E&A Credit Union
Your bridge to financial freedom

Port Huron Marysville Fort Gratiot Croswell

September 16, 2009

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave, NW
Washington, DC 20551

RE: Docket No. R – 1364 – Interim Final Rule on Implementation of the CARD Act

Dear Ms. Johnson:

E&A Credit Union appreciates the opportunity to comment on the proposed rule. By way of background, E&A Credit Union is a state-chartered, federally insured credit union which serves members in the state of Michigan primarily in the counties of St. Clair, Sanilac, Lapeer, and Macomb counties.

It is understood that the primary goal of the provisions outlined in the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009 is to provide greater consumer protection in regards to credit cards (primarily) and open-end credit. The provisions of the CARD Act will be implemented in stages, consistent with the statutory timeline. The interim final rule which became effective August 20, 2009 enacts the first stages of the CARD Act requirements.

21-Day Requirement

The first provision of the CARD Act which became effective on August 20, 2009 and amended Regulation Z under the interim final rule requires that creditors ensure that periodic statements are mailed or delivered at least 21 days prior to the payment due date and the date on which any grace period expires. A creditor that fails to meet this requirement shall not treat a payment as late for any purpose or collect any finance or other charge imposed as a result of such failure. Unlike most of the other provisions of the CARD Act, this provision applies to all forms of open-end credit, not just credit cards.

This provision causes credit unions a great challenge. This provision requires statements for lines of credit to be delivered at least 21 days in advance of the due date. Most credit unions utilize a consolidated statement where all share and loan accounts are displayed on a single statement. In most cases, this statement is sent out monthly at the end of the month and current statement mailing practices would not comply with the 21-day requirement.

This new provision will do one of two things: 1) Credit unions will need to send multiple statement mailings during the month to get statements to members to meet the 21-day requirement. This will increase mailing costs which will have to be passed along to members in the form of higher fees and/or higher interest rates to cover the increased cost of doing business, or 2) Members will no longer be able to select the date which their line of credit loan will be due. Credit unions will need to require all due dates to be at the end of the month to ensure compliance with the 21-day requirement. This will have an adverse effect on the consumer since members will no longer be able to select a due date of choice, which is a member-friendly practice that many credit unions offered.

It is felt that this provision should not apply to all forms of open-end credit. Or, consumers should be able to opt out of receiving a statement at least 21 days prior to the due date. This would allow for credit unions to continue current statement mailing practices and not experience an increase in mailing expense, while affording consumers the ability to select a due date of choice.

Additionally, it is not believed that the operational impact of this provision was completely understood when such a short amount of time was given to be in compliance with this provision. E&A Credit Union opted to move loan due dates back to the end of the month. It was felt this was the most efficient and least expensive method to fully comply. This affected over 800 members. Hours of research, programming, and execution were performed. The expense was significant. Moving forward, all line of credit loans will be due near the end of the month which does not allow our members a choice of when their payment date will be, a practice we previously offered to our members.

Some credit unions do not have as many resources to come up with a solution. Other credit unions may have loans written as bi-weekly or some other period of time which cases a huge problem. A simple due date change, in this instance, would not be a viable solution. Operationally, the impact of coming up with a solution to meet this new requirement and keeping the expenses of complying minimal will be a great challenge for all credit unions to overcome.

The interim final rule does allow for a temporary notice to be provided by credit unions along with the monthly statement. However, the interim final rule only states that this solution can be utilized for a "short period of time." It is interpreted that this "short period of time" would be the time that it reasonably takes a credit union to find a solution to fully comply. This time frame should be clarified to ensure a better understanding for those credit unions utilizing this option.

<u>45-Day Change in Terms Notice</u>

The second provision of the CARD Act which became effective on August 20, 2009 and amended Regulation Z under the interim final rule requires that creditors give written notice at least 45 days in advance of a significant change in terms. This would include an increase in any fee or finance charge. This provision applies only to credit cards (not all forms of open-end lending).

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E&A Credit Union

While E&A Credit Union does not see any operational problem associated with providing the 45-day change-in-terms notice, we can see where it could pose problems for other financial institutions. In the event that rates are tied to prime rate and our servicing for our credit cards was performed by a third-party processor, we could be or appear to be out of line with the prime rate.

Our typical practice would be to send the change-in-terms out with normal statements so that our mailing costs would not increase. With that said, we would have to notify our account holders more like 58-62 days in advance. We would have to notify the third-party processor approximately 6 weeks in advance of this going into the statements so that they have time to prepare the setup of the change to the statements.

This means that we would have to get our rate changes to the third-party processor approximately 100-104 days in advance of the rate changing. In a rate changing environment, we feel that account holders could get confused because the rate could be tied to what prime was set 3 or more months ago. Our disclosures may state that rates will change quarterly, but in order to meet the 45-day change-in-terms, our rates could look like they are a quarter behind the prime rate.

In Closing

It is believed the operational impact of the 21-day rule was not fully considered given a short period of time to comply. It is felt that the 21-day rule will prohibit consumers from having the ability to select due dates on certain types of open-end credit or could result in higher fees charged to consumers to cover additional costs of doing business. Additionally, both provisions of the CARD Act which have been enacted cause great regulatory burden while offering little additional consumer protection. Lastly, many of the provisions of the CARD Act were addressed in other proposed regulatory changes and the provisions of the CARD Act seem to be redundant and unnecessary.

Sincerely,

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