GECU
Greater El Paso's Credit Union

April 14, 2010

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

RE: Regulation Z; Docket No. R-1384

Dear Members of the Board:

On behalf of GECU, we appreciate the opportunity to present our comments on the proposed amendments to Regulation Z. With over $1.5 billion in assets and over 285,000 members we recognize the impact the proposed changes will have on today's consumer and we fully support the Federal Reserve Board's efforts to promote the informed use of consumer credit to allow the consumer to attain high-quality financial services while being protected.

Reasonable and Proportional Penalty Fees

We agree that penalty fees and charges should be reasonable and proportional to the violation. However, we strongly oppose the alternative that would require fees to be based on deterrence. Under the proposal a card issuer must determine that a fee is reasonably necessary to deter the type of violation for which the fee is imposed. The rule would require issuers to utilize an empirically derived, demonstrably and statistically sound model that reasonably estimates the effect of the amount of the fee on the frequency of violations. Additionally, the parameterization of the model would have to be sufficiently flexible to allow for the identification of a lower fee level above which additional fee increases have no marginal effect on the frequency of violations. Implementation of this method is unduly burdensome and unrealistic. It is simply not feasible to use this method, within the allotted timeframe, in addition to the remaining provisions of the Credit CARD Act. The complexity and cost of this alternative would increase costs significantly for any card issuer, which would consequently result in increased rates and fees in the future.

If a safe harbor is made available, it should be a fee or calculation that is fair to both consumers and card issuers. Determining penalty fees based on a percentage is a feasible resolution and is consistent with Congress' intent that fees be reasonable and proportionate to the violation. For example, a late payment fee could not exceed five percent of the payment amount.

Reevaluation of Rate Increases

The proposed rule requires that card issuers review an increase in the annual percentage rate (APR) no less frequently than once every six months until the rate is reduced to what it was before the increase or, for variable rates, until the time the index and the margin is the same as that applied before the rate was increased. Although we

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understand that certain rate increases beyond the control of the cardholder warrant such a review, it is excessive to require that accounts be reviewed repeatedly when the increase is a result of the cardholder's actions or behavior, such as a decline in creditworthiness. Requiring that accounts be reviewed continually until the rate is the same as before the increase is onerous. This is especially difficult for variable rate accounts, as card issuers have no control over the index, and it is possible the index may never match the index in effect at the time of the increase. It is unfair to require that card issuers continue to review the account in this instance.

We strongly urge the Board to consider imposing a reasonable time period for reevaluation, such as two years from the date of the increase, rather than requiring the reviews indefinitely until the rate is reduced to the rate in effect prior to the increase.

We uphold that fair and transparent credit practices and equitable consumer protections laws are certainly in the best interest of our members, and it is undeniable that recent practices by predatory institutions have demonstrated that many of these provisions were long overdue. However, if these requirements are unworkable and too rigid to allow issuers to effectively manage their credit card programs it is likely that the availability and attainability of credit could be greatly reduced for many consumers.

GECU appreciates the opportunity to comment on this proposal. Thank you for your time and consideration.

Sincerely,

Crystal Long
Sr. VP - COO

HM:dp