



Office of the President

August 7, 2008

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

Re: Docket # R-1316; Regulation V, FACT
Act Risk-Based Pricing Rule

Dear Ms. Johnson:

Navy Federal Credit Union provides the following comments in response to the Federal Reserve System's proposed rules to implement the risk-based pricing provisions in Section 311 of the Fair and Accurate Credit Transaction Act (FACT Act). Navy Federal is the nation's largest natural person credit union with over \$35 billion in assets and 3 million members.

Section 311 of the FACT Act (12 U.S.C. 615(h)) requires certain disclosures when a creditor uses a consumer report in connection with a loan. Navy Federal believes the statutory requirements provide little additional benefit for the vast majority of credit union members as most credit unions already provide full disclosures and extensive educational materials about their loans, credit reports, and credit practices in general. The additional notices will add incrementally to the cost of credit which not-for-profit credit unions must pass to their members as higher loan rates and fees. Notwithstanding, we believe the proposal generally represents a reasonable approach to implementing Section 311 of the FACT Act.

We appreciate the Agencies' recognition that users of consumer reports may need flexibility in deciding how to best provide notices required by Section 113. We believe the alternative methodologies for determining which consumers must receive risk-based notices are appropriate. However, we urge the Agencies to set the target threshold for receiving the risk-based notice at 40 percent rather than 60 percent. While the statutory word 'substantial' may be broadly interpreted, do not believe that borrowers in the top half of an institution's portfolio should receive the risk-based notice.

The exceptions to providing a risk-based notice described in proposed Section 222.74 are essential to the successful implementation of Section 311 of the FACT Act. Exceptions supported by Model Forms H-3 and H-4 are particularly important to effectively educating consumers about their credit scores. We strongly support retaining these forms and the associated regulations as proposed.

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Each of the proposed model forms that would provide safe harbor for users of consumer reports appears to be designed to be used as either a one-page or a two page document. As stand alone documents, we believe the model forms (except as noted in the next paragraph) will effectively convey the required statutory provisions to consumers. However, in actual practice the forms will be provided along with many other required disclosures and contractual agreements. The sheer volume of paperwork that must be provided to consumers in connection with their loans detracts from the effectiveness of each individual document. Consequently, we urge the Agencies to develop an optional set of safe harbor forms having more succinct formats that better balance costs and environmental concerns with consumer information and education.

Model Form H-1 contains the statement, "The terms offered to you may be less favorable than the terms offered to consumers who have better credit histories." While we generally support personalized disclosures, we believe the interpretation of this statement by consumers (i.e., *you*, compared with other consumers, receive less favorable rates) detracts from a positive credit experience. According to the Supplementary Information (73 FR 28968) the Agencies believe that including such a statement in the notice could encourage consumers to check their consumer reports for inaccuracies. However, we are confused by the justification as Model Form H-1 already includes the following just below the offensive statement, "It is a good idea to check your credit report to make sure the information it contains is accurate." We recommend the Agencies delete the offensive statement or, alternatively depersonalize the statement and convert it to a more positive tone such as, "Generally, consumers having better credit histories are offered more favorable credit terms."

Navy Federal appreciates the opportunity to comment on the proposed changes to Section 311 of the FACT Act. If you have any questions on our comments, please contact Mary Carter, Senior Policy Analyst & Compliance Officer, at (703) 206-3270.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Peden", written in a cursive style.

John Peden
Acting President