

From: Washington Credit Union League, Mary Sroufe  
Subject: Regulation Z - Truth in Lending (Credit Card Act)

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Comments:

November 17, 2009

Jennifer J. Johnson, Secretary,

Board of Governors of the Federal Reserve System

20th Street and Constitution Avenue NW.

Washington, DC 20551

RE: Washington Credit Union League Comments on the Proposed Revisions to Regulation Z.

Docket No. R-1370

Dear Ms. Johnson:

As the trade association for Washington's 122 state and federally chartered credit unions, who have a total of more than 2.4 million members, the Washington Credit Union League is pleased to have the opportunity to comment on the Federal Reserve Board's proposed rule amending Regulation Z implementing the Credit CARD Act.

Overall, the League feels that the Federal Reserve Board has done a good job implementing the requirements outlined in the Credit CARD Act. The League would, however, like to comment on a few aspects of the proposed rules.

First of all, the Board asks for comment on the effective date of changes to open end lending under Reg. Z that are not required by the Credit CARD Act. These changes are scheduled to be effective July 1, 2010. The League would urge the Board to keep as many provisions as possible effective in July. Credit unions have had an incredible burden in complying with quick deadlines, not least of which was the now-repealed 21 day notice for payments on open end lending programs. Imposing the changes not required by the Credit CARD Act on a quick schedule will hamper credit unions' ability to comply in a timely manner.

Now, to more substantive matters: while the League applauds the Board in establishing a de minimus exception for financial institutions with fewer than 10,000 credit card accounts, it wonders if this exception should be extended. Specifically the League advocates that a financial institution should not need

to post or submit agreements for any credit card plan with fewer than 10,000 accounts, regardless of the total number of active cards that financial institution has issued. The same reasoning that the Board applied to its exception for institutions with fewer than 10,000 credit card accounts applies to plans with few members. These plans may not be easily publically available, and posting their terms may create confusion among consumers.

Along the same lines, the requirement that ANY change triggers resubmission of the credit card agreement is overly burdensome. The League believes that any substantive change should be submitted, but it does not agree that changes that are non-substantive rise to the level of needing to be submitted.

Regarding due dates: the Credit CARD Act required that due dates for credit cards be on the same day each month. The Act did not clarify that the 'same day' meant same date. The regulations proposed here clarify that payments must be due on the same date. The League would like to see this proposal reconsidered. Credit unions and consumers would be better served if the regulations allowed the due date to be, for example, the last day of the month. Allowing the due date to be the last day of the month would allow for those consumers who are paid on a twice monthly, or other similar, schedule to better budget.

The proposed rules will require credit unions to provide information on three credit counseling organizations. The League wonders why it is necessary to provide more than one, given that it is in the area of the debtor and approved by the United States trustee or a bankruptcy administrator. This information is not difficult for the consumer to locate, and asking a credit union to maintain information on multiple credit counselors based on the location of its members is excessive.

Regarding the settlement of estates, the proposed regulation prohibits a credit union from charging a fee after receiving a request for the balance from a personal representative, administrator or executor of an estate. The League agrees with this restriction, with a caveat. The League feels that the personal representative, administrator, or executor should be required to repay the balance within a reasonable time, perhaps 60 days. In absence of repayment, the credit union should be able to resume the charging of fees. By providing an open ended time where the credit union must maintain the account without charging fees, the proposed regulations impose too high a burden on a credit union.

Regarding the opt-in to over-the-limit fees, the League believes that by making this process similar to that outlined in the recently published final Regulation E revisions (12 CFR 205, Docket No. R-1343), the consumer and the credit union would be best served. Credit unions will already need to implement the opt-in process called for in Reg. E, and that process was designed to be friendly to the consumer. Accordingly, the notice and consent should be segregated from other disclosures to call attention to the significance of what the consumer is consenting to. Written confirmation of that consent should be required, and the consumer should be allowed to consent in written, electronic, or oral form. Electronic disclosures, notices, and confirmations should be permitted, provided that the consumer consents to electronic communication.

Further, credit unions should be allowed to start seeking consent to over-the-limit charges as soon as the final rule is published so that the

compliance burden is lessened. If credit unions have to wait until February 22, 2010 to send notices, the costs of compliance will be significantly higher than if they can phase in their processing of consumer opt-ins. Finally, the Board should establish a reasonable safe harbor for implementing revocation of opt-in, or opt-out requests. Perhaps an appropriate processing time would be five business days from the date of the request.

The League and Washington's credit unions are pleased to see such a consumer focus in the overhaul of the Truth in Lending regulations. These new rules will go a long way toward protecting consumers from unscrupulous lenders. Thank you for providing an opportunity to comment on these rules.

Please feel free to contact me if you have any questions or would like clarification on any of the issues raised in this comment letter.

Sincerely,

Mary Sroufe  
Washington Credit Union League