GEORGIA FEDERAL CREDIT UNION

August 10, 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 some grave concerns I have with Georgia Federal Credit Union's ability to comply with certain aspects of The Credit CARD Act of 2009 (**"CARD Act"**).

However, prior to covering these concerns, I would like you to know that we support the **original intent** of the CARD Act, which was to reign in unscrupulous credit card lenders that engage in abusive and predatory practices. Historically, Natural Person Credit Unions have been the "consumer-friendly" financial cooperative solution. Since we are owned by our members, credit unions place a tremendous value in doing the right things for those members and functioning to the highest of ethical standards.

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 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. This is in contrast to most other provisions of the CARD Act, which are limited to credit cards.

Description of Adverse Consequences and an Outline of 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. This option creates less consumer confusion and aids in the member's ability to properly manage their finances. Also, for the financial benefit of our members, our credit union allows members to choose biweekly or weekly payments as well as designate the due dates for their payments, often to coincide with the receipt of the member's payroll deposits. The adverse consequence of complying with the new provisions as it relates to open end lending would be that all of these options would need to be changed or eliminated. ***Thus, greatly reducing the ability of the***

member / consumer to prudently and wisely manage their financial affairs and ultimately harming the members of Georgia Federal Credit Union (as well as other Natural Person Credit Unions).

In particular, at Georgia Federal Credit Union, a $580 million federally insured and chartered financial institution, this change would require the modification of more than 16,000 open end loans, impacting approximately 15,000 of our more than 83,000 members. (This figure does **not** include our credit card loans or our Home Equity Lines of Credit.)

We are firm in our belief that this change will have "unintended consequences" and quite the opposite affect of the original intent. In particular:

Negative Impact on Consumers

- The law change will have an unintended adverse impact on consumers as it would cause many financial institutions to re-evaluate the current grace-periods on open-end loans. Currently, most credit unions, including Georgia Federal Credit Union, already include grace periods in their loan processes, often as long as 11-15 days after the payment due date, prior to considering a payment as late. Though most credit unions will probably not want to shorten the grace period, depending on how their particular data processing system works, credit unions may not have a choice because that grace period would "flow over" to the next due date. Many data processing systems will not allow this.
- It is expected that the amounts charged for late-payment fees would increase, as fewer late payments are expected in the short term –and- there would be 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, not only will this be costly to the credit union, but it will also inconvenience members; and most of those members will not understand why their existing loan agreements have to be changed.
- Most credit unions, including Georgia Federal Credit Union, allow members to make weekly or biweekly payments on their open end loans in an effort to aid the members' ability to manage their finances more effectively. Under the requirements of the new law, the credit unions' ability to continue this practice will be effectively curtailed and potentially eliminated.
- Georgia Federal Credit Union is already receiving reports from some of our members that their open end loans at smaller credit unions are being cancelled due to the smaller credit union's inability to comply with the new provisions of the law (specifically, overdraft lines of credit).

Negative Impact on Credit Unions

- In analyzing the requirements of the new law, it appears that (especially in the cases of weekly and biweekly payments on open ended loans) credit unions are being asked to abrogate existing legal contracts. This is because there is no way to comply with the requirements and still allow for such payments. Since the due dates for said payments are contractually established, compliance would abrogate the current contract by and between the credit union and the member / consumer.

- Current data processing systems cannot support multiple statement dates, dues dates, payment dates, etc. and will have to be reprogrammed, if possible. This, of course, creates an increase in expenses, all of which will ultimately be borne by the consumer.
- The increased postage and statement expenses (estimated at more than $100,000 per year for Georgia Federal Credit Union alone) would end up being passed on to and ultimately borne by the member / consumer.
- The new requirements will require multiple statements being sent to the same member. This will lead to a great deal of member confusion.
- If we are forced to convert all open end loans to closed-end loans (in order to comply with the new requirements), not only will this be most inconvenient for the member / consumer but will potentially lead to fewer loans at credit unions.
- Another possible solution is to refinance all 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. The adverse impact to member / consumers is certainly not in keeping with the "spirit" of what the new law intended.
- If we are forced to change existing due dates, such as changing all weekly and biweekly due dates to monthly due dates, the credit union would incur a tremendous amount of costs. But, as stated above, the major impact would be to the member / consumer in that we would adversely impact the members' ability to manage their finances more effectively.

I would like to thank the Federal Reserve for allowing me to share our concerns with complying with this provision of the CARD Act; and both the adverse impact it would have on Georgia Federal Credit Union **and** the members / consumers that we serve. **At a minimum, I would ask that the Agency consider an extension of the effective date of the regulation.**

Sincerely,

J. Kevin Durrance
Executive Vice President / Chief Financial Officer
Georgia Federal Credit Union

Chairman, Georgia Credit Union CFO Council