

August 6, 2009

Board of Governors of the Federal Reserve  
20<sup>th</sup> & C Streets NW  
Washington, DC 20551

Re: Interim Final Rule Implementing the Credit Card Accountability Responsibility and Disclosure Act

Dear Board of Governors:

On behalf of the members of Credit Union of Texas, I am writing you to respectfully request a compliance delay with the 21-day notice provision for multi-featured open-end plans scheduled to take effect August 20, 2009, under the Board's new interim final rule implementing the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Card Act). Credit Union of Texas is over \$1 billion in assets and serves 160,000 members.

We agree with many of the provisions of the Card Act. We applaud efforts to protect consumers from abuses in the credit card industry which include runaway interest rates, constantly changing terms, and excessive fees. Credit Union of Texas has never participated in these practices. Compliance with the Card Act for credit cards, line-of-credit, and HELOC's by August 20<sup>th</sup> is not an issue as our credit union does not engage in the predatory practices this bill was designed to address. Nevertheless, we are concerned about the unintended impact of including all open-end plans in the 21-day notice provision requirement added to the bill the weekend before the vote without input from credit unions.

While our credit union continues to make good faith efforts to comply with the 21-day notice provision, we have tremendous concerns about its impact on our multi-featured open-end plans currently enjoyed by our members. We have researched every compliance option. Unfortunately, all involve substantial cost and disruption to business practices; impacting our member-owners. Legal opinions on compliance options vary with no clear direction and conflicting messages from Fed attorneys. With the short compliance time frame provided, our core processor may not be able to provide a solution by the August 20<sup>th</sup> date.

Loans under a multi-featured plan have a set due date each period (may vary by sub-account) and set payment amount. One compliance option being considered is moving all loans under a plan to one due date. While Fed staff has commented favorably on this approach, we feel it is a tremendous disservice to our members. It will be difficult to explain and for our members to understand why they no longer have the option to set their due date. Our members appreciate our flexibility to schedule their loan payment for the day of the month that fits best for their budget. Many members have 4 or 5 loans under one plan with varying due dates based on their pay schedule. Informing our members that all sub-accounts are now due on a certain day of the month is not consumer friendly. While members could voluntarily make payments earlier in the month, many

prefer scheduling payments on different days to coincide with their payroll and help in their budgeting. Moving to one due date may result in members not allocating funds throughout the month correctly and paying late. In addition, this approach leads to liquidity and staffing concerns with the majority of payments flowing in at the same time.

Another option being considered is retaining existing due dates and sending out periodic statements for each sub-account. This solution would take significant time to implement given we currently provide a consolidated statement to our members. We have found our members appreciate and prefer consolidated statements. Members do not want a separate statement for each sub-account; receiving numerous statements increases confusion. Unlike credit cards, the due date and payment amount do not change from month-to-month for each sub-account. We estimate the increase in our mail cost under this option is at least \$100,000 annually. Further, it appears this solution is no longer an option July 2010 when a consolidated statement is required for open-end plans. To comply with the 21-day notice requirement, all sub-accounts under a plan would have to be moved to one due date.

A final option we have considered is providing a consolidated monthly periodic statement with the current and following month due date. Under this option, our members could retain their current due date, continue to self-select their due date, and still receive a consolidated statement. In addition, under this approach, the expense to the credit union is significantly less than providing individual statements for each sub-account. It is also less disruptive to our members and credit union operations. For these reasons, we feel this approach is the most reasonable if the 21-day notice requirement for multi-featured open-end plans is not changed. Several attorneys have stated this approach complies with the language of the law. However, Fed attorneys have indicated that this may not comply with the "spirit" of the law and they may indicate so in a more formal manner in the future. If so, the credit union would have no choice but to move all loans to the same due date to meet the 21-day notice requirement.

Presently, our members enjoy the convenience of multi-featured plans. These plans streamline loan origination and funding for our staff and members. For members with a plan in place, funding is handled over the phone within minutes. Unless relief is provided, we will no longer be able to provide this service to our members. Obviously, our members will not be happy if open-end plans are no longer offered but neither will they appreciate or understand why all sub-accounts require the same due date.

The unintended result of the last minute addition of multi-featured plans in this credit card legislation is anti-consumer. Credit unions offering bi-weekly and weekly payments must move to monthly which raises loan interest costs for members. If the Fed ultimately rules that only the current month due date may appear on the statement, all members loans will have the same due date resulting in budgeting issues and potential increase in late charges. In many cases, multi-featured plans will no longer be offered to members increasing loan turnaround and funding time. Finally, the expense to comply with this legislation will ultimately be passed to the credit union membership through higher loan rates or reduced investment rates.

Once again, our credit union has not participated in the predatory credit card practices this bill was designed to address. It's sad that last minute language added to this bill has produced the unintended consequences of changing a lending system that has worked well for our members. We respectfully request a delay in the compliance deadline for multi-featured open-end plans in order for these complex issues to be sorted through and a reasonable solution reached.

Sincerely,

John B. Lederer  
President/CEO

Cc: Credit Union National Association  
Texas Credit Union League