide financial emergencies and add a new exemption for a consumer to waive the three day waiting period if it presented problems with the sales contract. This new exemption would clarify that loss of earnest money would qualify for an exemption.

NCCUL appreciates the opportunity to share its comments on the proposed revisions to Regulation Z.

Respectfully Submitted,



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