

July 18, 2008

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

Re: Docket No. R-1315; Regulation
DD (Overdrafts)

Dear Ms. Johnson:

Navy Federal Credit Union provides the following comments on the Federal Reserve Board's proposed amendments to Regulation DD, which implements the Truth in Savings Act. While regulation DD does not apply to federal credit unions, the Act requires the National Credit Union Administration to promulgate "substantially similar" regulations within 90 days of the effective date of any Truth in Savings regulation prescribed by the Board. We offer our comments in that regard.

The purpose of the Truth in Savings Act and Regulation DD is to assist consumers in comparing deposit accounts offered by financial institutions, principally by regulating the disclosure of rates, fees, and other account terms. In fact, the findings of Congress as expressed in the original Act are as follows:

"The Congress hereby finds that economic stability would be enhanced, competition between depository institutions would be improved, and the ability of the consumer to make informed decisions regarding deposit accounts, and to verify accounts, would be strengthened if there was uniformity in the disclosure of terms and conditions on which interest is paid and fees are assessed in connection with such accounts."

Navy Federal generally supports disclosures that concisely and effectively inform consumers about the products and services that financial institutions offer. We believe such disclosures enhance consumers' abilities to make good financial choices and results in economic stability. The current proposal, however, is inconsistent with the findings of Congress as it will confuse and frustrate consumers and limit the personal financial choices available to consumers. Additionally, the proposal will be costly to implement. This is a cost that not-for-profit credit unions must pass on to their consumer-members as increased fees and lower savings rates.

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The Board has not made a compelling case to force financial institutions to offer only accounts that include a costly opt out feature. The *Federal Register* supplementary information refers to consumer advocates' beliefs that overdraft transactions are a high cost form of lending that traps consumers into paying high fees. We agree that most **fee-based** overdraft programs are high cost forms of securing funds. We do not agree that the vast majority of consumers are "trapped" into paying these high fees. We believe that most consumers who use account overdraft services view the high fees as a necessary alternative to not processing a payment transaction and consciously make a choice to use the service. Effectively, consumers are opting in when they use the overdraft service; therefore an offer to opt out becomes an expensive moot point for financial institutions. If the Board desires to limit free market choices, it may have authority to do so, but we believe such a move is inconsistent with Congress's findings regarding economic stability. The better approach is to educate consumers to manage their affairs to minimize the need to rely on short-term high-cost funding sources. Consequently, we ask the Federal Reserve Board to withdraw this proposal.

Navy Federal appreciates the opportunity to provide our comments on this proposed rule. If you have any questions, please contact Patrick McNichol, Senior Policy Analyst, Compliance Officer at (703) 206-2060.

Sincerely,



Cutler Dawson
President

CD/pm