



## Texas Credit Union League

VIA E-MAIL:

August 25, 2009

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Re: Docket No. R-1364 – Interim Final Rule on Implementation of the CARD Act

Dear Ms. Johnson:

The Texas Credit Union League [TCUL] appreciates the opportunity to file comments regarding the interim final rule on the implementation of the CARD Act. The Texas Credit Union League is the official state trade association serving credit unions in Texas. Organized in 1934, the Texas Credit Union League represents approximately 600 not-for-profit Texas credit unions, which in turn are owned by nearly 7 million members. Credit unions are democratically owned not-for-profit cooperatives with a long history of caring about their members.

Texas credit unions agree with many of the provisions of the Card Act and applaud efforts to protect consumers from predatory credit card practices.

Although Texas credit unions support the goal of protecting consumers from unfair credit card practices, TCUL objects specifically to the interim rule as it applies the “21 day” requirement to open-end lending programs other than credit cards. We feel the negative effect the interim rule will have on credit union members outweighs the benefits intended under the proposal.

TCUL, the Credit Union National Association, and other credit unions have urged the Board to provide reasonable relief to credit unions by either limiting the scope of the 21-day rule to credit cards or extending the compliance date of the 21-day rule to open-end loans other than credit cards. We have heard that the Board is declining such relief based on the statutory requirements. Therefore, TCUL and CUNA are working with key congressional offices to achieve an amendment that will narrow the reach of the 21-day rule or extend the compliance date.

## **21-Day Rule**

Credit unions are extremely concerned about the overwhelming difficulties associated with meeting the August 20, 2009 effective date of the rule as it applies to open-end credit other than credit cards.

Many Texas credit unions engage in multi-featured open end lending. Such a lending product is highly valued by credit union members for its convenience and ease of use. Members have relied on this method of financing their loans without any complaints regarding the timing of periodic statements in relation to due dates.

Changing the system by requiring credit unions to mail statements 21 days prior to any due date in order to treat a payment as late will cause major disruptions in credit union operations ultimately hurting the members who are pleased with the current system. Changes would also affect the relationship between credit unions and members when members are inconvenienced or ultimately charged increased costs associated with implementing a new program (change in contracts, additional paperwork, retraining staff, etc.).

Credit unions are having an extremely difficult time coming into compliance in within such a short period of time after the passage of the Act. Many small credit unions have one to three employees and such a burdensome change can be quite difficult. Even large credit unions with ample resources are finding roadblocks to compliance such as the fact that the data processors who print the statements cannot timely implement the changes.

Changing the dates printed on the statements and the mailing dates are two challenges credit unions face. However, some additional challenges presenting even greater difficulties include the changing of many current due dates; this may present complicated problems associated with automatic payroll deductions and bi-weekly payments. Credit unions that use automated processes that impose late fees, report the payment as late, and take collection actions must now be overridden.

### **Interpretation of "Short Period of Time"**

TCUL appreciates that the Board is permitting a "short period of time" during which credit unions may make needed changes. A reasonable interpretation of "short period of time" is the time necessary to make needed changes to be in compliance, assuming a good faith effort on behalf of the credit union. TCUL requests that the Board clarify that this interpretation is reasonable, or in the least not take any action to undermine this interpretation.

### **Interpretation of "Treating a Payment as Late"**

The Act and interim final rule prohibit a creditor from treating a payment as late for any purpose if it does not comply with the 21-day requirement. The rule indicated that this includes imposing a late payment fee, an increase in the annual percentage rate, or reporting the late payment to a credit bureau. It is not clear if this list is exclusive or if it may include other activities.

TCUL urges the Board to clarify that the rule does not prohibit other actions that are not punitive such as routine collection activities which may actually benefit consumers by providing them with notice of the need to make payments before additional finance charges are imposed.

**Electronic Delivery of Statements**

TCUL urges the Board to clarify compliance with the 21-day requirement when periodic statements are delivered electronically. When adopting the electronic disclosure rules in 2007 the Board elected not to require a separate email to consumers, and TCUL urges the Board to take a similar stance in relation to the new requirements.

**Closing**

In closing, TCUL once again applauds the Board for its efforts to protect consumers from predatory credit card practices. However, TCUL strongly urges the Board to limit the applicability of the 21-day rule to credit cards.

Sincerely,



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