

From: Alabama Credit Union, Kayce M. Bell
Subject: Reg Z - Truth in Lending

Comments:

I am writing to share my concerns about the Credit Card Accountability, Responsibility and Disclosures Act of 2009 (The CARD Act). Already, my credit union (at \$330 million in assets and 42,000 members, our size is comparatively smaller than most banks) has spent at least 40 hours of staff time to determine how to comply with the Act - and we have yet to arrive at a strategy that will serve members, comply with the Act, and be operationally possible, much less feasible.

My concerns are:

As written, the Act will require us to abandon the member-friendly, convenient, on-demand open end lending system that is a cornerstone of credit unions' lending service to members. Our members rely on this service in the following ways:

(a) to cover their NSF's by using a very cost-effective and no-fee line of credit loan that automatically deposits funds to their checking accounts when funds are needed to clear a check. Without this open-end line-of-credit system, the member would pay \$29 NSF fee per item, compared to an APR that equates to pennies on the dollar for the line of credit loan.

(b) after the plan agreement is signed, to purchase vehicles on weekends (when people frequently shop) without needing to return to the credit union to sign loan documents - and it gives the member the opportunity to negotiate for a "have my own financing" price with the dealer, which is usually lower than the price that is built in to a complex dealer-financing/sales agreement. Without this open-end line-of-credit system, the member is missing the opportunity to negotiate for a lower out-of-pocket price on the vehicle, is required to drive to the credit union to sign loan documents before the vehicle can be purchased, and may be required to lose time from work to finalize the credit union financing on a business day.

(c) to borrow as little as \$100 on an existing open-end auto (or other collateralized) loan balance (subject to verified sufficient value of the vehicle), paying a lower APR than would be paid for an unsecured loan. Without this open-end line-of-credit system, the credit union would be unable to process such small loan requests unless it charged a loan fee to offset the credit union's cost for creating a new closed-end loan to accommodate such a small loan advance.

(d) to obtain on-demand loan advances that are priced on a consumer-friendly "simple interest" plan - and these advances may be made by phone, in person at our branches, or via our online banking system. Without this open-end line-of-credit system, borrowers are forced to use higher-cost credit cards or pay usurious rates and fees to payday lenders for small loans.

It is very difficult and costly for us to comply with the 21-Day Rule for open-end loans, and it also requires us to be inflexible in permitting borrowers to manage their payment due dates according to their own preferences because all loan due dates would need to be changed from existing dates to due

dates scheduled from the 24th to 30th of each month, so as to permit our credit union to use one monthly account statement as the 21-day notice of payment due

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or, it would require us to print and mail separate notices for each unique loan due date that a borrower has. However, rarely does the borrower have all of his/her credit union loans due on the same day each month, so this additional notification expense is a cost that must be passed along to members. Further, the Act prevents us from helping members reduce their finance charges by paying more frequently than monthly (such as weekly, bi-weekly or semi-monthly) because of the credit union's difficulty and expense of complying with the 21-Day Rule, and it may mostly prevent borrowers from taking advantage of their employers' convenient, free payroll deduction or direct deposit service for making credit union loan payments unless the employer's payroll deduction and direct deposit service coincides with the credit union's 24th-through-the-30th-of-each-month need.

And because our credit union issues quarterly account statements unless the member has a checking account or Reg E transaction, we now will be forced to incur the additional expense of processing, printing and mailing monthly account statements to members who have open-end loans (and that includes every loan we offer except real estate loans) even though the member already has free access to all loan and account activity via our online banking system, any branch office, or our toll-free Member Care Center.

I believe it would require 12 months for our credit union to comply with the 21-Day Rule for open-end lending (excluding credit card accounts), as we must wait for our data processor to program the provisions into its global product, reconfigure most of the loan due dates in our portfolio, make credit union-level data processing system changes, disclose and communicate with members and their employers about changes to loan due dates that are serviced by payroll deduction and direct deposit cycles, and help borrowers adjust their household cash flows and budgets to accommodate all of the family's credit union loan payments (including home equity line of credit loans) that will now become due during the last 7 days of each month.

Again, I point out that almost every loan offered by Alabama Credit Union is an open-end loan; the few exceptions are closed-end first mortgages, a small number of closed-end second mortgages, and closed-end auto loans that are initially closed by the auto dealer at the dealer's site and then sold to Alabama Credit Union.

However, it is not overly difficult to comply with the 21-Day Rule for our credit card accounts, as we issue separate monthly account statements for these accounts. In fact, our credit card program (we offer three credit card products) was almost completely in compliance with the new CARD Act provisions from the day we began the program over 10 years ago (for example, we have always offered at least 45 days for change of terms, we do not charge an over-limit fee, our credit card agreements have always been published in entirety on our Web site, and the cardholder receives a timely notice of payment due). We do not oppose the CARD Act provisions for credit card lending, as we believe the Act will protect consumers from insidious credit card lending practices such as those demonstrated by CapOne, B of A, etc. Adjusting the due dates and statement cycles will require 60 days or so of reconfiguration and testing; we believe we can be fully compliant by October 1.

3. Clarification is needed regarding open-end loan and credit card

accounts for which payments are already past due: must we adjust the due date to a date that is 21 days in advance, even though one or more payments have been missed? If so, it is patently unfair to lenders to permit borrowers to defer one or more payments on these loans, and it may, in some cases, result in negative amortization of accrued interest on the unpaid loan balance. Regardless, we are unsure how to comply with the CARD Act for credit card and open-end loans that are already delinquent - as are most credit unions, based on my recent conversations with them.

This over-reaching legislation will likely cause our credit union to discontinue its open-end lending program because of the extreme difficulty and expense of compliance. This unfortunate and undesirable action would then rob credit union members of convenient, economical, on-demand access to micro loan advances as well as financing for autos, computers, and other consumer needs, and would force the borrower to visit the credit union during business hours to sign closed-end loan documents for each request. Borrowers would ultimately pay more for credit, as the credit union's cost of processing each loan request would increase (consider increased staff time per loan, creating and printing multi-page documents for each request, extending office hours to accommodate members' shopping patterns, etc.).

We respectfully request modification of the CARD Act to remove requirements applied to open-end lending (excluding credit cards) in view of the illogical provisions and costly problems addressed above. Thank you for your consideration.

Kayce M. Bell | Chief Operating Officer
Alabama Credit Union
P. O. Box 862998 | Tuscaloosa, AL 35486
D 205.348.2321 | F 205.348.7456