

From: Norma Meares
Subject: Reg Z - Truth in Lending

Comments:

Please consider these comments on the new notice rules that go into effect on August 20.

First of all, we were very pleased initially with the requirements for card issuers. We have already been giving our members notice of any rate change well in advance, and offering a true grace period for members making payments. So, our processes for our credit cards will need to change very little. We were pleased with this, because it reflected that we already are treating our cardholders right, and will easily continue to do that. It seemed a good consumer-oriented move that will force all card issuers to stop the abuse previously being delivered to cardholders.

However, when we discovered that our entire lending model will change, because we use open-end lending, we soon discovered that the regulation went past what we think was its original intent. Our members will not be better served with the 21 day notice of payment for all open end loans, and here are some of the reasons.

Our costs will increase with the new regulation. Because we are a not-for-profit entity, this will result in a direct reduction of financial benefits to our members. This is caused primarily by the requirement that we send monthly statements to all our borrowers. That will result in processing and postage costs of approximately \$2,500 more per month for those.

We anticipate a high level of member confusion in trying to explain how and why their loan due date must change. The majority of our loan payments are made by weekly payroll deduction, a benefit that allows our members paychecks and disposable income to remain fairly even throughout the month. Now, we will be required to change to a monthly due date so that a 21 day notice can be made every single month.

Several new software programs will be necessary to change due dates to allow the 21 day notice to be given to members. Anytime software changes are made to make mass changes to accounts, there is always a risk of error. There was not enough time given between the ruling and the effective date.

Norma Meares
Arkansas Best Federal Credit Union