August 17, 2009

Board of Governors of the Federal Reserve Board
20th and C Streets, NW
Washington, DC 20551

RE: Docket No. R-1364.
Interim Final Rule Implementing the Credit Card Accountability Responsibility and Disclosure Act

Dear Board of Governors,

I am writing to you regarding what we believe to be the unintended consequences of the Credit Card Act on the credit union industry. The massive changes that this regulation imposes on credit unions and our open-end lending programs is very likely not the desired result of the bill, and we respectfully request the opportunity to explain why we urgently believe that the scope of this bill needs to be revisited.

An Open-End loan is significantly different from a credit card. Open-End loans are not ***all*** lines of credit like credit cards. In fact, in our loan portfolio, most are fixed rate, single disbursement loans such as new and used auto/vehicle loans, RV loans, other secured loans and even signature loans.

O/E secured loans are typically fixed rate loans with an understood repayment period. Once a fixed rate, secured loan has been acquired, the rate and payment do not change unless the borrower requests a refinance, and subsequently signs new loan documents. There is no danger to the borrower of an unanticipated or unexpected payment or rate change. The borrower is the trigger for this type of contractual change, not the lender. When the loan is initially closed, documents are provided describing when a late fee is charged and under what conditions. The borrower knows that they have that specific number of days from the due date to pay without a late fee. If the borrowers' payment is due monthly that due date will be the same every single month for the duration of the loan. There is no guesswork. It is spelled out and disclosed at the loan closing and in the loan documents.

A contractual issue that has arisen out of the Credit Card Act requirements is the imposition of a "monthly due date" on ***all*** loans. Over half of our portfolio is contracted with bi-weekly payment frequencies at the request of our members. We are now caught between opposing requirements in the lending regulations. Do we change the contractual repayment period to "monthly" and alter the borrowers' loan agreement, or do we leave it alone and violate the Credit Card Act? When a borrower has requested and contracted for 130 bi-weekly payments on their auto loan, how is it borrower friendly to change their contractual obligation to 60 "monthly" payments without their buy in?

There is also the unrealistic expectation that an entire industry can comply with these massive system changes in 25 business days. The final rulemaking was handed to us on July 15th with the expectation that we could make comprehensive technology changes and magically be in compliance by August 20th - a total of 25 business days later. We're being asked to make sweeping changes to systems that have been in place for many years. Additionally, the changes go beyond what the credit union can change on its own – the changes must enlist the time and energies of our data processors and statement company providers all of whom require more time than what has been allowed.

The added cost to credit unions to pay for these system changes is also unanticipated and significant. Not only do we have to pay for data processing changes, but we now have additional processing and postage expense in having "monthly statements" required on all open-end loans. Previously Reg.E was the trigger for a monthly vs. quarterly statement. Now our entire loan portfolio requires a monthly mailing.

You can be rest assured that no one at our credit union opposes fair and equitable lending regulations, and as an industry we take pride in our reputation of being some of the most borrower-friendly lenders on the current landscape. I would challenge the Federal Reserve to justify how our open-end loans have hurt our member borrowers in the way that credit card practices have proven to be damaging. We would be very surprised to hear an argument supporting that charge. I have to believe that had our lawmakers fully

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understood the scope and differences between open-end lending and credit card lending, this bill would not have passed as it did. I also have to wonder why the bill was pushed through so quickly without hearings and without the ability for credit unions and other affected lenders to provide input. We, at Powerco Credit Union strongly encourage the Federal Reserve to reconsider the impact of the Credit Card Act on the credit union industry and isolate the bill to regulating credit cards, and not to open-end lending in general.

Thank you for your time and attention to this vitally important issue.

Respectfully,

Linda Battaglia
VP Operations
Powerco Credit Union, Inc.