

From: City Credit Union, Jack Coffey
Subject: Reg Z - Truth in Lending

Comments:

Greetings

I am writing to ask for your support in either withdrawing or changing what I feel is the most damaging piece of legislation for credit union members I have seen in my thirty-seven year career in the credit union movement.

My career has been filled with the rewards of helping people meet their dreams. I, along with literally hundreds of thousands of other credit union employees over the past century have been able to lay our heads on our pillows at the end of the day with a clean conscious knowing we have worked hard to protect our members from financial abuse. There is no doubt that you can point to a few employees, and even a few credit unions, that have violated the spirit that motivates our movement.

I bring all of this to your attention because I am convinced in my heart that the issues I am addressing are the result of an accidental oversight on someone's part. I would never suggest that our elected leaders and regulators are not already aware of the fine work that 99.9% of the credit unions offer to over 90 million consumers.

Credit Unions have a long history of providing valuable service to our members through lower loan rates and higher deposit rates. For many years, the credit union industry has rated at the top of consumer surveys for satisfaction. Credit Unions pride themselves in developing products and services that make the lives of our members easier and promote financial stability.

One of these success stories has been the adoption of open-end loan plans that allow a member to sign a master loan document and obtain future loans without the hassle of mailing and returning loan documents, waiting for their money, etc. These master agreements typically allow for a simple line-of-credit product and access to future loans that typically do not have a replenishable line-of-credit.

These plans are available in all fifty states and have been approved by state legislators. Consumers have come to rely upon the ease of borrowing. In thirty-seven years, I can not recall a single incident where the consumer ever raised an issue with the process.

Therefore, I was shocked when I heard that credit unions, regulators, trade associations and others started lumping these loans into the net cast by the recent signing of the Credit Card Accountability, Responsibility, and Disclosure Act (CARD Act). I was compelled to do a little research on my own.

I started by going to the White House website whitehouse.gov.

There, right on the front page, under a column titled Featured Legislation is a link to the CARD Act. When you open this link, you will find a Blog posted on Friday May 22nd, 2009 at 5:40 pm titled A New Era for Credit Cards.

The title of not only the CARD Act but the Blog, summed up all of the

information that followed. It should be clear to anyone with an open mind that the intent of the Act was to clean up the abuse of the for-profit credit card industry - a piece of legislation that was long overdue.

The Fact Sheet put out by the White House Press Secretary contained the following quotes:

Nearly 80 percent of American families have a credit card, and 44 percent of families carry a balance on their credit cards. To tackle these problems, the Administration moved swiftly with the Congress to enact reforms.

In the Senate and throughout the campaign, President Obama called for measures to strengthen consumer protection in the credit card market.

It went on to note the following principles:

Principles for Long-term Credit Card Reform

First, there have to be strong and reliable protections for consumers.

Second, all the forms and statements that credit card companies send out have to have plain language that is in plain sight.

Third, we have to make sure that people can shop for a credit card that meets their needs without fear of being taken advantage of.

Finally, we need more accountability in the system, so that we can hold those responsible who do engage in deceptive practices that hurt families and consumers.

The fact sheet went on to state that:

the critical elements of reform in this new law:

Bans Unfair Rate Increases

Prevents Unfair Fee Traps

Plain Sight /Plain Language Disclosures

Accountability

Protections for Students and Young People

I could go on and on with the quotes from the White House Press Secretary's Fact Sheet with salient points on the CARD Act.

However, I would like to switch gears and reference the comments of the President when he addressed the signing ceremony:.

"You know, most Americans use credit cards all the time. In the majority of cases, this is a convenience or a temporary, occasional crutch: a means to make life a little easier; to make the rare, large. or unexpected purchase that's paid off as quickly as possible.

We've also seen credit cards become, for a minority of customers, part of an uneasy, unstable dependence. Some end up in trouble because of reckless spending or wishful thinking. Some get in over their heads by not using their heads. And I want to be clear: We do not excuse or condone folks who've acted irresponsibly. We don't excuse irresponsibility.

But the reason this legislation is so important is because there are many others -- many who have written me letters, or grabbed my arm along rope lines, or shared their stories while choking back tears -- who relied on credit cards not because they were avoiding responsibilities, but precisely because they wanted to meet their responsibilities -- and got trapped."

He went on to say,

"These are borrowers who discovered that credit card debt is all too easily a one-way street: It's easy to get in, but almost impossible to get out. It's also, by the way, a lot of small business owners who have helped to finance their dream through credit cards and suddenly, in this economic downturn, find themselves getting hammered.

Part of this is the broader economy, but part of it is the practices of credit card companies. Contracts are drafted not to inform, but to confuse. Mysterious fees appear on statements. Payment deadlines shift. Terms change. Interest rates rise. And suddenly, a credit card becomes less of a lifeline and more of an anchor."

Continuing,

"Millions of cardholders have seen their interest rates jump in just the past six months. One in five Americans carry a balance that has been charged interest rates above 20 percent. One in five.

I also want to emphasize, these are costs that often hit responsible credit card users. Interest can be charged even if you pay your bill on time. Rates can be increased on outstanding balances even if you aren't late with a payment. And if you sit -- if you start to pay down your balance, which is the right thing to do, a company can require you to pay down the debt with the lowest interest rate first -- instead of the highest -- which makes it much harder to ever get out of the red."

Finally, he said

"So we're here to put a change to all that. With this bill, we're putting in place some common-sense reforms designed to protect consumers like Janet. I want to be clear about this: Credit card companies provide a valuable service; we don't begrudge them turning a profit. We just want to make sure that they do so while upholding basic standards of fairness, transparency, and accountability. Just as we demand credit card users to act responsibly, we demand that credit card companies act responsibly, too. And that's not too much to ask.

And that's why, because of this new law, statements will be required to tell credit card holders how long it will take to pay off a balance and what it will cost in interest if they only make the minimum monthly payments. We also put a stop to retroactive rate hikes that appear on a bill suddenly

with no rhyme or reason.

Every card company will have to post its credit card agreements on-line, and we'll monitor those agreements to see if new protections are needed. Consumers will have more time to understand their statements as well: Companies will have to mail them 21 days before payment is due, not 14. And this law ends the practice of shifting payment dates. This always used to bug me -- when you'd get like -- suddenly it was due on the 19th when it had been the 31st."

In summary, I would like to respectfully ask that you give your immediate attention to the impact on over 90 million consumers who are satisfied with their present borrowing from their credit union. I cannot speak for the movement as a whole, but I think most would agree on the changes needed to clean up the credit card abuse. And, most would have little or no heartburn applying the same limits on the classic replenishable line-of-credit offered by most credit unions.

I would bring to your attention that this legislation hit so quick, and without the normal comment period, that most credit unions cannot possibly comply with the CARD Act without massive amounts of programming within their core operating systems. I do not believe it was ever the intention of the parties to snare normal consumer loans, which typically have fixed payments that are clearly disclosed at the time of the advance, with this legislation.

Your hard work in protecting consumers from credit card abuse is to be commended. As a credit union professional, I share your concern. I hope that you will revisit this valuable piece of legislation and reconsider any unintentional impact that causes our members to lose the benefits we have afforded them for over 30 years.

Respectfully,

Jack M. Coffey, Jr.
City Credit Union