

From: CountyCityCredit Union, Tom Pinnow
Subject: Reg Z - Truth in Lending

Comments:

July 30, 2009

Federal Reserve Board

Re: Credit Card Accountability, Responsibility and Disclosures Act of 2009 (Credit Card Act)

To Whom It May Concern:

Please help our 3,150 members. Our credit union pleads for immediate relief from the onerous and unintended consequences imposed by the Credit Card Act.

As a small credit union we do not yet offer credit cards. The credit card act, however, covers all forms of open end lending, not just credit cards. This is the rub. Our credit union offers three products affected by the Credit Card Act. Home Equity Lines of Credit (HELOC), Kwik Cash(KC) (a revolving line of credit accessed by visiting with a teller at the credit union) and a Multi Featured Open End Lending product that we call the Convenience Plus Loan Plan (CPLP) (it is a Loan Liner product from Cuna Mutual Insurance.)

When someone makes a new advance under our HELOC or KC plan they receive a notice that states their new payment amount. The due date does not change, so they know what the due date is for the term of the loan.

The CPLP requires the borrower to sign a loan agreement that serves as both the promissory note and the security agreement not just for the initial loan, but for subsequent loans as well. Each advance must be approved, so it is not a revolving line of credit with a credit limit. If we do a car loan it is done under this plan and the loan has the same due date each month, the same payment each month and is typically written for 48 to 60 months, similar to a closed end loan. Each new advance is basically a new loan, so the new loan will have it's own payment, due date, etc. The borrower knows how much the payment will be and the due date will be the same each month. They do NOT need a statement mailed each month. I have been told that about 50% of all credit unions use this type of lending, so this is not a problem unique to County City Credit Union.

The Credit Card Act, for one, requires us to give our borrowers a statement that has a due date of no less than 21 days from the date the statement is mailed. Further it prevents us from assessing a late fee or taking any other collection action unless we have mailed this statement 21 days in advance. This creates some challenging and onerous problems for our credit union and most credit unions even though we do not currently offer credit cards. For example:

1. The time frame is just too quick. We will need to make administrative decisions because of the 21 day statement notice in addition to figuring out if our data processor can accommodate the procedure we choose. Finalizing a bill on July 15th, 2009 and then requiring implementation on August 20, 2009 is just plain unreasonable, impractical and unfair.
2. This ACT is imposing an unnecessary burden on lenders who do not need to be reigned in. Credit Unions have been good lenders whose credit card terms, for the most part, were already in compliance with the provisions of the new law. Extending the provisions of this law regarding credit cards to other open end plans has an anti consumer slant and serious administrative problems.
3. We could just choose to waive late fees, but this does not solve the problem created by the 21 day statement notice. Even if we don't charge a late fee we cannot take appropriate collection action if we have not given the borrower the 21 day statement.
4. It appears that the most viable option for our credit union is to change the due date on all of the affected loans to the 28th of the month. Our statements are mailed, usually by the 3rd, but if the end of month falls on a weekend or a holiday they may not go out until 8th or later. So we could pick the 28th and hope our statements go out no later than the 7th. We can't pick the 30th or 31st because of the varying number of days in a month. Plus by making the due date at the end of the month it will make the courtesy period of 10 days more confusing. It is based on 10 actual days, so the deadline will not be the 8th of the month because it depends on the number of days in each month.
5. We currently set due dates according to our borrower's budgets. Having a common due date, especially at the end of the month could wreak havoc with our borrower's budgets because most house payments and rent comes due on the 1st of the month. This means most of their payments will be due within a few days. This is NOT in the borrower's best interest.
6. Changing the due dates on all of these loans means we need to check

other regulations to be sure we are even allowed to choose this option. Then we have to figure out if our data processor can change these due dates for us or if we have to make all of the changes manually. If we are permitted to change the due dates we then have to inform all of our borrowers of the change; and then deal with all of the questions and transitional problems this change will create for our borrowers.

7. If we change to a common due date of the 28th of the month it creates a dilemma with Truth in Lending on new loans. We are only allowed to go out so far for the first payment and we are also restricted on how soon the first payment is due. I do not know how we will handle this problem.

8. We currently send out consolidated statements to our members. These statements include their savings, checking and loan balance information. We could choose to go to separate statements, but this will add to our cost and will not be convenient for our members. Larger credit unions may not be able to rotate their statement processing creating one large batch at one time.

These are the most pressing issues that we are facing not to mention the financial burden it imposes. It is extremely frustrating to have to make these adverse changes let alone having to deal with them with only 35 days notice.

To issue this law as an Interim Final Rule without a prior comment period is just plain poor business. This legislation was NOT needed to protect credit union members and making us jump through very high hoops in a very short period of time is injudicious. Especially, if we make all of these unnecessary and counter productive changes, only to have them changed in the near future after the comment period ends. This just does not make any sense.

This law is penalizing the segment of the lending community (AND it's borrowers) that has done responsible lending all along. And at a time when Congress wants lenders to make more loans to help the economy it takes unnecessary action that distracts and prevents us from doing just that. These are also challenging economic times. We do not have the extra financial resources or the time to deal with such an unnecessary and negative law.

Pardon my candor, but applying this law to ALL open end credit is just plain bad law with counter productive unintended consequences. It is my hope that Congress can recognize this and take quick action to resolve it.

As a small credit union this is an onerous task. Until Congress can revisit this new law can you please postpone the implementation date of the August 20th , 2009. Please reassure us that there is still some common sense in our government.

This is a common problem for most credit unions, not just our credit union.

Sincerely,

Tom Pinnow
CountyCityCredit Union