

From: Ellen Hein
Subject: Reg Z - Truth in Lending

Comments:

Comments on newly adopted rules

August 7, 2009

Board of Governors
Federal Reserve Board
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. R-1364

Dear Board of Governors:

The purpose of my letter is to address the newly adopted interim rules concerning the January 2009 Regulation Z and FTC Act Rules - specifically the 21-day requirement.

The original intent of the January 2009 law applied only to credit card accounts. Our credit union fully supports the changes in Credit CARD Act. In fact, we already are in compliance with the Act. We provide more than the 21-day notice on our credit card statements and have never engaged in unfair or deceptive acts.

The newly imposed interim rule imposed by the Board to include all open-end consumer credit plans will create a significant operational burden with disruptions to our business as well as substantial costs to not only this credit union, but the credit union industry as a whole.

The credit union industry has used open-end credit plans for decades. And may I remind the Board that credit unions were not - and never have been - abusing consumers with unfair credit practices. The customers of credit unions are member-owners and have a democratic voice in the operations of credit unions. Credit unions always have the best interest of the member-owners at heart..after all, we as employees work for the members! Members are at the top of the organizational charts of credit unions.

I would like to explain the open-end consumer credit plan used by our industry. It actually works much like a closed-end plan. The first time members borrow with the credit union, they sign a credit agreement. Each time members borrow in the future - whether for a secured or unsecured loan - they sign an "Advance Request" which has the terms, and they receive an addendum which is incorporated into and part of the initial credit agreement. All terms and conditions for the loan are clearly defined in those documents.

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When members borrow on the open-end plan, they actually choose a time of month

to make their payments that best meet their budget. Many choose to make payments on a weekly, semi-monthly or bi-weekly basis while others choose to have monthly payments. Most of Texas Tech Federal Credit Union's members have their loan payments set up on electronic payments (either ACH, EFT, payroll deduction, automatic transfer from checking, etc.). Members have payment dates staggered so that all payments are not due the same day each month (e.g. one loan payment due on the first of the month; a second loan payment due the middle of the month). To explain to members that we are required by law to set payments up monthly and we must send loan statements monthly - even though a member may have selected multi-monthly payments and/or has an automatic payments set up - frankly sounds ludicrous.

Not only will the 21-day notice/statement cause confusion to the members, it will create an exorbitant expense to the credit union. Higher expenses to the credit union will create more cost to the members in the form of higher interest rates and lower dividends on their shares - the complete opposite of what the law is intended to do.

I believe that the original intent of this law to clean up credit card abuse was necessary, and as I said earlier, I fully support the changes. However, an attempt to improve on an open-end credit system that already works well is unwarranted and could be detrimental to the credit union industry. I urge you to reconsider this additional implementation.

Respectfully yours,

Ellen Hein
CEO