

From: Eglin Federal Credit Union, Phipps McGee
Subject: Regulation Z - Truth in Lending

Comments:

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Proposal: Regulation Z - Truth in Lending Act
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From: Eglin Federal Credit Union, Phipps McGee Subject: Re-Evaluation of Accounts Subject to Rate Increases April 5, 2010 Via EMAIL: Regs.comments@federalreserve.gov Jennifer J. Johnson, Secretary Board of Governors of the Federal Reserve System Re: Regulation Z Docket # R-1384 Dear Ms. Johnson, Eglin Federal Credit Union (EFCU) appreciates the opportunity to share our thoughts on Reg Z's latest proposed clarification in response to the Credit Card Act of 2009 by the Board of Governors of the Federal Reserve System (the Board). Consistent with the timeline established by Congress to implement provisions of the Credit Card Act of 2009 in stages, this latest proposal implements the provisions that become effective on August 22, 2010. EFCU has over 112,000 members and \$1.2B in assets. Our membership community is comprised mainly of US Air Force active duty, retired, or civil service personnel. Our mission is to provide first class financial services and products to our member owners while maintaining the safety and soundness of our Credit Union. We have found much success in our ability to offer many convenient services and products to our very mobile membership. Specifically, we would like to address new section TILA 148 which requires creditors to re-evaluate accounts subjected to rate increases. As proposed, creditors are required to review, no less frequently than once every 6 months, accounts for which the APR has increased due to credit risk of the consumer, market conditions, or other factors. The creditor must consider any changes in such factors and determine whether the APR should be reduced. EFCU commends the Board for its intent to protect consumers from unfair practices and unwarranted penalty. However, we believe clarification is necessary in this section of the proposal so as not to burden the financial institutions that do not arbitrarily increase APRs on credit cards. We believe the intention of the Credit Card Act is to stop unscrupulous behaviors including the increasing of credit card rates without reason. EFCU has never arbitrarily increased a credit card rate as penalty or for any other

reason. We use risk-based lending guidelines in our credit card program. If a member requests an increase in the limit of his credit card and his credit score falls into the range that dictates a higher rate, he can choose to accept the increased limit with the new terms or decline the limit increase without penalty. Also, if the member requests a review on his account at a later date to determine whether his credit score qualifies him for a lower rate, he may do so at no cost. The requirement to re-evaluate each account that has had an increase in rate adds no additional benefits to our members with our current policy. In fact, the additional maintenance required to sustain this type of program will be costly in both time and money which will adversely affect our member in the end. We are requesting that you clarify the re-evaluation requirement to correspond only to accounts that received an interest rate increase due to default penalty or "across the board" increases (which have been done by many of the very large card issuers). This clarification is in the best interest of the majority of consumers using credit cards. Also, please consider placing a time limit on the 6 month look-back requirement. An institution should not have to indefinitely review an account when there has been no improvement in creditworthiness. We counsel our members on what they need to do to improve their credit score and, thereby, qualifying for a lower rate. We feel the consumer has to accept responsibility for their credit performance. If they do not, the card issuer should not bear the burden of reviewing their account every 6 months for eternity. We feel a review should be limited to 6 months after the increase and again at the 1 year mark. After that, it should be up to the consumer to request a review when he believes his creditworthiness has improved. Thank you very much for your consideration of our perspective on this subject. Sincerely, Phipps McGee President / CEO