August 7, 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 share with you the concerns I have with Rome Kraft Employees 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.

While we support the original scope of the CARD Act, (and let me add that our credit union does not offer credit cards or share drafts) one particular component has led to a tremendous burden on our credit union and the industry as a whole that, in my opinion, will ultimately harm consumers. 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 of which all of our loans apply. This is in contrast to most other provisions of the CARD Act, which are limited to credit cards.

Our problem with this is 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 and we do this on a quarterly basis. All of our loans are made under open end provisions which we believe are best for our member and have been since our inception some 55 years ago. By not offering share draft accounts our statement mailing is quarterly. For the financial benefit of our members, our credit union allows members to choose payments which match their payroll periods and may include weekly, biweekly, monthly, semi-monthly payments and others. These different pay periods and dates will need to be changed in order to comply with these provisions…ultimately harming the members of Rome Kraft Employees Credit Union.

In particular, our eighteen (18) million dollar institution would need to change and modify approximately 700 loans, impacting approximately 450 members out of the 1,825 members that our credit union serves.

We are firm in our belief that this change will have quite the opposite effect of the original intent of the Act. In particular:

Negative Impact on Consumers

- Our credit union does not charge a late fee and through our 55 year history we have not done so to date. This may need to be reviewed based on the requirements of this Act and the additional expense as well as personnel cost involved with this new act for our three person operation will have a negative impact on our members.
- With the requirement of monthly statement billing additional cost will be incurred by the credit union which will pass through each member in the form of lower dividends or higher interest rates on their loans.
- Additional mailings to members for duplicate information in that with over 70 % of our payments being payroll deductable they see the amount taken directly from their check. For most of our members this will just be another "piece of paper" or "e-mail" to deal with each month.

<u>Negative Impact on Credit Unions</u>

- Members expressing concerns to change in terms of their contract. Applying to new loans would have been acceptable but changing current procedures will not show favorable on the credit union.
- Data processing systems will need to be changed to 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 the consumer.
- Increased expenses in having to go to monthly statements. (As stated previously, we currently only do quarterly statements) This will require that we now outsource this procedure and the additional cost is projected to exceed $5,000 to $6,000 for our credit union. Our staff of three cannot handle this additional burden of work. This cost in turn will be passed on to the consumer.
- Possible consideration to 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 and yet allow members to continue making payments on the payment period that coincides with their payroll period. This is one of the items that sounds as if it should not be a big problem but in actuality could be a major point of confusion for a member who would continue to pay weekly amounts on a monthly due date.

I would ask that the Agency consider the implications on consumers and allow for, at a minimum, and extension of the effective date of the regulation. For a change which would affect our entire loan portfolio and to have so little time to prepare as well as time to make the member aware of the changes that will be required, additional time to prepare our members would be the number one priority.

I would like to thank the Federal Reserve for giving careful consideration to our request and the many others that that Act will have such a profound affect upon.

Sincerely,

Phil Carter, President/Manager

Rome Kraft Employees Credit Union