August 28, 2009

To: Federal Reserve Board
Regulatory Review

From: Doug Kileen, President/Chief Executive Officer
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Re: Credit Card Accountability Responsibility and Disclosure (CARD) Act

These Comments are in response to the interim regulations relating to the above referenced CARD Act published in the *Federal Register* on July 22, 2009.

The second provision, found in Section 106 of the CARD Act effective August 20, 2009 references "all open-end credit plans", in addition to credit card accounts, and requires that periodic statements be provided at least 21 days before the payment due date (or the end of a grace period) in order for the subject lender to charge a late fee, report the account as delinquent to credit bureaus, or impose a penalty rate. The application of these provisions to "all open-end credit plans", presents significant compliance challenges for our credit unions and will require major changes in programs and procedures that have been in place for over a quarter of a century. Because over 95% of the loans in our portfolio are under "open end lending plans" including loans secured by vehicles, and we have always provided consolidated statements, which combine all loan, savings, and checking transactions, the cost and operational considerations to comply with this regulation are tremendous. We do not issue monthly statements for most of the subject accounts, and most are paid by payroll deduction or using coupon books.

We are a credit union with $360 million in assets and we estimate the cost to comply with this section of the Regulation for the first twelve months to be $200,000, with recurring costs at $100,000 annually. This includes changing to monthly statements, modifying due dates, and other required operational and technological modifications. Additionally, we will need to change all loan due dates, causing tremendous confusion for our members, the very consumers that this regulation is intended to help. We know that most credit unions in the country will be impacted in a similar fashion creating a tremendous financial burden at a very difficult time for all financial institutions.

Since all but one other section of the CARD Act limits coverage to credit cards (the other section being minimum payment disclosures), we believe this may be a drafting error, perhaps as a result of the compressed time period in which some of these provisions were drafted. In speaking with our Congressional Representatives, it is clear that they believe the intent of the legislation was to address abuses by credit card issuers, and was not intended to apply to any other form of lending other than credit cards. We would hope that you would contact the drafters of this legislation and key Congressional leaders and determine whether the intent of the legislation was specifically for credit cards, and thus, the application should be only to credit card accounts.

We ask that you consider the following changes in your final rules:

- Apply to regulation only to the open end credit card and revolving credit plans, consistent with Congressional intent.
- Exempt from the regulation multi-featured open-end lending programs for non-revolving secured loans.

As a final comment, it is not uncommon for the Federal Reserve Board to use your authority to make similar changes in regulatory application, including TILA, when it is consistent with the Congressional intent of the law. Even with this regulation's interim final rules, for example, the rule excludes coverage of home-secured credit cards from application of the 45-day advance notice requirement, contrary to the language of the law that applies to all credit cards. This is a clear interpretation by the Federal Reserve Board to draft rules consistent with the Congressional intent. We ask you use similar reasoning in drafting the final rules for the subject Regulation.