P.O. Box 7704
Wichita, KS 67277-7704

Four Cessna Boulevard
Wichita, KS 67215

316.517.6578

Cessna Employees
Credit Union

Toll-Free: 877.855.4228
Fax: 316.517.7668

Connect Line: 316.941.4228
or: 888.446.4228

Loans: 316.517.7149

July 31, 2009

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

Re: Docket No. R-1364
Comments regarding Interim Final Rule
Credit Card Accountability Responsibility and Disclosure Act of 2009

Cessna Employees Credit Union (CECU) appreciates the opportunity to provide perspective and comment on the Interim Final Rule of the Credit Card Act (Act) referenced above. CECU is a credit union of approximately $160 million in assets, chartered in 1941 and located in Wichita, Kansas. We serve approximately 15,000 members who are employees or retirees of Cessna Aircraft Company and members of their families. Our credit union serves members in an industry that has been dramatically impacted by the international economic downturn. Our sponsor company has recently laid off over one-half of their workforce. This is a time when our credit union is providing a very special role in easing the pain and transition of hard working, productive Americans through personal financial crisis. CECU is focused on serving our members needs in compliance with all laws and regulations.

I trust that at its inception, the Congress intended the Credit Card Act to address consumer protection from abusive practices related to credit card programs. To this end, I believe it is successful. Our Credit Union has assessed our credit card program and believes that we currently meet or exceed all provisions of the Act pertaining to credit cards.

What is troubling is that the Act goes significantly beyond credit card programs to apply to all open-end lending programs. Furthermore, Interim Final Rules were published only a couple of weeks ago, with some provisions of the Act to take effect on August 20, 2009. There has been little time to clearly understand some significant regulatory changes being proposed, let alone address the related administrative infrastructure issues to comply. Nor has there been time to fully comment on and consider what appear to be unintended consequences resulting from the terminology in the Act.

The background section of the Interim Final Rule (Pg 9) states that *"notice and an opportunity to comment is unnecessary with respect to the implementation of 101(a) and 106(b) of the Credit Card Act because these provisions are similar in most respects to rules recently adopted by the Board and other Agencies after notice and public comment."* It goes on to state *"Although the statutory provisions are not identical to the regulations in all respects, interested parties have already had an opportunity to comment on the core issues."*

This last sentence is qualified by footnote 5 which states in part *"The Board recognizes that there are two significant differences between the January 2009 rules and this interim final rule. ... Second, the mailing or delivery requirement for periodic statements in the interim final rule applies to all open-end consumer credit plans, while the analogous provision in the January 2009 FTC Act applies only to credit card accounts."*

THIS DIFFERENCE IS HUGE! The Act fails to comprehend the substantive differences in administration of credit card programs and other types of open-end lending. Of specific concern is the provision requiring a creditor to provide a periodic statement not later than 21 days prior to a scheduled payment date.

Credit unions commonly use open-end lending for all types of consumer loans including automobiles, boats, etc. This type of loan is consumer friendly and provides a great deal of flexibility to adjust to consumer needs over the life of the loan. These loans are oftentimes set up for a specific periodic payment based upon and approved loan amount. In the case of our credit union, a large percentage of our loans are set up for payments to be scheduled coincidental with payroll periods and payments are automatically transferred from the member's regular pay. Thus most of our scheduled due dates are weekly or bi-weekly!

The member clearly knows what their payment amount and schedule is at the time the loan is made. This remains constant throughout the loan unless a member takes advantage of adjusting terms. If such an adjustment is made, the members are again a party to the adjusted payment amount and schedule that is set up to be routine. For open-end loans of this type, an advance notice requirement is not only impractical but of little value to the borrower.

Members are not uninformed about the terms and activity regarding their loans. They are currently provided a historical combined statement of account on a monthly or quarterly basis. Such a statement contains information on both depository and loan accounts and all activity that has occurred since the last statement. Such a statement does not normally look forward beyond the next payment due. When members fail to make a scheduled payment, our credit union processes a series of reminders to notify the member that a payment was due and payable. The contractual late fee will not be assessed if the member remits within a specified courtesy period and after receiving past due notices. More severe collection actions are not imposed without due process.

It is our belief that general open-end lending was not intended to be included at the original inception of the Credit Card Act. It is apparent that the drafters had no understanding of the differences of administering credit card programs from that of other open-end loans. We believe that Congress needs to review these provisions and amend the bill to exempt non-credit card open-end lending from the Act.

That said, we have also been carefully assessing what it will take to comply with the Act as written. Our current data processing system does not provide the advance notice required by the Act on our routine periodic statement and will require significant re-write. We are assessing the magnitude of this change. We have no idea of the cost and time frame to adjust, but believe both will be significant.

We are also concerned about communications with our members and expect this change would create a great deal of confusion in their minds. Assuming that providing a monthly statement to members meets the "periodic" requirement, with weekly payments due, our members will have as many as five or six other payments scheduled and due prior to the last one covered in the 21-day notice. An alternative of adjusting all loans to a monthly payment schedule is also being considered, but this will take away a great deal of flexibility currently expected by our members and will also be very confusing.

The Act notes that if the specified 21-day notice is not given, such a loan cannot be considered delinquent. Here again, the rules make no sense in the practical world. Per the Act and the

Interim Final Rules, the resulting penalty for non-compliance with the notice requirement is not only the inability to charge late fees as described in the original loan contract, but also disallowing reporting to credit bureaus and even the apparent inability to pursue routine collection activities including possible recovery of collateral on a secured loan. This is severe and appears to provide no remedy for the creditor. It seems unreasonable that Congress intended to fully tie the hands of a creditor from any means of collecting a contractual debt simply due to failure to miss an advance notice date.

Our credit union is prepared to waive any contractual late fees as we attempt to address compliance with the 21-day notice period. We believe that it is equally prudent to continue routine collection activities and follow due process is encouraging our members to meet their contractual commitments to repay debt obligations.

As noted earlier, compliance with the 21-day notice requirement for non-credit card, open-end consumer lending is not a simple matter. The fact that recognition of this is given in footnote 5 of the Interim Final Rules should not be taken lightly. An entire industry is struggling with finding a reasonable means to comply with a law and rules that are categorically inconsistent with the particular products being regulated.

We strongly request that the Federal Reserve Board invoke your authority to significantly delay the August 20, 2009 compliance date for the referenced provision and provide much more time for our credit union and our industry to react to these requirements. We appreciate your consideration and hope you can act quickly.

Thank you,

Larry Damm, President
Cessna Employees Credit Union

Cc: Credit Union National Association
Kansas Credit Union Association
National Credit Union Administration
Senator Sam Brownback
Senator Pat Roberts
Representative Todd Tiahrt
Representative Jerry Moran
Representative Lynn Jenkins
Representative Dennis Moore