

From: IAA Credit Union, Nick Sosnowski
Subject: Reg Z - Truth in Lending

Comments:

I want to start out by saying that I firmly believe the intent of this legislation was needed and it addressed many deceitful practices that IAA Credit Union has been warning its 14,000 members about for many years. As the legislation was passed we praised its intent on helping the average American consumer, whom IAA Credit Union serves.

As I am sure you know by now, language added to the act has incorporated open-end lending into some of the credit card rules. It is imperative to understand that IAA Credit Union, as well as many other credit unions across the country, utilizes Multi-feature Open End Lending Plans for 95% of our loans that are not mortgage related. These include Vehicle, Boat, Motorcycle, and Personal loans to name just a few, which do not operate or compute interest in the same manner as credit cards do. As a result, we are struggling to comply with this new legislation, since we are trying to make loans that do not operate like credit cards act like credit cards for billing and payment purposes. To name a few of our larger challenges:

Many of our loan members receive only quarterly statements that are consolidated with all accounts that are with the credit union. These statements would have savings, checking, and all other loan accounts listed on them as well. Moving to monthly statements for these customers provides a great deal of additional cost with no member benefit.

Since we are a single sponsor credit union, the majority of our loans are paid through payroll deduction which means they are bi-weekly or weekly. Changing the payment schedules on these loans would not benefit the member in any way. Besides the obvious headaches for the member, changing the loans to a monthly payment would increase the interest charged since a longer period of time elapses between payments.

As IAACU makes any change to adjust the due dates for these loans by removing the automatic payment arrangements, I would expect an increase in late fees...not a reduction as members forget or ignore credit union attempts to change the way the payments are applied. From a legal perspective, it could be argued that making a large scale change to when and how all payments are applied for the sake of "compliance" would be as anti-consumer as any of the card provisions they are trying to stop.

I would request that the Federal Board of Governors use its authority under the Truth in Lending Act to:

Provide additional time for credit unions to comply with these rules. While the supplementary information attempts to provide an option for credit unions that cannot immediately comply, our data processing system cannot be changed in time to ensure loans that do not meet the 21 day requirement will not be considered delinquent.

Approve, as a method of compliance, allowing credit unions to include the due for dates for the current month and the next month on all open-end loans. This method of compliance allows credit unions to keep consolidated statements and still provide disclosure of payments without changing 80% of our member's due dates. While it appears this method would be compliant under this legislation, clarification from the board on this method of compliance would help avoid needless legal challenges on the issue.

Thank You for your time,

Nick Sosnowski
IAA Credit Union