

From: First Credit Union, Lori Gallegos  
Subject: Reg Z - Truth in Lending

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Comments:

Board of Governors:

I am writing to you regarding concerns with a requirement in the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act) that is creating significant compliance and implementation problems for credit unions.

The specific provision is the requirement in Section 106 of the CARD Act that will prohibit creditors from treating payments as being late unless the creditor adopts reasonable procedures to ensure that periodic statements are mailed or delivered to the consumer no later than 21 days before the payment due date.

Credit unions support the intent of the CARD Act, however, Section 106 covers more than credit cards and applies to all open-end lending products. This includes general lines of credit, lines of credit associated with checking accounts, signature loans, and home equity lines of credit (HELOCs).

Below are some concerns, which we believe justify a delayed mandatory compliance date:

1. Credit unions serve individuals who choose to become members. Because of this membership relationship, most credit unions provide monthly consolidated membership statements that combine information on a member's savings, checking, and loan accounts, other than for credit cards. Since this may include a number of open-end credit plans with different due dates, changing these due dates to comply with the 21-day requirement may lead credit unions to discontinue the use of consolidated statements or send statements for each loan in addition to the consolidated one. To comply with the new 21-day requirement would force credit unions either to sharply curtail the number of statement cycles or to send out separate or duplicative information.
2. If necessary, making the drastic change to send separate statements cannot be completed by August 20th. Whether done by or after August 20th, sending separate statements will greatly increase both processing and mailing costs, with rough estimates of between \$1 - \$2.25 a month per loan. Not only will credit unions need to pass on these costs to their members in the form of higher loan rates, lower deposit rates, or higher fees elsewhere, but credit union members will be very confused and concerned when they receive multiple statements from their credit union, depending on how many loans they have outstanding. Credit union relationships with their members will suffer, all in an effort to comply with a law that is intended to benefit consumers.
3. For certain loans, particularly vehicle loans, credit union members are often permitted to choose the due date for personal financial planning. This will have to be discontinued if the chosen date no longer complies with the new 21-day requirement. Changing the express choice by members would not be consumer-friendly, and members will not understand

that a federal law requires this action.

4. Many credit unions provide their members with the convenience of automated payments on a certain date. This date is chosen by the member, who may choose a date that is related to when he or she receives a paycheck. This may now need to be changed based on the new 21-day requirement, imposing hardship and inconvenience if the new date no longer coincides with the receipt of a paycheck.

5. Many loans are structured so that payments are made bi-weekly, which serve to minimize the amount of interest that is charged, as compared to loans in which payments are made monthly. If bi-weekly programs are no longer permitted under the new 21-day requirement, the result will be that these members will pay additional interest.

6. The 21-day requirement will also apply to HELOCs, the terms of which cannot be easily changed. Regulation Z lists exceptions for changing terms of HELOCs and although the Regulation Z commentary permits changing the due date, we note that the due date is often a contractual term, which adds to the difficulty of complying with these new requirements.

The new 21-day requirements are difficult to impossible to be implemented by August 20th. This is not an issue of whether credit unions are willing to comply but an issue of not being able to comply by the effective date. We strongly urge the Board to make the necessary accommodations to ensure credit unions and other affected financial institutions can be in compliance with these provisions in an expedited manner that will serve the interests of consumers, all without the threat of needless legal challenges and litigation.

At a minimum, this should include extending the effective date beyond August 20th for open-end credit other than credit cards.

Sincerely,  
Lori Gallegos  
First Credit Union