

# American Airlines Federal Credit Union

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December 16, 2005

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

RE: Docket No. R-1217

Dear Ms. Johnson:

I am writing on behalf of American Airlines Federal Credit Union (AA Credit Union). AA Credit Union has over \$4 billion in assets, is the ninth largest credit union in the United States and has over 200,000 members located throughout the country. I am vice president and general counsel of AA Credit Union and am also a member of the Federal Reserve Board's (Board) Consumer Advisory Council.

*Minimum Payment Disclosures*  
Questions 59-61

We strongly encourage the Board to limit these types of disclosures only to credit cards where a consumer has the option of making minimum only payments and therefore, extending the repayment period. Like many other credit unions, we offer other types of open-end credit plans where the members can apply once for a loan and then take out additional advances. We anticipate repeated loan activity when we offer this type of lending. We offer various types of sub-accounts to finance vehicle loans, recreational vehicles, computer loans and so forth. All of these sub-accounts have their own interest rate, payment period and are paid in scheduled installments. The minimum payment disclosures would not be helpful to a consumer in these instances. Additionally, home equity lines of credit should be excluded because consumers already receive disclosures regarding the draw and repayments periods.

We would recommend that these types of open-end credit plans not be covered under the Regulation Z rules that are required under the Bankruptcy Act. These types of accounts do

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not give consumers the option of making only minimum payments that would let them extend the repayment period. Also, these types of accounts do not have the abuses that are common with credit cards

AA Credit Union recommends that all credit card account holders be given the required disclosures regardless of whether they revolve their balances, payoff their monthly balances or make payments that are above the minimum amount.

*Hypothetical examples for periodic statements*  
Questions 62-64

We recommend that the annual percentage rate (APR) used in the hypothetical examples stay the same for all financial institutions (FIs) and not be adjusted over time. Changing the APR would be too confusing to consumers.

As stated above in our responses to questions 59-61, the disclosure requirements should only apply to credit card accounts and not to other types of open-end lending. We also recommend that the word "typical" not be used as it might imply to consumers that the percentage is the industry norm. Instead, using the words "for example" would be more helpful as it informs consumers that this is merely an illustration and is not specific to that consumer's account terms.

*Assumptions for the estimated repayment period*  
Question 65

It would be simpler if the Board used the minimum payment formula that is similar to what will be used in the hypothetical examples on the periodic statements as this ties back information to the consumer and would be helpful to them.

*Using the minimum payment requirement and APR information in estimating the repayment period*  
Questions 66-75

We would recommend that the Board adopt a tolerance of error to create a safe harbor before any enforcement action is taken against a creditor who has given an estimate in good faith of the repayment period. Because of many factors involved in giving a very good estimate of the repayment period, it is difficult to give an actual repayment period. A two to four month tolerance period would provide a creditor with a small room for error while still providing helpful information to the consumer.

A FI should also be given the option of using its own repayment formula, but should not be required to do so. This would improve the calculation of the repayment period and make it

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more accurate. FIs should be the ones to decide whether they are able to provide their own repayment formula, as the costs might be burdensome to smaller FIs like credit unions.

If a FI were able to use their own repayment formula, the Board should give the FI the alternative of bypassing the toll-free telephone requirements. Providing the more accurate repayment information to the consumer on the periodic statement versus the consumer calling an 800 number would be more convenient to both the consumer and FI.

We would recommend that only one APR be used in the hypothetical examples to keep it as simple as possible for the consumer to understand.

Additionally, we recommend that the historical APR be eliminated as it is confusing to consumers and is not helpful to them since it changes every month. Providing a list of the fees and costs in dollar terms would be more helpful to the consumer.

*Board alternatives*  
Questions 80-82

We recommend that the Board develop its own Web-based tool that consumers can use to calculate their repayments periods. FIs could then provide this link on their own Web site. As consumers become more Internet savvy and the Internet's use becomes available to nearly all consumers, this could then replace the toll-free telephone number.

*Clear and conspicuous standard*  
Questions 83-84

It would be very helpful to FIs if the Board gave model disclosures as guidance, but still allow some flexibility to the FIs to adjust or modify where space limitations are an issue.

*Introductory rate disclosures*  
Questions 85-92

It is not necessary to require minimum type size requirements for the mandatory disclosures.

We believe that requiring the term "introductory" to immediately precede or follow the APR would be sufficient to meet the "immediate proximity" standard. Additionally, when disclosing the "go to" rate that applies after the introductory rate expires, FIs should be given the option of disclosing the range of rates, the highest APR or the lowest APR that could apply.

For the lowest rate, the term "as low as" should precede the rate and the consumer should be informed that the actual rate would be determined based on their credit worthiness. We believe the FI should not be required to give the actual rate at that time because, dependent on the length of the introductory period, this rate could change significantly over time. For

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example, AA Credit Union uses risk based lending to offer variable rate credit cards dependent upon prime. At the time the marketing promotion is mailed, we would not necessarily know what the actual "go to" rate would be since prime could change multiple times depending upon how long our introductory rate is in effect.

For direct mail offers, we would recommend that the "first mention" document be the letter designated to the consumer. Each document should not be considered a separate solicitation since the contents of the envelope are considered to be a single "package" by most FIs. We would recommend that the other documents in the package refer to the letter for further disclosure information.

*Disclosures related to payment deadlines and late payment penalties*

Questions 97-101

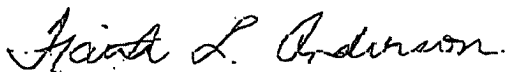
Circumstances where the payment due date is different from the earliest date in which a late payment fee is charged would be where a FI gives the consumer a "grace period" before the FI charges a late fee. For example, at AA Credit Union, we give our members a five-day grace period after the payment due date before we charge a late fee. We give our members a "grace period" as a service to them. If we are required to disclose the earliest date on which a late payment fee may be charged, it would force us to do away with the grace period because then our members would most likely not make their payment until the end of the grace period.

We see no reason to disclose the payment due date and the earliest date that a member could incur a late fee if a FI gives a consumer a grace period, which is beneficial to the consumer.

Furthermore, since AA Credit Union posts all payments on the date received even if we are not able to process it until the next day, we have no objection if a cut-off hour is required to be disclosed.

AA Credit Union thanks you for giving us the opportunity to comment on this proposed rulemaking. If you have any questions, please call me at 817-931-7004.

Sincerely,



Faith L. Anderson  
Vice President & General Counsel

cc: J. M. Tippetts