

From: Arsenal Credit Union, Linda Allen
Subject: Reg Z - Truth in Lending

Comments:

August 12, 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
(Implementation of CARD Act 2009)

Dear Secretary Johnson:

Arsenal Credit Union (ACU) doesn't have a problem with curtailing certain credit card related fees, protecting consumers from retroactive interest rate increases on existing credit card balances and prepayment penalties. Credit unions, in general, do not participate in these deceptive and unsavory practices. In fact, we consider it our mission to actively engage in and support activities that educate, inform and protect consumers. Our credit card notification regarding late fees have been addressed and will be in compliance by expediting the delivery of our member statements. At this time, our credit card processor has indicated their cost of compliance is approximately \$3,000,000. While no credit union will be billed directly for the compliance solution costs, we've been informed that our credit card program expenses will increase as a result.

Credit unions have other credit products which make compliance much more complex than simply meeting the terms of the new credit card rules. The CARD Act of 2009 doesn't affect just our credit cards; it also impacts our 6,490 open-end auto, home equity and overdraft lines of credit. Our members are provided various payment options on these types of loans that correspond with their payroll schedule and personal budget. Many loan payments are automated through payroll deduction on a weekly, bi-weekly or semi-monthly basis. ACU will have difficulty complying with the statement notification provision (the consumer must receive a periodic statement 21 days prior to a late fee being assessed) for payment plans that include multiple payments in a single month.

We have been given 25 business days between the July 15th FED rulemaking and the August 20th implementation deadline to choose one of the following options:

- Beginning on August 20, we can suspend late fees. At this time, we do not have an automated method to generate the statements in accordance with the act. This will cost the credit union approximately \$45,000 per year in lost revenue.
- We could eliminate the consolidated loan and deposit statement drop in lieu of multiple statement generation dates for loans. The cost to provide statement notification on numerous dates throughout the month is even greater than the loss in income. We estimate the cost of mailing additional paper notices to members who do not wish to receive an electronic statement to be approximately \$29,600 per year.

. If we are forced to change to a universal payment date to accommodate the new rules, member convenience and choice would go away. I'm sure you can appreciate the difficulty in calculating and disclosing new terms. Not to mention the operational impact, confusion and inconvenience imposed on our members.

Credit unions are operating under tight margins already and have higher capital requirements than banks. Since we can't raise capital in the open market like banks can, we will be obliged to make up for the loss of revenue and increased program expenses by increasing our loan rates, decreasing our deposit rates or increasing our fees. This was not the intent of the CARD Act.

The interim final rule provides some limited relief by allowing "for a short period of time after August 20," periodic statements for open-end credit other than credit cards may disclose due dates that are inconsistent with the 21-day requirement, as long as there is a prominent disclosure.

We request additional flexibility and an extension of the compliance due date. There is a massive amount of work needed to meet the terms of this provision and very little time for compliance. Better yet, we would ask for alternative regulation for payment plans that include multiple payments in a single month.

I urge you to consider our concerns as the Fed issues its series of rules to implement the CARD Act.

Respectfully,

Linda G. Allen
Arsenal Credit Union