



April 21, 2004

Jennifer J. Johnson
Secretary, Board of Governors of the Federal Reserve System
20th St. and Constitution Ave. NW
Washington, DC 20551
regs.comments@federalreserve.gov

Re: Docket # R-1187
Comments on Proposed Regulation V by Navigator Credit Union

Dear Ms. Johnson:

As a provider of financial services, Navigator Credit Union appreciates the opportunity to comment on proposed regulations that affect delivery of service to our members. We always strive to inform and educate our members on actions that could affect their credit ratings. As such, we would like to make the following suggestions for the above proposed regulation to better implement the Fair and Accurate Credit Transactions Act.

We plan to implement this regulation by adding the model notice to our 30 day delinquency mailing, since we begin negative reporting at 30 days past due.

We also plan to take advantage of the provision in the regulation relieving us from providing subsequent notices for further negative reporting. We believe, however, that the model notice could create confusion for some of our members who may think that if they do not receive subsequent notices, they have not been reported to a credit bureau.

We therefore suggest altering the model notice to read as follows:

“We have provided, and may provide in the future, information to credit bureaus about an insolvency, delinquency, late payment or default on your account to include in your credit report.”

This changed wording will more clearly indicate that subsequent negative reporting may occur if the account is not brought current, without exceeding the 30 word size limitation of the regulation.

A second issue of concern is the possibility of some members receiving the model notice who are not reported to a credit bureau for some reason. In order to comply with this regulation, we will err on the side of sending the model notice to everyone we could report on, rather than risk

Post Office Box 1647
Pascagoula, Mississippi
395681647

(228) 762-3542

1-800-344-3281

Fax: (228) 762-2171

Web:

www.navigatorcu.org

E-Mail

mail@navigatorcu.org

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noncompliance with the statute by not sending notice to members we end up reporting to a credit bureau.

It is potentially illegal, however, to threaten collection actions that a lender does not intend to take, especially for those organizations covered by the Fair Debt Collection Practices Act. One could envision a lawsuit or adversarial bankruptcy proceeding where the debtor claims the threat of negative reporting amounts to a collection action.

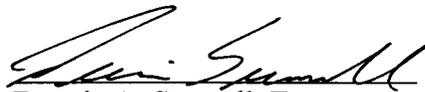
Section 217(a)(7)(E) of the statute provides that the mailing of the model notice does not require us to actually report such information to a credit bureau. However, the meaning of this section is not covered in the proposed rule. It is not clear whether this section would act as a liability shield in the above scenario.

We therefore believe a safe harbor should be added to Regulation V, providing that no creditor can be held liable for sending out the model notice, even if the creditor did not ultimately report negative information to a credit bureau.

Without such a safe harbor provision, financial institutions may be forced to add a disclaimer to the model notice, indicating that the model notice is not one of the collection actions threatened in the delinquency mailing, but a legally required notice. Such a disclaimer would take up additional space in the delinquency mailing and add more cost to compliance with Regulation V, not to mention the cost of potential litigation.

Again, we appreciate your attention to these issues.

Thank you,



Dennis A. Sumrall, Esq.

Compliance Officer,
Navigator Credit Union

P.O. **Box** 1647

Pascagoula, MS 39568

(228) 762-3542

dsumrall@navigatorcu.org