

From: San Mateo Credit Union, Karen Niederkoehr  
Subject: Reg Z - Truth in Lending

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Comments:

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Proposal: Regulation Z - Truth in Lending  
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September 18, 2009 Ben Bernanke Chairman Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue, N.W. Washington, DC 20551  
Re: Docket No. R-1364 Dear Chairman Bernanke: In response to the Federal Reserve Board's call for comments pertaining to the interim Regulation Z rules implementing the Credit Card Accountability, Responsibility and Disclosures Act of 2009 (CARD Act), San Mateo Credit Union (SMCU) respectfully submits the following comments. As background information, SMCU is a state chartered community based credit union in San Mateo County, California. As of August 31, 2009, SMCU had approximately \$600 million in assets serving over 70,000 members. Under the CARD Act, creditors must adopt reasonable policies and procedures to ensure that periodic statements for any open-end consumer credit account are mailed or delivered at least 21 days before the payment is due in order to be able to charge a late fee, or to otherwise consider the payment late. Unlike the other provisions of the CARD Act, this provision applies to all open-end loans, not just credit cards. In order to efficiently serve the needs of our member-owners, San Mateo Credit Union began to utilize an open-end lending approach in 2006. Under our open-end lending plan, we offer a single lending contract to members, thereby creating a sign-once, borrow-for-life opportunity. Our members have found this approach to be easy and convenient. However as a result of this plan structure, traditional closed-end loans such as vehicle loan and personal loans are classified as open-ended. In order to comply with the CARD Act 21-day notice requirement, we believe there are only two options that may result in compliance. First, we could issue billing notices on a daily basis to meet the 21-day notice requirement. Currently, our periodic statements run from the first of the month through the last day of the month, and it costs us approximately \$1.00 per statement to produce. Many of our members have several open-end loans with

different due dates throughout the month, and each would require a separate billing notice. We believe issuing billing notices on a daily basis will also cost approximately \$1.00 per notice; thereby significantly increasing our costs. We also offer members the option at their request to make payments on a bi-monthly or weekly frequency and billing notices would not be sufficient to comply with the CARD Act requirement. The other viable option involves changing the due dates for open-end loans to the 24th day or later of each month. We do not believe members will view a change in their due date as a benefit. Many members choose the due date of their loan payments based on their direct deposit or pay-day schedules. Since the majority of our loans will be due in the last week of the month, our cash flows may be impacted and the work load of our collections department will now be compressed. Although the intent of this legislation was to protect consumers, we believe this 21-day notice provision related to all open-end loans is a significant detriment to consumers. The compliance costs will be ultimately passed down to the consumer. In addition, consumers will no longer have the option to choose a payment due date that is convenient or establish a bi-monthly or weekly payment schedule. We strongly urge the Board to undertake swift action to provide clear guidelines to financial institutions, particularly credit unions that offer open-end lending plans, since we have already undertaken steps to comply with the interim regulations. In closing, we thank you for the opportunity to express our opinions related to the new CARD Act. Should you have any questions, you may contact me at [bjolette@smcu.org](mailto:bjolette@smcu.org) or our Compliance Officer, Karen Niederkohr, at [kniederkohr@smcu.org](mailto:kniederkohr@smcu.org). Sincerely, Barry Jolette President and CEO San Mateo Credit Union cc: Mary Dunn, CUNA Jeff Bloch, CUNA