



9621 W. Sam Houston Parkway N.Houston, Texas 77064

TO: Chairman Ben Bernanke & the Board of Governors of the Federal Reserve System
REF: Credit Card Accountability and Disclosure Act of 2009 (Credit Card Act)

Dear Mr. Bernanke & Board:

We are writing this letter to inform you that First Service Credit Union strongly opposes the last minute language added to the Credit Card Accountability and Disclosure Act of 2009 which included open-end lending other than credit cards and particularly the 21-day periodic statement requirements which take effect on August 20, 2009. Please consider:

- First Service does not believe that the Credit Card Act was intended to impact credit unions with open-end lending plans other than credit cards. The Credit Card Act will place an undue burden on credit unions which are known for their member-friendly practices and essentially punish an industry which has NOT been a source of consumer abuse or exploitation perceived or otherwise.
- No matter how hard we work there is simply no way First Service or most other credit unions can comply with these new requirements by the August 20 deadline. For credit card companies with massive staffs and budgets these changes were likely a nuisance but in no way disrupted their operation. For First Service this will require a complete change to our lending operations, core system programming, collections package and more. We are making a good faith effort to put some band aid measures in place but full compliance is not attainable by August 20th.
- These changes will cause disruptions and major changes to our current business practices and the working relationship we have with our members. These changes will require us to spend valuable dollars reformatting our current policies and procedures, spend many hours retraining our staff, create more unnecessary paperwork and take valuable time away from our core business of providing our members the best possible service.
- Open-end lending includes our core auto loan product as well as lines of credit, home equity lines of credit, signature loans and so on. This new act will require we makes changes **to over 7,000 loans** and we do not believe the intent of this legislation was to place this type of burden on non-credit card accounts.
- The 21-day periodic statements will require that we move the loan due dates to the end of the month on the majority of these loans which will be a member education nightmare. Further, members will need to be reeducated on payments and how their current auto-payments or payroll deductions could be impacted.
- One of the biggest issues is how this will impact our ability to collect on past due loans which will impact credit reporting, delinquency, charge-offs and late fee income. First Service is a responsible lender and we take great pride in keeping our loan delinquency and charge off numbers below industry standards – even in this difficult financial environment - which are critical to maintaining a financially stable and healthy organization.
- Further, this Act will mean as of today we will be **adding over 2,000 additional monthly statements**. First Service has always provided members with a quarterly, consolidated statement which includes all their deposit and loan accounts. These additional monthly statements will increase the costs to the credit union for processing and postage as well which may ultimately be passed onto our members.

An open-end lending plan has many valuable member benefits which should be considered:

- First Service members are spread out across the United States and our open-end plan allows us to provide them excellent service, access to first-rate, affordable loan products all by completing one set of paperwork and without ever having to visit a branch!
- The biggest benefit of an open-end plan is providing our members quick and reliable decisions on their loans which can save them valuable time and money and offer negotiating power they might not otherwise have. A member with an open-end plan can contact First Service today and in a matter of hours receive a pre-approval or approval for an auto loan. The rate they will receive is current, disclosed up front and there is no guess work. This is invaluable as many times members

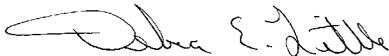
cannot find out loan rates at a dealer until they sign on the dotted line which is too late for them to make the best and most cost-effective decision.

- With an open-end plan and the ease of decision making, First Service staff can work with members who might otherwise look to a pay-day lender for a quick and easy decision with no regard to their financial health.
- In today's environment business and purchasing decisions are made in hours not days and our members, as well as consumers in general, rely on the convenience of their open-end plan to allow them to act quickly while knowing they are getting the best and most current rate and terms up front.

Our members and other consumers receive adequate disclosures and our rates are always current, published and disclosed up front. There have been no complaints which tells us the current system works. However, due to these new, burdensome and costly requirements, First Service may have to consider going backward in time to antiquated closed-end lending practices which will wipe out all of the benefits credit union members have been receiving for over 25-years!

I have been in the credit union industry for over 25-years and can say without hesitation that the Credit Card Act is the biggest compliance and operational nightmare I have faced. I urge you to do all you can to reverse these changes which impact credit unions or at a minimum work diligently to provide credit unions with more time to comply and adjust our business practices as needed.

Respectfully,



Sr. Vice President of Lending