

From: True North Federal Credit Union, Lauren MacVay
Subject: Reg Z - Truth in Lending

Comments:

Dear Sir/Ma'am.

First let me thank in advance for considering my comments. I'm sure that you have many to review, and I appreciate you taking the time to read them. I am CEO of True North Federal Credit Union, a \$100million institution serving Alaskans. We offer several credit card programs, a line of credit and consumer installment loan lending through a Multi-featured open end loan plan. As dialogue over credit card reform heated up, I greeted it warmly. We were in compliance in almost every way already, and the small pieces at issue were easy fixes. Nothing in our business plan or mission is contrary to the goals the relief act was attempting to reach - it seemed to be good legislation. However, the inclusion of all open end lending in the 21 day statement rule, without the opportunity for public comment or the opportunity to properly implement, is potentially going to cause more disruption to my institution, and to my membership, than possibly any compliance initiative I've dealt in my 14 years here.

First, I'd like to define the kind of loan at issue under the open plan:

- We have about 2000 members who presently hold loans effected by this legislation.
- They are primarily car loans, but personal loans and loans for recreational items like boats are also included.
- They are loans with a payment of a set amount, due on a set day of the month. The amount and date is determined at the time of disbursement, and doesn't change unless the member requests it.
- Members are able to pick the day their loan is due. They can time it to meet THEIR cash flow needs, and we think it's pretty important that they have that choice - it's our job to meet their needs.
- We do a consolidated statement for our members, which saves money and means less paper and hassle for all. We run one statement cycle a month.
- These loans all get a statement quarterly, and have been for as long as I can remember. Members don't object to not getting a monthly statement - they know when their loan is due and can check online or call if they have a question. The amount and date doesn't change, so there's nothing to really question.
- These loans have a 7 day grace period before a late payment is assessed. Late fees are not assessed monthly, but are taken out of payments received.
- The interest rates on these loans are not modified unless the member requests a new disbursement, at which point the loan is priced to current market rate - there is no penalty pricing.

As you can see, this is not the kind of loan that was the driver behind the credit card reform act. The balance doesn't revolve, the payment amount doesn't change, the payment date doesn't fluctuate, and it certainly doesn't get moved in a fashion that would trap a consumer into a late fee and a higher interest rate.

Next, how do I respond to this? I have several options. It is very important

to us that members be able to chose their due dates, so one option would be to allow several due date options a month and implement multiple statement cycles. This means a complete overhaul to our account structure, our statement structure, and considerable training of staff and members. Further, because our members tend to have repeat business with us, we have many members with multiple loans, and they often like them due at different times of the month for cash flow purposes. This means one member is getting multiple statements from us in order to comply with the 21 day rule. This is inefficient, confusing to the member, means more paper is being used and more member information is being mailed, and I can't even really map out all the infrastructure ramifications there would be. The monetary cost to this would be well beyond what we can absorb. Frankly, I stopped trying to define all the impacts of this route - we can't take this option.

Another option is that I can move all members due dates to a certain day towards the end of the month - let's say the 25th. I will then statement these loans monthly. Many members have automatic payments set up for their loans, some set for certain dollar amount, some to the amount due. Some monthly, some bi-weekly. Some members will never notice that their due date changed, some will be highly confused. Some people's payments will continue to come out as scheduled, some will come out at different times and their cash flow will be disrupted. A few members will understand that we needed to do this, most will not. We are small enough that as our members migrate to making payments at the end of the month (who wants to pay early?), it will impact our teller line as payment volume concentrates - this will result in lower service levels and perhaps cause us to change staffing levels. Further, it may impact cash flow. We might have to keep more money liquid to ride us through the times of the month when we aren't receiving loan payments. This will effect our ability to earn interest income on our funds. All future open end loans will only be issued with due dates of the 25th, so any member that wants a different date will have to opt for a traditional closed end loan structure which is not a viable option for some of the more remote locations in Alaska. Open end lending has allowed us to serve members in remote communities quickly, conveniently, and in a way that meets THEIR needs. Our ability to do that will be limited under this option.

My third option is to modify the statement, that would now be sent monthly, to include two due dates - the one for the coming month, and for the month after that. To me, this is the best method. Members are given at least 21 days notice, and they are now sent a statement monthly as opposed to quarterly. Our attorney has validated this option to be compliant, but there is a question. It may be that this option isn't within the "spirit" of the law, as stated by a Fed Attorney at a recent conference call, but causing inconvenience and disruption to the membership wasn't within the spirit of the law either. The law was supposed to clarify and simplify for the consumer, but as it was crafted for a different breed of loan, the law as applied to the loans I'm discussing here is inconvenient and confusing. Frankly, we're trying to fit a square peg into a round hole, and the round hole wasn't designed with the square peg in mind.

I'm asking that you delay implementation of this provision as it relates to Mutli-Feature Open End loans such as those I've discussed here, to give us time to have Congress speak to this issue, or as an altnerative validate the third option above.

My thanks for your attention.

Sincerely,

Lauren MacVay