

From: Gene Pelham  
Subject: Reg Z - Truth in Lending

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Comments:

Dear Federal Reserve,

Our credit union has offered an open ended lending system for all of our lending products including installment loans for years. This system allows us to provide our members with timely and flexible consumer loan products. While we firmly support the objectives of the Credit CARD Act, it is clear that the impact on open ended consumer loan systems were not considered in the construction of the regulations. With what many consider to be a simple drafting error when open-ended loans were included in the regulation, our credit union is forced to carry an overwhelming economic and operational burden. Furthermore, your comment period for these new rules expires over a month after the mandatory compliance date of the 21 day advance notice requirement in the new regulations.

The impact on our organization is quite significant. While we can comply with the regulations with our credit card program and will meet the deadline, the cost of compliance by the deadline for our open ended consumer loan program is substantial. Our data processor is unable to alter our statements to ensure compliance and we are left with mailing individualized periodic paper statements. Of course this creates unnecessary impacts on our members and our environment. We are estimating that this cost will be well over \$100,000 per year, but it must be spent in order to ensure that we can continue to collect late fees that total over \$400,000 per year. With a net income of about \$3 million in normal years the loss of late payments fees would reduce our income by over 13%.

Furthermore, we are forced into converting our open-ended lending system to a closed ended lending system in order to avoid the 21 day periodic statement requirement. The total cost of this conversion in software, legal, and staff training costs is as yet to be determined, but still substantial. In addition, for lending products that must continue as open ended (line-of-credit loans) we are forced to require a single due date for all loans. This due date is the 28th of the month in order to meet statement printing and mailing deadlines. The difficulty is that this does not take into consideration the member needs. These new rules are forcing member needs to take a backseat due to the operational challenges and cost impacts of the new regulation.

With the current economic crisis that our country is facing I find it difficult to believe that the intention of this rule was to make it more difficult for consumers to manage their loans. I find it difficult to believe that the intention of the rule was to increase costs for consumers due to regulations that provide no measurable protection for open-ended consumer loan borrowers. I find it difficult to believe that the intention of this rule was to further weaken financial institutions that are offering an honest value and consumer benefit. Finally, I find it difficult to believe that the intention of this rule was to force expensive new rules on financial institutions without sufficient time to address compliance issues. While not the intention, this is the impact of the new regulation will have on our credit union and our members.

I encourage the Federal Reserve to take a step back and look at the cost of compliance versus the consumer benefit for these new rules on open-ended lending systems. I would ask you to consider at least a 180 day extension of the compliance deadline and a thorough review of whether open-ended consumer lending programs that are not credit card programs were truly intended to be part of, and whether they should be included in this new regulation.

Thank you for your consideration,

Gene Pelham