

From: Service 1st Federal Credit Union , Jeff Balestrini
Subject: Reg Z - Truth in Lending

Comments:

Federal Reserve:

Recently the Federal Government has passed legislation entitled the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Docket No. R-1364). As a consumer and credit union employee, I applaud your efforts in the area of credit card accountability. I have read and witnessed first hand some of the horror stories that our members have encounter with credit card companies across the country (other than Service 1st FCU). I have seen rate hikes, short repayment terms and some very suspect lending practices on the credit card companies behalf. Although Service 1st Federal Credit Union offers credit cards as well, the program was and continues to be run at a very top notch level of ethics and consideration for the well being of our members. Many of the changes that were impose as a result of the Act did not affect our card significantly since we were never engaged in the practices that the act is intended to prohibit.

As good as we feel the Act is to protect consumers from deceptive Credit Card practices, we also feel that the Act has inadvertently brought our main source of consumer lending into the fold. On of the main sources of credit union loan documentation is done on CUNA Loanliner Open Ended loan documents. Although these documents are entitled "open ended", here at Service 1st we treat these loans as closed ended loans. Many of these loans are automobile, recreational vehicle and personal loan that are in no way revolving or open ended. In fact, our members do not expect to advance additional funds against this type of loan. If they have additional lending needs, they fill out a new application and the loan request is decisioned according to the new application that they fill out. These loans are Term Loans that happen to be written on the CUNA Loanliner open ended documents.

When the Card Act was first presented, we immediately addressed our truly revolving "open-ended" loans such as VISA cards, Home Equity Lines of Credit and Personal Lines of Credit to ensure they would be compliant with all of the sections of the new regulation. This task was achieved without incident. In my estimation, the Card Act was put into place to prevent deceptive credit card practices, not to make a credit union totally overhaul their billing and internal computer system to make sure that a term loan receives an invoice 21 days before it is due. Again, in my opinion, this is an unintended consequence of the legislation that could be reworded to specifically target revolving lines of credit and credit cards and exclude term loans that were written on CUNA Loanliner open ended loan documents. Keeping the existing wording in the Act is causing a tremendous negative effect on our credit union and is taking up numerous resources to overcome this portion of the Act, not to mention the unnecessary cost to provide these statements. Simply put....our members do not ever consider their fixed rate and term loans to be anything more than "closed ended" loans, regardless if they happen to be written on "open ended" documents. Changing the Act wording to read "Revolving" instead of "Open Ended" could possibly solve the issue.

To summarize, we here at Service 1st agree that the Card Act is a very good thing in eliminating deceptive lending practices for revolving lines of credit

such as credit cards. We do not agree that this Act should be including Term Loans that were fully disclosed to have a fixed repayment term, but were closed on open ended CUNA Loanliner Loan documents. We strongly encourage our government to reconsider the wording in this Act to limit its scope to truly revolving credit and not Term Loans.

Thank you for considering this matter.

Friends you can bank on.

Jeff Balestrini
Service 1st Federal Credit Union