

From: Texas Credit Union League , Suzanne Yashewski
Subject: Electronic Fund Transfers

Comments:

March 30th, 2009

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

VIA E-Mail to: regs.comments@federalreserve.gov.
Re: Docket No. R-1343

Dear Ms. Johnson,

The Texas Credit Union League (TCUL) appreciates the opportunity to comment on the proposed revisions to Regulation E for Overdraft Protection Programs-Docket No. R-1343. The Texas Credit Union League is the official trade association serving nearly 600 federal and state credit unions and more than 7 million credit union members in Texas. This letter reflects the views of our member credit unions.

We support leaving the current system unchanged for credit unions, as the majority of credit union members are pleased with how the overdraft system works at their credit unions. Overdraft protection programs benefit credit union members by minimizing fees and avoiding embarrassment associated with insufficient funds.

As proposed, the amendments would require significant operational changes and reprogramming of operating systems which would be extremely burdensome and costly to credit unions regardless of whether the opt-in or opt-out options are adopted. Data processing systems do not currently support the requirements recommended by the proposal. If adopted, the proposal will require updates to core data processing systems and credit unions would incur additional development and programming costs to distinguish between accounts that do and do not permit overdrafts.

If required to choose between the opt-out and the opt-in options, Texas credit unions would strongly prefer the opt-out method. The opt-out option is consistent with member expectations and permits them to receive the service unless they determine that it does not suit their needs.

We can support providing customers the right to opt-out of the overdraft plan in its entirety if they so choose. However, we do not support a "partial opt-out" which would be an overwhelming burden for financial institutions to manage. The practical and technological difficulties involved in a partial opt-out of ATM and debit transactions while continuing to pay overdrafts on paper checks and ACH items far outweigh the benefit of a partial opt-out to members. The partial opt-out is likely to result in confusion for consumers and will result in the need for extensive explanations as to what is and what is not covered.

The proposed provision prohibiting the assessment of an overdraft fee if the overdraft would not have occurred but for a debit hold placed on funds in an amount exceeding the actual transaction would also be costly and burdensome for credit unions due to the fact that current technology does not provide for such a capability. Core data processing systems would have to be redeveloped and re-implemented increasing costs to credit unions and their members.

We agree that overdraft fees should not be imposed if it results from holds placed by merchants that exceed the amount of the transaction. However, as stated above, this proposal will create processing issues, especially since creditors have little control over the amount and timing of the holds that are placed by merchants. The real problem is between the merchant and its customer. We believe merchants will need to work closely with creditors to better disclose hold amounts and the duration of these holds in order to ensure consistency and transparency. If the Board chooses to implement the proposal, TCUL requests that an implementation period of 18-24 months be included to allow time for core data processing systems to be upgraded.

Thank you for the opportunity to comment on the proposed revisions to Regulation E.

Sincerely,

Suzanne Yashewski
Texas Credit Union League