



National Association of Federal Credit Unions

3138 10th Street North • Arlington, VA 22201-2149

(703) 522-4770 • (800) 336-4644 • Fax (703) 524-1082

www.nafcu.org • nafcu@nafcu.org

May 7, 2004

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

RE: Docket #R-1187; Proposed Rule Amending Regulation V (Fair Credit Reporting Act)

Dear Ms. Johnson:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions, I am responding to a request for comment from the Board of Governors of the Federal Reserve System (Board) on the proposed rules implementing section 623(a) of the Fair Credit Reporting Act, as amended by section 217 of the Fair and Accurate Credit Transactions Act of 2003 (the FACT Act). Section 217 of the FACT Act requires that if a financial institution furnishes negative information to a consumer reporting agency regarding credit extended to a consumer, the financial institution must provide written notice to the consumer that it has furnished negative information.

The Board requests comment on a proposed model notice that financial institutions may use to comply with the notice requirement under section 217. In addition, the Board seeks comment on its proposed amendment to Regulation V to specify that although the regulation generally applies only to the financial institutions that the Board regulates, the model notice relating to furnishing negative information may be used by all financial institutions.

NAFCU supports the adoption of the model notice but recommends a modification. NAFCU generally believes the Board's proposed language is clear and should be readily understandable by consumers. However, NAFCU recommends that the Board delete the last clause, "to include in your credit report" as this clause may create confusion as to whether and under what circumstances the credit bureau will include the negative information provided by the financial institution in a credit report.

Ms. Jennifer J. Johnson

May 7, 2004

Page 2 of 2

Inclusion of the words “to include in your credit report” exceeds the substantive requirements of section 217 of the FACT Act, which requires that the financial institution “provide notice of such furnishing of negative information.” Section 217 does not require the financial institution to disclose to the consumer what the credit bureau may do with the information. The financial institution has no knowledge of or control over how the credit bureau treats the information. Deletion of this clause will result in a clear model notice that satisfies the requirements of section 217. At the same time, NAFCU believes that any further clarification would require a model notice longer than the maximum of 30 words as set by section 217 of the FACT Act. Therefore, NAFCU recommends that the model notice state, “We [may provide]/[have provided] information to credit bureaus about an insolvency, delinquency, late payment, or default on your account.”

NAFCU supports the Board’s amendment to Regulation V specifying that all financial institutions may use the model notice. This express authorization to use the model notice will provide helpful guidance for financial institutions. A model notice that can be used by all financial institutions encourages standardization and minimizes confusion for consumers.

NAFCU would like to thank you for this opportunity to share its views on this proposed rule. Should you have any questions or require additional information please call me or Robert Byrer, NAFCU’s Regulatory Compliance Counsel, at (703) 522-4770 or (800) 336-4644 ext. 278.

Sincerely,



Fred R. Becker, Jr.
President/CEO

FRB/rgb