EMORY ALLIANCE
CREDIT UNION

August 5, 2009

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

Re: Docket No. R-1364 – The Credit CARD Act of 2009

Dear Ms. Johnson,

I am writing you today to discuss with you the concerns I have with Emory Alliance Credit Union's ability to comply with certain aspects of The Credit CARD Act of 2009 (CARD Act). Before proceeding, however, I would like to share our support for the original intent of the CARD Act, which was to reign in unscrupulous credit card lenders that engage in abusive and predatory practices. Credit Unions have historically been the consumer-friendly financial cooperative solution and our credit union prides itself on being a responsible lender.

While we support the original scope of the CARD Act, one particular component has led to a tremendous burden on the credit union industry that, in my opinion, will ultimately harm our members. Most credit unions, including ours, use a multi-featured open-end credit plan that is unlike any credit card plan. It was our understanding that the *intent* of the CARD Act was to address credit card practices specifically and *not these types of credit plans*.

Under the Act, creditors must adopt reasonable policies and procedures to ensure that periodic statements for any open-end consumer credit account are mailed or delivered at least 21 days before the payment is due in order to be able to charge a late fee, or to otherwise consider the payment late. This 21-day requirement will apply to all open-end consumer credit. This is in contrast to most other provisions of the CARD Act, which are limited to credit cards.

The problem: Credit unions differ from other financial institutions in that they often provide their members with consolidated statements that combine information about all savings, checking, and loan accounts that the member has with the credit union. It is our understanding that credit union members appreciate and generally prefer consolidated statements, as opposed to receiving multiple statements. Also, for the financial benefit of our members, our credit union allows members to choose 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…ultimately harming the members of Emory Alliance Credit Union.

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We firmly believe that this change will have quite the opposite effect of the original intent. In particular:

Negative Impact on Consumers (Members)

- The law change will likely have an unintended adverse impact on consumers as it could cause many financial institutions to re-evaluate the current grace-periods on open-end loans. Currently, most credit unions already include grace periods in their loan processes…often as long as 10-15 days after the payment due date…before considering a payment as late. Though most credit unions will probably not want to shorten the grace period, depending on how the data processing system works, credit unions may not have a choice because that grace period would "flow over" to the next due date.

- It is expected that the amounts charged for late-payment fees could increase, as fewer late payments are expected in the short term, as well as having an increase in costs due to having money outstanding for which no interest is being charged.

- One potential solution is to rewrite existing loans. However, this will inconvenience members who do not understand why their existing loan agreements have to be changed.

Negative Impact on Credit Unions

- Are credit unions being asked to abrogate existing legal contracts?
- Current data processing systems cannot support multiple statement dates, dues dates, payment dates, etc. and will have to be reprogrammed. This will lead to increased expenses, all of which will ultimately be borne by our members.
- Increased postage expenses…which will be passed on to our members.
- Multiple statements sent to the same member…likely leading confusion on behalf of the member.
- Possible conversion to all closed-end lending processes. This is potentially viable solution, but member convenience is impacted…leading to fewer loans at credit unions.
- Refinancing of existing open-end loans. Again, many members will not wish to change their existing loan terms. If a credit union were to refinance, it is possible that the lien status of existing loan collateral would be impacted, collateral values may have declined, requalification by members might not be feasible, etc.
- Change existing due dates. This is a manual, very time-consuming, process that would have to be agreed to by members…many of which will not understand why a change is necessary.

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As a mid-sized financial institution with assets of approximately $110M and 18,000+ members, we rely heavily on our data processor for making software changes that would be necessary to meet the existing compliance requirements. The short implementation period provided to us will not permit our vendors to assess the new requirements and make the appropriate changes for us in a timely manner. These changes will adversely affect our members and without a doubt significantly increase our operational costs and place a tremendous compliance burden upon us.

I would like to thank the Federal Reserve for allowing our credit union the opportunity to share the concerns of complying with this provision of the CARD Act. We respectfully ask that the Agency consider the implications on our members and the financial burden placed on all credit unions (small and large) and exclude us from this particular provision. At the very least, it would be in the best interest of all members across America if the Agency were to provide us with an extension of the effective date of the regulation.

Sincerely,

Demitra M. Houlis

Demitra M. Houlis
Senior Vice President
Emory Alliance Credit Union