

From: Post office Employees Credit Union, Sidney A. Parfait  
Subject: Reg Z - Truth in Lending

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Comments:

July 31, 2009

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

Re: Docket #R-1364 - 12 CFR Part 226  
Interim Final Rule - Regulation Z Changes from Credit Card Act of 2009

Dear Ms. Johnson:

This requirement would present an unbearable burden on small credit unions, and therefore on their members. These credit unions do not have the staff nor the financial resources to send reminder notices to members 21 days prior to the due date.

Using our credit union as an example, a majority of our members (about 85%) pay by payroll deduction on a bi-weekly basis. This new requirement would have us notifying them even before we knew what their balance would be.

I believe there is a difference in what was intended and what is being proposed. Our "open end lending" is much different than credit cards in that the open end debt is not a line of credit but a fixed debt until the next advance is applied for, approved, and funded. At this time the member is given the new payment and the due dates, along with all required disclosures about the loan.

Additionally, the open end loans that we have are not variable rate instruments. The only way the rate would change is if the member applied for additional funds and their credit rating had changed or if they were to pay off their outstanding balance and utilize the funds for another purpose.

The Credit Union industry applauds the process of eliminating these escalating interest rates on consumer credit cards but we have not been a part of the process. A large majority of credit unions, including the Post Office Employees Credit Union, do not raise interest rates because someone is late on their payment or on another payment. We try to work with consumers to provide affordable credit.

I fear that consumers will ultimately be the loser in that Credit Unions will revert to closed end lending and that will require more effort on the part of consumers to obtain affordable credit.

Sidney A. Parfait, CPA  
Post office Employees' Credit Union