



4309 North Front Street Harrisburg, PA 17110 Phone: 800-932-0661 Fax: 717-234-2695

April 12, 2011

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551

***Re: Regulation B outlined in Docket No. R-1408***

Dear Ms. Johnson:

The Pennsylvania Credit Union Association (PCUA) is a state-wide trade organization that represents a majority of the 412 credit unions located in the Commonwealth of Pennsylvania. On behalf of our member credit unions, we appreciate this opportunity to provide comments to the Federal Reserve Board (FRB) regarding proposed revisions to model notices under Regulation B, which implements the Equal Credit Opportunity Act (ECOA), to incorporate the Fair Credit Reporting Act (FCRA)'s requirement for credit score disclosures in adverse action as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act).

The PCUA consulted with its Regulatory Review and State Credit Union Advisory Committees (the Committees) in order to provide comments on the proposed amended disclosures. The Committees consists of twelve (12) credit union CEOs who lead the management teams of Pennsylvania's state and federally-chartered credit unions. Members of the Committees also represent credit unions of all asset sizes. The comments contained in this letter reflect the input of these Committees and PCUA staff.

#### **Revised Model Form**

First and foremost, the Committees and staff appreciate the FRB and the Federal Trade Commission (FTC) working together on protecting the consumer and providing financial institutions revised models to comply with and qualify for the safe harbor. Specifically, the proposal would allow a credit union to use amended model notice forms C-1 through C-5 under

Regulation B to comply with the adverse action provisions of both the ECOA and FCRA. The revised adverse action notice will help a great deal in terms of compliance.

### **Consumer Benefits**

Credit unions fully support appropriate, effective disclosure aimed at informing and protecting consumers. Credit unions are mutually owned financial cooperatives that operate on a not-for-profit basis. As such, the members of a credit union own the institution and elect its board of directors. Accordingly, consumer protection and dealing with our member owners on an equitable and transparent basis, is in the best interest of a credit union. To that end, credit unions have demonstrated support for consumer protection through our advocacy for the CARD Act. Credit unions across Pennsylvania engage in substantive financial literacy efforts such as in-school branches, educational outreach to consumers, participation/partnerships with agencies of the state government and a variety of other means. The Pennsylvania Credit Union Foundation, the philanthropic arm of Pennsylvania's credit unions, takes a leadership role in financial literacy.

With the foregoing background information in mind, it is imperative that we ask an important policy question: Do incrementally more detailed disclosures yield substantial benefits for consumers? In our observation the wise use of financial products and services stems from, foremost, a solid foundation of financial education. Through financial literacy efforts, consumers can identify those products or services that suit them best. As the consumer draws near to selecting a product or service, fair disclosures of how a credit facility or investment is designed to work are appropriate.

In our examination of the FCRA's credit score disclosure requirements, per the Dodd-Frank Act, the consumer benefit appears marginal. The proposed additional disclosures will not affect credit union members that are already astute with how their credit report and score are utilized and affect credit applications. However, for those that are not as familiar with the impact a credit score or report has on their ability to receive credit or a reasonable interest rate, this degree of disclosure could overwhelm them. A less educated consumer might not read the adverse action notice, thus resulting in the opposite of what is intended by the Dodd Frank Act – inaction. As a result, the member may neither take the opportunity to clear up any errors in their report nor increase their score. In sum, at this point in the transaction where an institution would deny credit based on the contents of a credit report, the enhanced adverse action notice appears as a stop-gap measure. Hopefully, those consumers laboring with an unsatisfactory credit history will begin the process of rehabilitating their credit. Credit unions offer solutions in this regard.

### **Consumer Protection Trends**

The Committees urge the FRB to take note of the trend in consumer protection regulations. The Dodd-Frank Act requires hundreds of regulatory proposals for its implementation. Since 2008, the FRB has undertaken numerous revisions to Truth-in-Lending, Regulation Z. The result is an increasing disclosure burden for financial institutions. Some of the proposals go so far as to regulate the terms and conditions of credit. Title XIV of the Dodd-Frank Act represents an

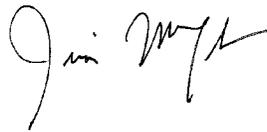
example of this trend. Credit unions support the prohibition of sharp practices and fair disclosure of the significant terms for credit. We are very concerned that the new wave of regulations, however, will deconstruct the business of providing consumer credit. That is, in striking the balance between offering a service and maintaining compliance, the availability of consumer credit will decrease. Such a result works to the disadvantage of the borrower who might obtain the greatest benefit from a rule such as the proposal currently open for public comment.

### Conclusions

PCUA, on behalf of its member credit unions, appreciates the work of the FRB in weaving the FCRA disclosures into the adverse action notice. This offers meaningful assistance in terms of compliance with the rule. From a public policy perspective, we believe it is time for regulatory agencies to take formal notice of financial literacy efforts and temper disclosure and compliance regulations with the understanding that credit unions represent an enormous benefit to consumers. Increasing regulatory burdens, however, can deter credit unions from delivering the value that is so desperately needed in the consumer credit marketplace at this time.

Sincerely,

PENNSYLVANIA CREDIT UNION ASSOCIATION



James J. McCormack  
President/CEO

CS:llb

cc: Association Board  
Regulatory Review Committee  
State Credit Union Advisory Committee  
R. Wargo  
M. Dunn