

June 13, 1996

David A. Jones
Vice President - Lending
Hartford Telephone Federal Credit Union
52 East Center Street
P.O. Box 2340
Manchester, CT 0604-2340

Re: Prepayment Penalties - Loan Incentives (Your May 9, 1996, Letter)

Dear Mr. Jones:

Hartford Telephone Federal Credit Union ("FCU") wants to waive the closing costs on first mortgage loans for borrowers who agree to forgo repaying their entire loan balance for two years. Borrowers that prepay their loans within two years would reimburse the FCU for the closing costs on a pro rata basis. You have asked whether the condition constitutes an impermissible prepayment penalty.

As described in the enclosed letter, the proposed condition is not a prepayment penalty. See Letter from Steven R. Bisker, Assistant General Counsel to James R. Brown, Esq., Brown and Brown, dated October 1, 1987. When the FCU waives the closing costs, it confers a benefit on the borrower. If the borrower repays his loan within two years and must reimburse the FCU for closing costs, the borrower has simply lost the benefit.

I hope that we have been of assistance.

Sincerely,

Richard S. Schulman
Associate General Counsel

GC/JM:bhs
SSIC 3500
96-0522

Enclosure