

From: Augusta Metro Federal Credit Union, Paula Kitchens
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,

The purpose of my letter is to explain the concern I have with Augusta Metro Federal Credit Union's ability to comply with certain aspects of The Credit CARD Act of 2009 (CARD Act). Before I go in to detail, you should know that we support the original intent of the CARD Act, which was to reign in unscrupulous credit card lenders that engage in abusive and predatory practices. As a credit union, we are a consumer-friendly financial cooperative; owned by our members and we place a tremendous value in doing right by our members and functioning to the highest ethical standards.

Augusta Metro Federal Credit Union supports the original purpose of the CARD Act. However, one component has led to a tremendous burden on us and the credit union industry that will ultimately harm consumers. Under the 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 to credit cards.

Our problem: We differ from other financial institutions by providing a consolidated statement at the end of each month that combines information about all savings, checking, and loan accounts that each member has with the credit union. Our members appreciate and generally prefer consolidated statements, as opposed to receiving multiple statements. This is the environmentally friendly method as well. For the financial benefit of our members, our credit union allows members to choose weekly or biweekly payments and designate their own due dates, typically to coincide with when they receive payroll deposits, all of which must be changed in order to comply with these provisions...ultimately harming our members.

At Augusta Metro Federal Credit Union, a \$57M institution, this change will require the manual modification of 2,366 loans, impacting approximately 2,000 members.

We firmly believe that this change will have quite the opposite effect of the original intent. In particular:

Negative Impact on Consumers

* This law change could have an unintended adverse impact on consumers

by causing many financial institutions to re-evaluate their current grace periods on open-end loans. Most credit unions already include grace periods in their loan processes...ours is 10 days after the payment due date...before we consider a payment as late. Though most credit unions will not want to shorten the grace period, depending on how the data processing system works, credit unions may not have a choice because that grace period would "flow over" to the next due date. (All loans are not due monthly; some are weekly, bi-weekly, or semi-monthly.)

- * It is feasible that the amounts charged for late payment fees could increase, as fewer late payments might be expected in the short term and to balance having money outstanding for which no interest is being charged.

- * One potential solution is to rewrite existing loans. However, this will inconvenience members who will not understand why their existing loan agreements must be changed.

- * Multiple statements sent to the same member...likely leading to confusion on behalf of the member.

Negative Impact on Credit Unions

- * Our data processing system cannot support multiple statement dates and will have to be reprogrammed. This will lead to increased expenses, all of which will ultimately be borne by the consumer. As a mid-size credit union, we are at the mercy of our software/data processing company to make system changes.

- * Increased postage expenses and statement creation process; for us estimated at an additional \$1200 month.

- * Possible conversion to all closed-end lending processes. This is a potentially viable solution, but member convenience is impacted...leading to fewer loans at credit unions.

- * Refinancing of existing open-end loans. Again, many members will not wish to change their existing loan terms. If a credit union were to refinance, it is possible that the lien status of existing loan collateral would be impacted, collateral values may have declined, re-qualification by members might not be feasible, etc.

- * Change existing due dates. This is a manual, very time-consuming, process that would have to be agreed to by members...many of which will not understand why a change is necessary and in our case will still require a system/data processing change that we will be required to pay for.

- * Are credit unions being asked to abrogate existing legal contracts?

Thank you for allowing me to share our concerns of complying with this provision of the CARD Act. I would also ask that the Agency consider the implications on consumers and allow for an extension of the effective date of the regulation and an opportunity for members to opt-out of this additional statement.

Sincerely,

Paula P. Kitchens
Augusta Metro Federal Credit Union