From: Eglin Federal Credit Union, Phipps McGee

Subject: Reg Z - Truth in Lending

Comments:

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August 11, 2009 Ms. Jennifer Johnson, Secretary Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue, NW Washington, DC 20551 Attn: Docket # R-1364 Re: Interim Final Rule - Regulation Z Dear Ms. Johnson, This letter is submitted on behalf of Eglin Federal Credit Union in response to the interim final rule on Regulation Z in which the Board of Governors of the Federal Reserve System (the "Board") clarifies sections of the Credit Card Accountability Responsibility and Disclosure Act of 2009. Specifically clarified are sections 106 and 101 which implement requirements to send periodic statements 21 days before a payment due date on all open-end consumer credit plans and, also, notices 45 days in advance of any "significant changes" to a credit card account. Eglin Federal Credit Union has assets of $1.1B and serves 108,691 members. Our membership community is comprised mainly of US Air Force active duty, retired, or civil service personnel. Our mission is to provide first class financial services and products to our member owners while maintaining the safety and soundness of our Credit Union. We have found much success in our ability to offer many convenient services and products to our very mobile membership. Section 106 of the Credit Card Accountability Responsibility and Disclosure Act of 2009 was broadened in scope to include loans made under an open-end lending program which requires periodic statements to be mailed 21 days in advance of the due date. This inclusion of open-end loan will cost the Credit Union substantial amounts of money to achieve while adding minimal benefit to our members. We applaud this requirement for credit cards which serves to curb the practice of collecting late fees by unscrupulous lenders who do not provide the consumer with adequate notice. However this provision should not, and does not, have a basis of necessity for the Credit Unions' open-end lending programs. Members receive a combined periodic statement that includes shares and loans. Interest on loans is calculated using the simple interest method and members are given the option to make payments more often than monthly. The more frequent the payments are made, the lower the interest charged. Most members make their loan payments through payroll deduction which is received on many different dates throughout the month. This automatic payment option allows the member to pay based on personal scheduling

convenience. In the scenarios of biweekly, semi-monthly or weekly payment frequencies, the 21 day periodic statement is logistically impossible to get to the member in the necessary time frame with updated account information. The 21 day periodic statement only makes sense for the monthly payment frequency. Forcing all loan files to reflect a monthly payment date for the purpose of complying with this law removes the convenience we offer our members. Also, open-end consumer credit plans other than credit cards have fixed payments that do not vary. Regardless of additional payment amounts, the next payment continues to be the same. Our membership receives disclosures with their repayment terms and, when they elect to pay by cash, they receive payment coupons with the due date and minimum payment amounts. The cost of sending an additional periodic statement to deliver this information in writing adds an unnecessary, impractical monetary burden. If we are unable to comply with the timing requirements of section 106 then an acceptable response to loans that are currently delinquent must be addressed. As written, in the event an institution is unable to comply with this section it cannot treat any payment as late. This includes actions such as increasing the APR, assessing a late fee, or reporting a payment as late. With regard to reporting a payment as late, our duty as directed by the FCRA requires we accurately report all information we deliver to Credit Reporting Agencies. If a member is currently delinquent on a loan and we are unable to comply with section 106 and the timing requirements, our report will be false if we are prohibited from reporting the delinquent status. With regard to the 45 day advance notice required by section 101 of the Act and in the case that the "significant change" is an increased APR, we believe there should be clarification that the notice need only be sent when the increase to an APR is due to receipt of a penalty. If our member requests an increased limit in credit and our review dictates a higher APR (risk based lending) is necessary, our member has the option to reject the increase without penalty. If the member decides to accept the higher APR with the increased limit, the 45 day advance notice does not provide any benefit since the member initiated this change. Please consider this clarification. We are supportive of the movement toward abolishing predatory practices in the lending arena. Our Credit Union does not participate in predatory lending and we do all we can to educate, inform, and protect our members so they may become successful in financial endeavors. Credit unions are already saddled with additional expenses on an already burdened income from the corporate stabilization premium payments and higher loan losses due to a severely depressed economy. Between Truth in Lending, Unfair Deceptive Acts & Practices, and the Credit CARD Accountability Responsibility and Disclosure Act of 2009, we are referencing a plethora of documentation with varying effective dates, conflicting requirements and many outstanding issues that still need to be resolved. We have an enormous challenge, and limited confidence that we are making changes that will comply with current legislation and regulations and can't help but question if this is all truly in the best interest of our members. Your consideration of our position and ideas is greatly appreciated. Sincerely, Phipps McGee President, Eglin Federal Credit Union