

From: Joe Guilfooy <JoeG@icul.org> on 07/18/2008 10:10:23 PM

Subject: Regulation DD

July 18, 2008

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

Re: Proposed Amendments to Regulation DD – Additional Disclosures
Associated with Overdraft Protection Plans, Docket No. R-1315

Dear Ms. Johnson:

The Indiana Credit Union League (ICUL) appreciates the opportunity to provide comments on the Federal Reserve Board's proposed amendments to Regulation DD as it relates to overdraft protection plans. The ICUL represents 188 of Indiana's 208 credit unions with those credit unions' memberships totaling more than two million members.

We appreciate the Board's efforts to create disclosure to improve consumers' awareness of overdraft protection plans (ODP). Credit unions are member owned financial cooperatives that take pride in serving and educating its members/owners. With that said, there also needs to be a measure of balance.

What credit unions have been experiencing with overdraft protection plans is that an overwhelming majority of the qualified members like the service. The service helps avoid embarrassment and minimize fees associated with a bounced check. Payment of an overdraft can reduce a member's cost because he/she does not have to pay the merchant's fee for the overdraft. Credit unions also have traditionally offered numerous services that allow for alternatives or helps in preventing overdrafts. Examples are overdraft lines of credit, automatic overdraft transfers between deposit accounts, home banking and audio systems allowing for balance inquiry and balance transfers, and so on. Unfortunately, many members do not take advantage of alternatives. Why, we can only surmise that they don't anticipate having overdrafts.

As proposed, we agree that financial institutions should be responsive when an individual chooses to opt out of future overdraft usage and the disclosure of only the amount of funds available for immediate use or withdrawals. However, requiring financial institutions to provide a monthly opt out becomes over-burdensome. An opt out notice at the time of creation, along with an annual notice, should be ample. As for the allowable methods to opting out, we believe individuals and financial institutions should be given as much flexibility as possible (e.g., by mail, phone, electronically or in person).

As for content of the disclosure, there should be some consideration on making the language as general as possible, because most of our smaller to medium sized credit unions order such notices in bulk from third parties. If the notice requires specific information (such as, overdraft dollar fee, daily fee limit, and specifics regarding alternative services), the third party costs will rise accordingly. Also, dollar specific fees would be duplicative because they are already required by truth-in-savings at account creation and upon change.

Required disclosures on periodic statements will be difficult to implement for credit unions due to necessary third party core processing system changes that will need to occur in order to accommodate the disclosure requirements. Such changes will need program development which the costs being passed on to credit unions and subsequently to their members/owners. Currently, NSF charges are not being differentiated between ODP NSF charges and ones that apply to checks that were returned. We believe compliance with this proposed requirement would be burdensome without enough benefit to the member. In our opinion, the member knowing how much they paid in total NSF charges is ample.

Thank you for the opportunity to comment on the proposed revisions to Regulation DD.

Sincerely,
Joe Guilfooy
Vice President Consulting & Education
Indiana Credit Union League