September 21, 2009

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

Subject: Regulation Z; Docket No. R-1364; Comments on Credit CARD Act Interim Final Rule

Dear Ms. Johnson:

The Boeing Employees' Credit Union (BECU) appreciates the opportunity to comment on the Federal Reserve Board's Interim Final Rule (IFR), published July 15, 2009, implementing the Credit CARD Act (Act) of 2009.

BECU is a federally-insured, Washington State-chartered credit union with assets of approximately $8.6 billion. BECU is the fourth largest credit union in the United States and represents a membership base of over 618,000, many of whom reside in the State of Washington. As a membership organization in cooperative form, BECU prides itself on providing its members with great value and a great experience.

Our comments on the IFR are set forth below.

I. General Overview

The President signed the Credit CARD Act of 2009 into law on May 22, 2009. This sweeping legislation drastically modified the manner in which credit cards are issued, serviced and maintained. A late amendment to the bill extended the restrictions placed on credit cards to all open-end lending. While BECU applauds the efforts of lawmakers to establish fair and transparent practices pertaining to the use of credit cards, BECU is seriously concerned about the Act's application to non-credit card, open-end consumer credit, a product that our members rely heavily upon.

By August 20, 2009, barely three months after the Act was signed into law, two major provisions of the Act took effect. The one of great concern to BECU is the requirement that lenders mail or deliver the periodic statement on all open-end loans to the consumer/member at least 21 days before the payment due date.

Compliance with this requirement, as it applies to non-credit card, open-end loans, presents severe operational challenges for BECU and many other credit unions. As explained in detail below, changes necessitated by this requirement are causing significant disruption in the financial lives of our members and significant and expensive operational disruption for BECU. Considering its impact, the requirement took effect in an unreasonably short time frame, by any measure.

II. Implementation Challenges

In order to comply with the Act's requirement that periodic statements be mailed or delivered at least 21 days before the payment due date for non-credit card, open-end loans (21-day notice requirement), BECU had to develop changes to a number of systems, processes, and statement delivery cycles in relation to the impacted loan products. Typically, these types of changes take a minimum of 12 months to fully scope, design, test and implement. In this case, however, given that BECU had to rush a solution into effect in 90 days, we have not had the opportunity to adequately capture, vet and test a broad array of possible solutions for compliance. We expect that some of these other solutions will prove more convenient for our members and more cost-effective for BECU.

Since mid-June, BECU has dedicated a management team of approximately 10 individuals representing different internal business units and hired a consultant project manager to design and implement changes necessary to comply with the Act. This team met daily from mid-June through late August for a minimum of two hours per day that on some days stretched up to eight hours.

Unfortunately, there was some lingering confusion about the Act's scope and impact, adding to the delay in finding adequate solutions. In addition, solutions we believed viable prior to July 15, 2009, the IFR publication date, had to be abandoned shortly thereafter when it became clear because of clarifications in the IFR that such solutions were not adequate.

The overall cost to come into compliance will be significant. The cost of our project manager alone will reach $165,000. And the necessary diversion of staff from their normal duties has been unprecedented.

Our key operational challenges revolve around two of our cornerstone products that have long been provided to our members: our consolidated monthly statements and our multi-featured, open-end lending plan.

A. Consolidated Monthly Statements.

For well over twenty years, BECU has provided its members with "consolidated" statements of accounts. In numerous surveys taken over the years, members have expressed their continued support for receiving one consolidated statement.

Members strongly prefer the consolidated statements of accounts for two key reasons: 1) they enjoy the convenience of having their products and services from BECU depicted on one consolidated statement; and 2) they understand that the resulting cost savings helps BECU to offer better interest rates and lower fees. We also know that our members appreciate the fact that use of a consolidated statement is a more environmentally-sustainable practice.

The result is that BECU sends each member a monthly consolidated statement which may reflect loan payment due dates virtually any day of the month.

Because of the substantial number of consolidated statements we send each month - approximately 640,000 - BECU schedules the delivery of statements over four statement cycles per month, on average. Multiple statement cycles help balance the number of statements sent per weekly statement cycle, allowing a reasonable level of service to be provided to members (e.g. adequate staffing levels for member services, call center, and collections), and a manageable work load for our core processor and statement vendors.

B. BECU's Multi-Featured, Open-End Lending Plan

Beginning in January of 1990, as our preferred method to make consumer loans, BECU has used a multi-featured, open-end lending plan (Plan), which a borrower can access repeatedly via different sub-account loan requests for different loan types and rate structures (e.g. auto, credit card, unsecured consumer line of credit, boat, RV, etc.). Over 360,000 of our members have signed up on the Plan, and enjoy the convenience of providing one signature for a variety of consumer loans.

The Plan as a whole is self-replenishing. In other words, the member can borrow money, repay it, and borrow again under the Plan as a whole and the member is able to take advances utilizing the different features of the overall Plan. Our Plan offers two types of loan subaccounts:

1. Revolving Credit. This includes unsecured credit card accounts and unsecured consumer line of credit accounts that have replenishing credit lines and payments based on a percentage of the loan balance due at the end of the statement period.

Compliance with the Act. Because our unsecured consumer line of credit ("LOC") is part of a consolidated statement with other open-end loan payment due dates set for virtually any day of the month, BECU had to change the payment due date for each of its approximately 110,000 LOCs to the same date each month. BECU had to work with its statement vendor to develop various statement changes and a new statement cycle.

BECU also had to eliminate a number of member benefits that it had built into its loan and repayment processes. For example, members will no longer have the ability to modify the LOC payment due date or schedule multiple automatic payment transfers per month.

BECU mailed notice of these changes to affected members. As anticipated, member feedback has been negative. Members are concerned that consolidating payment due dates will cause them cash-flow problems and financial hardship.

2. **Installment Loans.** This includes non-replenishing loan advances made for a specific purchase and with a fixed payment amount due on the same days(s) per month. We allow members to choose certain repayment terms, such as designation of the monthly payment due date, bi-weekly payments (a payment every two weeks/26 payments per year), semi-monthly payments (two payments per month/24 payments per year), and to schedule multiple automatic payment transfer dates per month. At loan origination, members are provided with a loan advance voucher that discloses the designated due date per payment period and the payment amount. Approximately ninety-five percent of our 43,500 installment loans are repaid by voluntary automatic payment transfer.

Compliance with the Act. BECU had to eliminate a number of member benefits that it had built into its loan and repayment processes. These changes are the result of installment loans being part of a consolidated statement with other open-end loan payment due dates set for virtually any day of the month, and core processor limitations regarding payment due dates. The changes include, for example:

a. Eliminating bi-weekly and semi-monthly payment schedules.
b. Limiting the number of scheduled automatic payment transfers per loan per month.
c. Eliminating certain dates as possible payment due dates.

BECU had to work with its statement vendor to implement various statement changes. The cost of the statement changes for both revolving credit and installment loans totaled $190,000.

BECU mailed notice of these changes to affected members. The cost of the mailing for both revolving credit and installment loans totaled $50,000.

As anticipated, member feedback has been negative. Members resent the loss of control over choosing payment due dates and the loss of popular features used to schedule payments. In fact, we have received two written complaints about these changes, in which the members mistakenly assert that we made the changes in order to maximize finance charges.

III. Conclusion

BECU has implemented various solutions to comply with the 21-day notice requirement in the Act, but is struggling to find cost-effective, long-term solutions that preserve our multi-featured open-end lending program and our consolidated statements. If such solutions are not possible, then BECU may be forced to provide separate loan statements or to eliminate offering these loans as open-end products, instead only offering them as a closed-end product. Neither is a palatable solution because of the inconvenience to members and the excessive expense relating to core operation and system changes.

The changes to date in response to the 21-day notice requirement are causing significant disruption in the financial lives of our members: significant inconvenience and confusion and, in some cases, financial hardship. The changes detract from our ability to provide great value and a great member experience. And there is no assurance that long-term solutions will not involve changes that are even more disruptive to our members.

The changes are also causing significant and expensive operational disruption for BECU. We anticipate that our out-of-pocket cost alone will exceed $750,000. This does not begin to account for the untold staff hours spent designing and implementing the changes that are necessary to come into compliance. Ultimately, these increased costs will be borne by our members.

In order to help mitigate these adverse impacts, BECU strongly encourages the Board to:

1. Interpret the Act to allow institutions to use a different method – disclosure at origination - to comply with the 21-day notice requirement for installment loans. These loans have a fixed payment amount with a payment due date that is scheduled for the same day each month. There is no practical reason why institutions should be required to provide 21-day notice on periodic statements for these loans.

2. Extend the mandatory compliance date for the 21-day notice requirement as it applies to non-credit card, open-end credit until at least February 22, 2010 (the next effective date under the Act). Section 105 of the Truth in Lending Act clearly authorizes this type of action.

Thank you for your consideration.

Sincerely,

J. Parker Cann
Senior Vice President and General Counsel
BECU