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To: Jennifer J. Johnson, Secretary

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From: Sarah Stevenson-Compliance Manager

Subject: OMNI Community Credit Union Docket No. R-1384

Pages: 5

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Please find OMNI Community Credit Union's response to the request for comment re:
Docket No. R-1384

10-CC-04 (Regulation Z – Phase III)

OMNI Community Credit Union – Docket No. R – 1384

Fees Based on Costs

Comment is requested on whether card issuers should be permitted to include losses and associated costs in the determination.

No comment

Late Payment Fees - Comment is requested on whether card issuers incur other costs as a result of late payments.

Various departments with the credit union may get involved in the collection of delinquent accounts. Not only does this involve the Collections Department contacting consumers, Card Services and Call Centers may become involved in fielding consumers' calls. The costs for department personnel alone are significant accompanied by the costs associated with notifying consumers of delinquencies and establishing workout and temporary hardship agreements. If consumers do not make an effort to pay the delinquency this can result in additional court costs, etc. incurred by the issuing financial institution.

Returned – Payment Fees – Comment is requested on whether card issuers incur other costs as a result of returned payments.

No comment

Over-the-Limit Fees – Comment is requested on whether card issuers incur other costs as a result of over-the-limit transactions.

Additional costs come into account with over-the-limit transactions in that accounts with over-the-limit coverage have to be monitored and if the member chooses they can opt-out of the service at any time or reinstate it at any time. This can, and already has resulted in a loss of fee income.

Fee Based on Deterrence

Comment is requested on whether it is appropriate to permit card issuers to test the effect of penalty fee amounts that exceed the amounts otherwise permitted by the proposal. In addition, comment is requested on whether limitations are necessary to ensure that such testing is legitimate.

We believe such testing is necessary. If fees are low and account holders continue to abuse services the credit union or financial institution could continue to experience losses or greater delinquency. A sampling of accounts for testing

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would greatly benefit to see if there is a reduction in account abuse based on a higher fee.

Reevaluation of Fees

Comment is requested on whether twelve (12) months is an appropriate interval for the reevaluation.

We feel that twelve months is an appropriate interval for reevaluation.

Other Types of Violations

Comment is requested on whether a prohibition on penalty fees in these circumstances is appropriate.

We do not see it necessary for an issuer to charge a fee based on a transaction that the issuer declines to authorize. If the issuer is declining to authorize a transaction this is not putting a card over limit or pushing a card into delinquency it seems like an unnecessary fee and we would not be against prohibiting such a fee.

Comment is requested on whether it is appropriate to prohibit penalty fees in these circumstances.

In regards to charging fees for inactivity or the closure or termination of an account, we do not feel it is necessary to charge fees for such situations. If a member/consumer chooses to pay off their credit card balance and not use the card, simply keep it for emergency situations or keep it open to as to not lower their credit score why should that individual be punished with fees. Such fees should be prohibited. Credit Unions are in the business of helping members not penalizing them for paying off balances.

Safe Harbor

Comment is requested on the general safe harbor approach, the appropriate dollar amounts and the upper limit.

We do not charge an over the limit fee unless the member has opted-in to this coverage and the over the limit amount exceeds \$25 of the credit limit. The fee is also not in excess of \$25. No additional comment.

Comment is also requested on whether 5% is the appropriate percentage. If not, the FRB encourages commenters to provide data to support the submission.

No comment

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Comment is also requested on whether there are additional methods for regulating the amount of credit card penalty fees based on the conduct of the consumer. In particular, whether the safe harbor should permit issuers to base penalty fees on consumer conduct by:

- ***Tiering the dollar amount of penalty fees based on the number of times a consumer engages in particular conduct during a specified period. For example, card issuers could be permitted to charge a fee for the second late payment during a 12-month period that is higher than the fee charged for the first late payment.***
- ***Imposing penalty fees in increments based on the consumer's conduct. For example, card issuers could be permitted to charge a late payment fee of \$5 each day after the payment due date until the required minimum periodic payment is received. Thus, a consumer who is only a day late would be charged \$5 in late payment fees; while a consumer who is five days late would be charged \$25.***

If a consumer is delinquent and remains delinquent after the amount of notice they are given before we can even charge a fee or increase a rate we should be able to charge additional fees until they bring the account current. This would hopefully deter delinquency in the future.

Reevaluation of Rate Increases

Comment is requested on the operational issues associated with reducing the rate applicable to a consumer's account and whether a different timing standard for how promptly rate changes must be implemented should apply.

No comment. After discussions with our credit card processor they have the capability to monitor rate increases and future reevaluations.

Termination of Obligation to Review Factors

Comment is requested on whether the obligation to review the rate applicable to a consumer's account should terminate after some specific time period elapses following the initial increase, for example after five years.

It would be beneficial to the processor and the credit union if this review process did terminate after specific time period. Our credit card portfolio is risk-based priced and if we have to continue to review each account that had a rate increase previously on top of any accounts that have a rate increase due to the risk-based pricing this could be a significant operational burden.

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Comment is also requested on whether there is significant benefit to consumers from requiring card issuers to continue reviewing factors, even after an extended period of time.

There is only a significant benefit to consumers if the consumer continues to pay on time. If they continue to go into delinquency it causes additional operational burden on the credit union to keep monitoring their account to see if they have made six consecutive payments and the consumer continues to pay fees. If the member accepts the rate increases with risk-based pricing these accounts have to be reviewed every six months as well. Of course the consumer may benefit if their credit score has increased their rate could decrease. The consumer may always benefit from additional reviews to potentially lower their rate. It is more of an operational burden on financial institutions.