

From: First State FCU, Suzanne Porter  
Subject: Reg Z - Truth in Lending

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Comments:

-----Original Message-----

From: Suzanne Porter [mailto:suzanne@firststatefcu.org]  
Sent: Thursday, July 30, 2009 4:14 PM  
To: "cucomply@cuna.com"  
Subject: Reg Z changes

I am the Senior Loan Officer at a small-sized credit union. I have been reading everything that has come into my hands regarding the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit Card Act). From the name of this act, it should change the regulations on credit cards only, not include all multi-feature open-end lending (MFOEL). To have all MFOEL included is actually harmful to the consumers this Act is trying to protect.

Credit union lending is unique among other financial institution lending. We do not change the interest rate on our loans just because the member is past due. We do not charge exorbitant fees for late payments. We are in the business of helping our members. We disclose the interest rate, the due date, and any fees at the time we close the loan and disburse the funds to the member. We send the members past due notices that are gentle reminders of the due date so they have plenty of time to make their payments before any late fee is assessed. We allow the member to choose the due date of the loan payment, thereby helping them fit this payment into their pay cycles. That prevents many past due payments and late fees, thereby helping the member keep their credit in good standing. We also allow the member to make payments through payroll deduction - splitting the payment into weekly or biweekly payments - making it more convenient for the member. This is another way in which the member can keep their credit in good standing. By allowing the payments to be made weekly or biweekly the member is saving money on the interest that is paid. The interest is accumulated on a daily basis and is based on the descending balance. The weekly/biweekly payment brings the balance down more frequently, reducing the interest accumulated.

At this time, we send out monthly statements only to those members that have share draft accounts. All of the products the member has are listed on this statement, to include loans. But the due dates are not listed. To those members that do not have share draft accounts, we send out quarterly statements only. In order to comply with the new regulations, we would need to start mailing out monthly statements to all the members that have loans, and put the due date on the loan section. This would be extremely costly! And that would not solve the issue of having loans that are due on every day of the month. We would also need to change all of the due dates to reflect the end of the month. That would be a logistical nightmare, and very costly on overtime for employees. The biggest issue with changing the due dates is that it is not member-friendly. And the past due loan volume would increase tremendously - again increasing the overtime for employees in the collection department. Changing the due dates would make more loan payments past due, which would be reflected on the members' credit reports. And that is totally adverse to the intent of this new regulation.

By applying this Act to all MFOEL, you are forcing credit unions to change the

way we help our members. We would no longer be able to allow the member to choose the due date - it would have to be at the end of the month. We would no longer be able to allow the member to make weekly/biweekly payments - the due date has to be at the end of the month.

In order to comply and keep doing loans the way we are doing them, a loan statement would have to be mailed every day of the month to reflect the fact that loan payments are due every day of the month. If our processor could do that, it would be extremely costly!

Any extra cost involved would have to be absorbed by the members - in higher late fees, higher interest rates, tighter lending criteria. And that is adverse to the intent of this new regulation.

During the Teleconference put on by CUNA Tuesday July 28th, several callers had some ideas about how to comply without running into a lot of cost. One caller specified sending out the same quarterly statements already being sent with the due dates listed for three or four months. That way the member receives notice of the due dates within 21 days prior to the due date. Mr. Benjamin Olson from the Federal Reserve Board did not like that solution and said it would not comply, but he did not say why it would not comply.

It is easy to change the due date of credit cards - all members who have a credit union credit card have the same due date every month. All credit card holders received monthly statements and the due date is listed on that statement. There is already a 25 day grace period after the statement is mailed before the payment is due. So credit union credit cards already comply. MFOEL is totally different. We feel that the MFOEL should be taken out of this Act since it is clearly very adverse to the consumers it is trying to protect.

Sincerely,

Suzanne E Porter  
First State FCU