

From: Arlington Federal Credit Union, Pat Mott
Subject: Reg Z - Truth in Lending

Comments:

July 31, 2009

To: Board of Governors of the Federal Reserve
20th & C Streets NW
Washington, DC 20551

From: Arlington Federal Credit Union
Patricia A. Mott

RE: 2009 Card Act - Interim Final Rule

My name is Patricia A. Mott, and I am the President and CEO of Arlington Federal Credit Union. Our credit union was chartered in 1965, and we currently serve the communities of Arlington and Mansfield, Texas. With almost 11,000 members and \$57 million in assets, Arlington Federal is considered a small credit union. The members we serve have come to depend on their credit union for its convenient consumer lending services at fair prices.

The reason for my letter today is to ask the Board of Governors to re-visit the recently passed Card Act, particularly relating to Open-End lending. Arlington Federal Credit Union has been utilizing Open-End lending practices for many years, not for credit cards---we don't operate a credit card program---but for all other forms of unsecured loan requests by our members.

When the Card Act was changed in the Senate version just before passage, all Open-End lending was included in the bill. I believe that ultimately the Congress should revise the Card Act and remove the reference to Open-End lending. I believe the Act's original intent was to protect the consumer from the unscrupulous and predatory practices of some credit card companies. In light of the compliance deadline of August 20th, the primary issue of concern for Arlington Federal is the 21-day rule. Even if Congress were to amend the Card Act later to eliminate reference to Open-End lending, this does not address the fact that compliance by August 20th is next to impossible, and very costly to credit unions as well as their members.

Arlington Federal Credit Union has always produced monthly or quarterly combined statements. These member statements include all loans, checking, savings, Certificates of Deposit, IRAs, etc. Our members also have the ability to designate a specific frequency of loan payments (weekly, bi-weekly, semi-monthly, or monthly) and can select a specific day of the month for payments due in order to coincide with the frequency and timing of their payroll. Many are on payroll deduction, and like the fact that when payments are made more frequently than monthly, less interest is paid over the term of the loan. This is because each time a payment is made the interest due is calculated on the unpaid balance from the previous payment date.

Because Open-End lending was included in the Card Act, Arlington Federal must now change all Open-End loans to a monthly payment, due approximately the 25th of each month. This would be necessary to satisfy the 21-day rule by allowing our member statement to be the 21-day notice. An alternative would be to move to billing statements on each loan which would double the cost of our statements and processing, and create additional expense and difficulty in marketing to our members. Much of the member education and marketing information is included in statement mailings to help reduce costs. Billing statements cannot currently be accessed electronically like e-statements, so

members who do not want statements sent by US Mail would now receive by US Mail one statement for each loan.

These are the reasons that I would request that the Board of Governors please consider at a minimum, delay in the implementation of the new final rule for several months. Compliance with the August 20th deadline is unreasonable when considering the time, cost, and coordination that will be required between our credit union staff, data processor, and statement mail house, as well as the time and cost of providing adequate explanation to our members of the changes to their loans and statements, and the reasons for the changes. It would be most beneficial to the members if the implementation could be delayed long enough for Congress to have ample time to reconsider the impact on credit unions, and remove all reference to Open-End lending from the Card Act.

Respectfully,

Patricia A. Mott

Arlington Federal Credit Union

cc: Marcia Sobotka, Board Chair