

From: Indiana Credit Union League, John McKenzie
Subject: Regulation Z - Truth in Lending (Credit Card Act)

Comments:

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-1370

Dear Ms. Johnson:

This letter represents the views of the Indiana Credit Union League (ICUL) regarding the amendments to Regulation Z dealing with various provisions for open-end plans implementing some provisions of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act) and previous proposed changes to Regulation Z. Those items required by the CARD Act have an effective date of February 22, 2010. The ICUL represents 181 of Indiana's 201 credit unions with those credit unions' memberships totaling more than two million members. We appreciate the opportunity to comment on the proposed rule.

We understand the necessity of issuing the proposed rule to cover implementation of items contained in the CARD ACT with a February 22, 2010 compliance date. We also understand adding to the proposed rule those changes addressed in previous proposals issued earlier this year (e.g. Schumer box, formatting and language requirements for disclosures) with a July 1, 2010 effective date. We believe that it is very important that the July 1 effective date not be changed to match the February 22 date. Credit unions will need to incorporate new disclosures and applications (which usually involve a third-party vendor) and need the additional time to manage this process. Also, the July 1 date allows more time for these disclosures and applications to be developed based on the final rules and not rules that continue to be changed by legislative or regulatory processes.

We agree with the approach in the proposed rule that addresses expedited payments and the ability of card issuers to charge a fee for this service. However, there are several areas that we continue to have concerns with.

The proposed rule discusses circumstances in which a 45-day notice is required on credit card accounts. We would encourage the Board to more clearly define what changes in terms are considered to benefit the consumer, and therefore do not require a notice, and what changes in terms are considered to be adverse to the consumer, and do require a notice. Also, clarification is needed on notice requirements, if any, for re-issued or replacement cards.

It is our opinion that the requirement that the minimum payment warnings provide information on three credit counseling organizations should be changed. Since the organizations must be approved by the Bankruptcy Trustee, we believe it would be more appropriate to refer individuals to a Web site or a telephone number maintained by the government on a national level that will always have a current list of approved credit counseling organizations and accurate contact information. Also, we believe that with this approach, only one phone number will be needed as opposed to three for potentially each state

in which a card-issuer does business.

The proposed rule establishes a cutoff time of 5:00 p.m. for payments to be considered received that day. There are exceptions that address in-person payments allowing for the cutoff time to be when a branch or office closes. This exception is limited to banks and thrifts. We believe strongly that this exception should include credit union branches as well, and assume that this was an inadvertent omission with the intent being to include all financial institutions. This needs to be clarified in the final rule.

The proposed rule places limits on credit cards issued to college students. While we agree with the intent of the proposal, we do have some concerns. How a college student is defined currently would include a person who is a part-time student who also has a full-time job, and who has sufficient income to qualify for the account. We believe that this definition is too broad, and should be adjusted to specify the groups of individuals that the Board feels are being taken advantage of today. Also, does the definition of an inducement include a promotional rate in addition to a give-away? Would an individual that has a full-time job with sufficient income to qualify for the credit card account, but who is also a "college student" be prohibited from taking advantage of special promotions available to all non-college student members? Lastly, there are a number of credit unions that have branches on or near college campuses. The proposed rule could possibly limit how they market their credit card programs to non-college students because of the concerns of this rule.

The proposed rule requirements for providing multiple opt-out notices in addition to the periodic statement notice regarding over the limit transactions are overly burdensome and add additional cost to these programs. These additional costs may ultimately be passed through to the consumer in the form of higher rates or fees. Also, the proposed rule's inflexibility may limit the ability of the card-issuer to assist consumers in emergency situations such as vehicle repairs, home repairs, medical situations, travel emergencies that occur while the member is away from home, etc. The member and/or the card issuer may not be in a situation where opting-in is an option, and confirmation may be more difficult under these circumstances.

The proposed rule also includes a provision that any partial balance payments made during the grace period be treated as if they were received on the first day of the grace period for purposes of calculating that average daily balance and computing interest charges. While this is certainly to the benefit of the consumer, the financial institution is penalized by receiving less interest revenue while continuing to carry the risk of the unsecured loan balance throughout the grace period. The end result is the potential for higher rates or additional fees to the consumer so that the card issuer can equip itself to manage this risk.

Thank you for the opportunity to comment on, and your request for and consideration of our views related to this proposed rule.

Sincerely,

John McKenzie
Indiana Credit Union League