

October 10, 2007

To: The Board of Governors of the Federal Reserve System

Ref: Docket No. R-1286

Dear Sir:

I am writing on behalf of Randolph-Brooks Federal Credit Union located in San Antonio, Texas chartered 55 years ago to service two Air Force bases, Randolph Air Force Base and Brooks Air Force Base. We currently serve over 225,000 members with many of those members stationed all over the world. Your proposed changes to multi-featured open-ended lending will decrease our ability to service our members conveniently and efficiently worldwide.

The current structure of the multi-featured open-ended lending plan has worked extremely well for over 25 years and is a great time saver for both the credit union and the member. Servicing military personnel and their families that are stationed all over the world makes this process even more in demand. The proposed changes will definitely delay our ability to service our members conveniently and efficiently and increase our expense to service our membership which is then passed down to our members due to increased cost to service. An example of how our members will be impacted follows. The proposed changes to multi-featured open-ended lending will cause the financial institution and the member to wait for paperwork via mail to and from members in different states or different countries before the loan can be finalized and funded. This delay in mail time/service time is unnecessary and could cause a large service issue and cost to every member. When a member is in need of a loan today, it can be processed and funded in one day regardless of where they are located. Add in the proposed changes to multi-featured open-ended lending and that process goes away.

What happens when a member needs their money today and the credit union tells them it will take a week because of where they live or stationed? – they find it elsewhere. This is partly why Payday lenders have grown so significantly as of late because of no questions asked and convenience. The new rules in effect October 1, 2007 from the John Warner National Defense Authorization Act for Fiscal Year 2007 (HR 5122) that has allowed the Department of Defense to establish a Military Annual Percentage Rate for military personnel and their families was established to help curb the abuses of Payday lenders. It sets a cap rate of 36% for all financial institutions while federally chartered credit unions are regulated and have never charged interest rates above 18%, period.

The point is that your proposed changes could lead to unintended consequences that could drive consumers to more convenient processes like Payday lending and Indirect lending instead of their financial institution. Payday lenders have over 30,000 locations as we try to service our members all over the world with 25 locations. We choose not to conduct Indirect lending so that the member is not charged a higher interest rate so that the dealership can make their interest rate spread. Military personnel and their families will be protected with the 36% interest rate cap with Payday lenders but other consumers will not be covered and could experience interest rates in the 400% range with Payday lenders and increased rates by going through the indirect process.

I am unsure of the reasons supporting the proposed changes to multi-featured open-ended lending but in our review of its history and performance – I don't see why the changes are necessary. It has a great track record for over 25 years of usage and members continue to rely and count on this type of service from their credit union.

I want to Thank You for taking the time to read my comments regarding the proposed changes to multi-featured open-ended lending.

Mark A. Sekula
Sr. Vice President, Consumer Lending
Randolph-Brooks Federal Credit Union