

From: H.E.A. Federal Credit Union, Brad Hamlin
Subject: Reg Z - Truth in Lending

Comments:

August 6, 2009

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

Re: Docket No. R-1364 - The Credit CARD Act of 2009

Dear Ms. Johnson,

I am writing you today to share with you the difficulties I have with H.E.A. Federal Credit Union's ability to comply with certain aspects of The Credit CARD Act of 2009 (CARD Act). I would like to share our support for the original intent of the CARD Act, which was to reign in credit card lenders that engage in abusive and predatory practices. Credit Unions have traditionally been the consumer-friendly financial solution. We place a very high value on doing the right things for our credit union members and operating with the highest of ethical standards.

While we support the original purpose of the CARD Act, one section of the Act has led to a tremendous burden on the credit union industry, and will ultimately harm consumers. Under the CARD Act, creditors must adopt reasonable policies and procedures to ensure that periodic statements for any open-end consumer credit account are mailed or delivered at least 21 days before the payment is due in order to be able to charge a late fee, or to otherwise consider the payment late. This 21-day requirement will apply to all open-end consumer credit. This is in contrast to most other provisions of the CARD Act, which are limited only to credit cards.

Our credit union does not offer credit cards, but we will be greatly affected by the CARD Act because most of our loans are written on open-end loan documents. The open-end loans allow our credit union members to receive new loans and loan advances without having to complete burdensome paperwork on each loan request. Also, we currently mail consolidated statements to our members on at least a quarterly basis. These statements combine information about all savings, checking, and loan accounts that the member has with the credit union. Our members prefer receiving one statement instead of a separate statement for each of their financial services. The language in the Credit Card Act pertaining to periodic statements would require us to send monthly statements to all members who have open-end loans and to move all due dates on loans to the end of the month in order to comply with the 21-day requirement. We would incur extra costs for these additional statements would ultimately be passed on to our members.

At H.E.A. Federal Credit Union, with our asset size of \$20 million, changing due dates on existing open-end loans would require the modification of more than 1,500 loans, impacting approximately 1,000 of our credit union members. We believe that this change will have a negative impact on both consumers and credit unions as stated below:

- Current data processing systems cannot support multiple statement dates, due dates, payment dates, etc. and will have to be reprogrammed. This will lead to increased costs, all of which will ultimately be incurred by the consumer.
- Increased postage expenses from mailing more statements will increase costs which will be passed on to the consumer.
- Multiple statements sent to the same member would probably lead to

confusion on behalf of the member.

- A possible conversion to an all closed-end lending process is possibly a solution, but member convenience would be impacted because of more burdensome paperwork, which would lead to fewer loans being granted.
- All existing open-end loans could be refinanced, but many members will not want to change their existing loan terms. If the credit union were to refinance the loans, it is possible that the lien status of existing loan collateral would be impacted and collateral values may have declined.
- Existing due dates could be changed. This is a very time-consuming process that would have to be agreed to by members, and many of them will not understand why their existing loan agreements need to be changed.

I would like to thank the Federal Reserve for allowing me to share some concerns of complying with the portion of the Credit CARD Act which deals with periodic statements on open-end loans. I ask that the Agency consider the impact that this section has on consumers and at least allow for an extension of the effective date of the regulation.

Sincerely,

Brad Hamlin
H.E.A. Federal Credit Union