



August 27, 2009

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

Re: Docket #R-1364 – 12 CFR Part 226
Interim Final Rule – Regulation Z Changes from Credit Card Act of 2009

Dear Ms. Johnson:

On behalf of the Mississippi Credit Union Association and the credit unions we represent in the state of Mississippi, we would like to provide the following comments regarding the interim final rule issued by the Federal Reserve Board in July 2009 on the implementation of the Credit CARD Act of 2009. We are concerned that many of the proposed requirements will create an unnecessary operational and financial burden for many of the 98 credit unions in our state. And, as member-owned cooperatives, it's the credit union members who will ultimately shoulder this burden.

We are not opposed to the CARD Act in principle as it relates specifically to credit cards. The intent of the regulation was to protect consumers from abusive practices performed by profit-driven credit card issuers. And we agree with including language specifically designed to promote more transparency and disclosure for credit cards. After all, our card portfolios currently fit within the more restrictive framework proposed by the new regulation. However, we feel that the interim final rule overstepped its noble intentions to include all open-end loans. And this is where our disagreement is focused.

Specifically, the interim rule requiring periodic statements at least 21 days prior to the payment due date is creating a very difficult compliance challenge for credit unions under their Multi-featured Open-End lending programs. Although the 21 day rule was well intentioned to provide consumer protection and allow the member adequate time to make his/her payment, lawmakers failed to consider the impact on credit unions and their member-friendly, open-end lending programs. In the next few paragraphs, we have detailed the burden this specific rule places on credit unions in our state and throughout the country.

INCONVENIENT FOR MEMBERS

Many credit unions extend loans to their members under a multi-featured, open-end lending plan, which allows the credit union to simplify loan requests, enhance the member's access to credit, and make the lending process more streamlined. Many credit unions also allow members to essentially "name the date" for their loan payments. This includes weekly, bi-weekly, and semi-monthly payments that coincide with the member's financial situation and payroll frequency. As a result of the interim final rule to require a periodic statement mailed at least 21 days prior to the due date, our credit unions may be forced to convert these loans to a closed-end loan which would be less convenient for members and more burdensome operationally for credit unions.

Also, some credit unions may be required to remove borrowers from payroll deduction payment plans. It is not financially feasible to provide statements with 21-days written notice for weekly, bi-weekly, and semi-monthly payroll deducted payments. Removing members from their accustomed payroll deduction plans would be less convenient. Members would be required to take individual action for each loan payment rather than automating the payment process. And, as a result, could lead to members inadvertently missing payments and paying more accrued interest. This is real cost to the member.

INCREASED OPERATIONAL COSTS

Currently, many credit unions provide quarterly combined statements to members who don't have checking accounts. These statements include loan and deposit information. Because the 21-day notice virtually requires monthly statements, many credit unions will need to begin providing statements on a monthly basis. As you can imagine, this would increase statement printing and mailing cost exponentially. The increased cost would then be absorbed by the members through higher interest rates on loans and lower rates on savings. We fail to see the benefit to the credit union member or how it furthers transparency. We encourage the Federal Reserve Board to consider the 21-day rule carefully for unintended consequences.

CONFUSING TO MEMBERS

One solution that many credit unions are using to comply with this rule is to change all current and future loan due dates to a uniform monthly payment. The member would then be allowed to continue to pay their loans voluntarily based on their normal weekly, bi-weekly, semi-monthly, or monthly cycle. However, this creates confusion for the member. For example, members would receive a statement showing a uniform monthly due date, where existing loan contracts show weekly, bi-weekly, or semi-monthly payments originally written to fit the member preference. This is very confusing to members. Phones will be jammed with member questions, and operating staff will be overwhelmed with inquiries. Again, where is the benefit to members?

Mississippi credit unions pride themselves in providing financial education to their members. They also go to great lengths to inform their members about the credit union's financial products and services. However, multiple disclosures often lose their effectiveness. And, in this case, we believe additional disclosures will create more confusion and aggravation for members. Unnecessary disclosures distract from the effectiveness of those that are necessary and practical for member education and protection. And, unfortunately, members will not be given the opportunity to "opt-

out” of these additional statements. We believe that these unwanted notices could confuse, irritate, and ultimately strain relations with members.

DATA PROCESSING

Because credit unions provide members with options that range from timing and frequency of loan payments to payroll deduction, credit unions rely heavily on data processing systems to facilitate these member preferences. However, with the 21-day timing rule within the interim rule, many changes and adjustments will be required by credit unions to comply. These changes, in some cases, require programming adjustments that demand significant staffing resources and processing costs. These costs, in turn, are placed squarely on the backs of our credit union members. We don't believe this was the intent of the interim rule.

CASH FLOW

We have mentioned several times in this letter that Mississippi's credit unions provide loan payment options for their members. These options include allowing members the choice of payment dates and frequencies. These dates vary depending on individual member preference, timing of employer payrolls, and loan types. And, as you can imagine, loan payments are received throughout the month. Credit unions have formulated their cash management programs around these daily loan payments. However, with the 21-day timing rule, many credit unions may be forced to convert to a uniform monthly due date. This, in turn, could disrupt credit union cash flows and require changes to credit union cash management programs.

As mentioned in this letter, the Credit CARD Act, specifically the 21-day timing rule, has created many unintended consequences for credit unions. These consequences may require some credit unions to discontinue their open-end, multi-featured loan programs, change to a uniform due date, and/or adjust their payroll deduction programs. This, to say the least, would be unfair to Mississippi credit unions and their members. We respectfully ask that the Federal Reserve Board consider the impact that the CARD Act has on our credit unions and their members who have open-end loans.

Thank you for the opportunity to comment on the interim final rule regarding the implementation of the Credit CARD Act of 2009. We trust that the Board will carefully and reasonably apply the provisions of the Credit CARD Act as they were intended.

Sincerely,

Sonny Green, CPA
Vice-President
Mississippi Credit Union Association