

From: State Employees Credit Union, Joey Carpenter
Subject: Reg Z - Truth in Lending

Comments:

Board of Governors of the Federal Reserve Board
20th and C Streets, NW
Washington, DC 20551

Re: Interim Final Rule Implementing the Credit Card Accountability
Responsibility and Disclosure Act

I have had the privilege of working for five different credit unions over the past 20 years. All of them have used "open-end" agreements to efficiently conduct loan business, providing members with a simple, effective, and efficient method of borrowing. I submit that an auto loan written using an open-end contract is an entirely different subject than a credit card. While I applaud the efforts to curtail predatory lending practices, I firmly believe that including all open-end loans into the "Credit Card" act is a case of solving a problem that did not exist. Many credit unions, including my current and former employers, use open-end contracts for most consumer loans, including personal, auto, boat, and recreational vehicle loans. None of the credit unions that I have experience with have used open-end lending to the detriment of the consumer through predatory practices such as default APR increases, excessive late charges, or other penalties. Credit Unions exist to help their members, not to maximize profit at the expense of their member/owners. In fact, we often help our members save money by refinancing debts from elsewhere that have had dramatic rate increases applied arbitrarily. The 21 day rule for periodic statements has several practical problems, including:

- Existing loans that are paid on a bi-weekly, weekly, or semi-monthly payment schedule, often linked to a member's pay cycle. Most of our members appreciate the opportunity to schedule their loan payments to coincide with a pay day. A statement to a bi-weekly auto loan would have to go out in advance of the next due date, in essence asking for the payment that is due after the next payment.

- Multiple statement mailings to accommodate different due dates during the month. Currently, our members have the option of choosing their loan due date. Some prefer the 1st, others may want the 5th, someone else may like the 15th of each month, and so on. For practical reasons, most credit unions consolidate their statements to include member's savings, checking, and loan accounts on the same statements, and mail monthly or quarterly statements depending on the type of activity on the account. Keep in mind that all credit union borrowers have to have a deposit "share" of the credit union, and will already be receiving statements for the deposit activity. The vast majority of credit union statements are for a month's worth of activity mailed at the beginning of the following month. This practical set up has been in place for decades without problem. In order to comply with the proposed legislation, we would either need to only allow due dates at the end of the month, so that statements could be compliant with the 21 day rule, or separate loan accounts from the other statements, increasing statement processing costs that would ultimately be passed on to the very consumers that the legislation intends to protect.

- Many small credit unions simply wouldn't have enough loans to make sense for a statement processor to process multiple statements cycles cost effectively. Mailing statements every day of the month would not be logical to allow members to choose their due date. The result would be a reduction of member choice, as they would no longer be able to choose their due date. I ask that while the Board ponders final rules for this act they consider the following:

- Please consider excluding non-credit card loans from the 21 day rule.
- If non-credit card loans remain, please consider only including those loans going forward in time. This would allow credit unions such as ours to set those due dates at the end of the month and continue our current statement mailing practices, without impacting the current loans on the books.
- Allow more time for financial institutions, their data processors, and their statement vendors to continue to determine a logical, cost effective solution.

- Members enjoy the benefits of payment cycles that are not monthly today. Don't eliminate this convenient alternative in an attempt to "protect" consumers from "abusive" practices that do not exist in credit unions.

- At State Employees Credit Union, we anticipate that if the rules are not modified, it will cost our organization approximately \$72,000.00 annually, without tangible member benefit. We will have to diminish other services or increase rates and fees to maintain our current service levels.

- Compliance with the rules will detract this credit union and others from their primary mission of helping people.

I thank you for your attention.

Joseph D. Carpenter
State Employees Credit Union