



**NORTH CAROLINA  
CREDIT UNION LEAGUE**

*Committed to helping credit unions succeed*

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September 18, 2009

The Honorable Ben S. Bernanke, Chairman  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

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

Dear Chairman Bernanke:

On behalf of the North Carolina Credit Union League (NCCUL), I am writing in response to the recently issued Regulation Z Interim Final Rule related to the Credit Card Accountability Responsibility and Disclosure Act of 2009. Under the Act's new requirements, credit unions must provide periodic statements on all open-ended credit plans at least 21 days before the payment due date, effective August 20, 2009. Given the wide scope of this provision and the extremely short compliance period, credit unions have faced significant operational challenges; and for many severe financial consequences have resulted from these implementation difficulties.

The NCCUL supports 104 North Carolina credit unions which provide financial services to nearly 3.1 million members. As member-owned, not-for-profit financial institutions, credit unions work to improve the lives of their members by offering products and services in a way that is most beneficial, including making credit accessible and affordable. Since learning that the 21-day statement provision would apply to all open-ended lending programs, not just credit cards as originally intended by the legislation, NCCUL has worked tirelessly with credit unions to ensure achievement of this onerous regulation.

While we appreciate the Interim Rule extending credit unions "a short period of time after August 20" to comply with the 21-day provision, unintended consequences affecting the accessibility and affordability of open-end credit may result. What is clear however is that exorbitant unbudgeted expenses and mass member confusion will continue to occur. The difficulties and hardships for implementing the provision are outlined in further detail below:

Prior to the Act, payment dates at credit unions were sometimes established throughout a month (weekly, bi-weekly, etc.) as opposed to just month end, to allow for member flexibility around their pay schedule. Members could make smaller, equal payments in accordance with their payroll and budget while also paying less interest on the loan. Credit unions will now be forced to impose single payment dates for loans that often include large payment obligations, leading to budgetary problems for many borrowers. Not only will

members be put at a serious disadvantage financially, it will also be expensive for credit unions to comply given that comprehensive operational changes will ensue.

Marine Federal Credit Union with assets of \$550 million and a membership base nearing 100,000, has stretched its budget thin in an effort to support the changes in processing and distribution of statements by their vendor. Marine's vendor, one of the largest credit union core processors in the country, said it would be impossible to comply with the regulatory provision for all open-end loans in the brief three month window provided.

Given that credit card statements are typically housed on completely different processing systems and payment date adjustments can be made with fewer complications, applying the 21-day rule to just credit card statements has been fairly non-problematic for vendors. However, because of the enormity of software and operational conversions that must first occur for all loan statements, vendors simply cannot change their entire loan servicing platform in the shortened compliance period. The result of this processing impediment has left credit unions with no clear-cut or economical compliance solution.

In addition to multiple payment dates within a month, many North Carolina credit unions use combined statements reflecting all loan obligations of an individual. In some cases, at the request of the member, this consolidated statement is issued on a quarterly basis. Providing consolidated statements generates tremendous savings for credit unions and their members as well as producing a more efficient delivery of account information. In view of the provisions in the CARD Act, separate statements for each loan product will now be required likely resulting in higher fees and increased loan interest rates for members to control the costs associated with restructuring statement processing operations.

For Fort Bragg Federal Credit Union with \$262 million in assets and approximately 55,000 members, these changes could represent an additional cost of \$300,000 annually for statement processing alone. As a result, the credit union may have to raise loan rates by .25% to defray the added expense.

Riegelwood Federal Credit Union with assets of \$80 million and 7,800 members currently has 5,260 open-end member loans in their portfolio. As a result of the Credit CARD Act's provision on open-end loans (not just credit cards), Riegelwood is forced to change operations that have served their members for more than 50 years. This year alone, the cost to implement, process statements and postage will exceed \$40,000. Again, this unforeseen cost may have devastating consequences and Riegelwood may start implementing a late payment fee or increase rates on loans to cover the added expenses.

For the reasons highlighted above, loan contracts will be amended, new software must be written, new policies and procedures will be established, additional staff training will be certain and new considerations for offering open-end loan products will result. Given that the intent of the CARD Act legislation was to curb many of the unfriendly and abusive practices pertaining to open-end consumer credit plans, credit unions feel as though they are unintentionally burdened for the deceptive acts of for-profit credit card companies. In general, credit unions support the intent of Congress and the Federal Reserve to establish fair and transparent

practices pertaining to open-end consumer credit plans but the profound negative effects that the 21-day provision will have on credit union operations and members will be a sharp contrast to the original intention.

The Credit Union National Association has requested a legislative fix by Congress to limit the 21-day requirement only to credit card accounts and we urge you to affirm this measure. Clarifying this language will not weaken the primary focus of this requirement but instead make certain that the “people helping people” cooperative spirit of credit union industry will not abate and the 92 million members nationwide will continue to receive affordable financial services.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Lauren D. Whaley".

Lauren D. Whaley  
Director of Legislative and Regulatory Affairs  
North Carolina Credit Union League