



National Association  
of Federal Credit Unions  
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Arlington, VA 22201-2149

NAFCU | Your Direct Connection to Education, Advocacy & Advancement

April 14, 2011

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

RE: Docket No. R-1407 and RIN No. 7100-AD66

Dear Ms. Johnson:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the nation's federal credit unions, I am writing to provide NAFCU's comments on the Federal Reserve Board's (the Board) proposed changes to risk-based pricing notices. These amendments to the risk-based pricing rule are, in large part, required by statute and consequently the Board has limited discretion in how it proceeds. Nonetheless, NAFCU recommends the Board use the authority it has within the statute to minimize and streamline the disclosures that consumers receive.

Creditors are already required to provide disclosures regarding credit reports. This proposed rule, as required by the *Dodd-Frank Consumer Protection and Wall Street Reform Act* (Dodd-Frank) supplements the credit report disclosures with new disclosures regarding credit scores. While the consumer's credit score is obviously useful information, NAFCU questions the benefit for consumers regarding some of the proposed disclosures. For example, the model forms proposed by the Board span roughly a page and a half. Included in the disclosures are the statements, "The terms offered to you may be less favorable than the terms offered to consumers who have better credit histories," "It is a good idea to check your credit report[s] to make sure the information they contain is accurate," and "Your credit score can change, depending on how your credit history changes." If the Board wishes to provide consumers useful disclosures, it may be worthwhile to eliminate some of the more obvious aspects of the proposed disclosures. Eliminating some of the less useful statements would decrease the overall size of the disclosure and consequently provide the consumer only the most important information without distracting him or her with relatively useless information. Consumers already receive more disclosures than they could reasonably be expected to read on virtually every financial product they purchase, and consequently the messages tend to provide diminishing returns.

NAFCU also questions the utility of providing the range of the credit score. First, this information is of little actual benefit, particularly given that the disclosure will provide an actual credit score. More importantly, providing a range could possibly mislead consumers who do not understand the difference between the actual credit score that is disclosed and the range that is simultaneously disclosed. Consumers may, in fact, believe their credit score is either higher or lower than it actually is, based on the figures disclosed in the range.

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Again, NAFCU understands that these changes are largely required by statute. Nonetheless, the Board has some discretion under TILA to eliminate or streamline disclosures that it believes may confuse consumers or unnecessarily complicate an issue. With this in mind, we would encourage the Board to consider using its discretion to streamline and simplify the disclosures. NAFCU appreciates the opportunity to share our thoughts on the proposal. Should you have any questions or require additional information please call me at 703-842-2212.

Sincerely,

A handwritten signature in black ink, appearing to read "Dillon Shea". The signature is written in a cursive, slightly slanted style.

Dillon Shea

Associate Director, Regulatory Affairs