

From: Health Facilities FCU, Robert D Harris
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Comments:

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On behalf of the members of Health Facilities Federal Credit Union, I am writing to you to respectfully request your help to delay compliance with the 21-day notice provisions for open-end plans other than credit cards set to take effect August 20, 2009, under the Federal Reserve Board's new interim final rule implementing the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act). HFFCU is the Pee Dee's largest credit union by membership with almost 9,000 members. Credit unions are facing horrendous problems as they seek to make good faith efforts to comply with the 21-day notice provisions for all open-end plans, which include general lines of credit, lines of credit associated with share draft and checking accounts, signature loans, home equity lines of credit and other types of loans permitted under open-ended lending. That provision prohibits creditors from treating payments as being late, which will mean we cannot file a credit report, must advance additional credit or may not charge a late fee even if the payment was late, unless creditors provide a periodic statement disclosure to members 21 days before the payment due date. Credit unions want to comply with all legal requirements, but these provisions have created severe implementation problems that are unprecedented in the credit union system. We differ from other financial institutions in that we provide our members with consolidated statements that combine information about all savings, checking, and loan accounts that the member has with the credit union. Our members appreciate and prefer consolidated statements, as opposed to receiving multiple statements. Also, our members often choose weekly and biweekly payments and designate the due dates for their payments, often to coincide with when they receive payroll deposits, all of which will need to be changed in order to comply with these provisions. This severely impacts our more economically challenged members as it is usually the lower paid individuals that need the convenience of payments corresponding to their paydays. In short, to comply with the 21-day rule, we will be required to dismantle the consolidated statement system and other procedures, which have been in place for decades, in order to provide separate statements for each account. We will also have to go to monthly payments, most likely set on one common due date for all loans to comply with the 21 day notice placing a burden on the very individuals this act was passed to protect.

These provisions, requiring a 21 day notice on open-end lending beyond the credit card product was not in the original January 2009 provisions. To enact this without the proper notification and prior to the end of the required notice for comments and analysis of these comments is improper and inflicts extreme expenses on the very people the act was to help and protect. In our situation, at Health Facilities FCU over 56% of our total loans have due dates of weekly, bi-weekly, or semi-monthly. Of these individuals, the average credit score of accounts with credit scores is a very low 590 again, representing our less fortunate individuals in a precarious financial situation. This will be extremely expensive and these expenses, which will be compounded because of the imminent effective date, will have to be borne by the credit unions' membership. We are also very concerned that for some credit unions it will simply be impossible to comply by August 20th, regardless of the funds that may be devoted to making the necessary changes. We realize there was language included in the Supplementary Information accompanying the rule that sought to provide an option to credit unions to provide a temporary disclosure insert with statements, and we appreciate the effort this represents to address our concerns. However, this option will not provide meaningful relief to credit unions seeking to comply. We have been unable to put an estimate on the impending cost of a remedy because no one has come up with a viable remedy to enact that ensures protection of our members while complying to the law. We can only guess at this figure that it will cost anywhere from \$2,000 to over \$10,000 to comply. This includes possible notices to every loan, to re-figuring our statements, to increasing the number of accounts getting monthly statements, to forgiveness of late charges, the non-reporting or collections on delinquent accounts and their subsequent non-payment and charge off caused by actions to comply to a law which was not written in the true "spirit" of what Congress intended. In light of these problems, it is critical that the Federal Reserve Board use its authority under the Truth in Lending Act, as it has when implementing previous TILA amendments, to allow more time for credit unions to comply with these provisions so they are not subjected to needless legal challenges. While we urge the Federal Reserve Board to provide more time for compliance, we also respectfully request that the Board permit credit unions to continue to utilize consolidated statements by placing on each member's monthly statements the dates on which all covered payments are due in the current month and the next month; this will ensure that members receive at least 21-day notice for all open end payments. This is the most viable option for achieving compliance for open end plans other than credit cards and could alleviate the need to dismantle credit union systems that utilize consolidated statements. However, even with this option, credit unions will still need additional time and will accrue additional expense to implement the various changes to their systems that will be necessary. Due to the vital importance of this issue to credit unions and the rapidly approaching effective date, we urgently request the remedies we have outlined. In the meantime, we appreciate your attention to this very significant issue for our credit union. Sincerely, Robert D. Harris
CEO Health Facilities FCU.