

From: Texoma Community Credit Union, L. Wayne Mansur
Subject: Reg Z - Truth in Lending

Comments:

July 31, 2009

The Honorable Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve Board
20th and C Streets, NW
Washington DC 20551

RE: CARD Act--Credit Card Accountability Responsibility Disclosure Act

Dear Chairman Bernanke:

I realize that our legislative government wants to improve financial affairs for consumers through the CARD Act. The concept has its merits as it relates to Credit Cards; and I agree with the consumer advocacy issues related to credit cards. Regrettably however, the CARD Act negatively affects another form of Open End Lending that creates confusion and waste. The following illustrate some probably unintended problems the CARD Act creates.

Open end lending is used for more than just credit cards. Open end lending is used for transactions such as automobile purchases, signature loans and even Home Equity loans. There is no need to send a notice of a payment due when the payment amount, due date, and interest rate remains constant, as often occur in non-credit card Open End lending. However, under the CARD Act, a 21-day notice must be sent even when the payment, due date and interest rate are unchanged from month to month. Consider this illustration.

A consumer finances a car for 60 payments of \$500 due on the 5th of the month and the interest rate is 6.00% APR. Quarterly we send a statement reflecting activity on their loan. There is no good purpose in sending 3 additional notices during the quarter to the consumer 21 days in advance "informing them" that their standard payment is the same (\$500) and that it is due on the same date (5th). The CARD Act wastes postage (\$0.44), plus an envelope (\$0.05), the coupon 21-day notice (\$0.03) and the labor cost to distribute. Multiply the cost by the 5,876 loans in our portfolio that meet the CARD Act's definition and the CARD Act just increased our monthly cost of business by almost \$6,000. This new expense represents 11% of last month's net income. I wonder if these new expenses for 21-day notices will be passed on to consumers with either higher interest rates or fees?

If the 21-day statement is not sent, the Act prohibits the credit union from treating the payments as past due. Therefore, we cannot report the payment to the credit bureau, collect a late fee (to offset the cost of collections) or effect collections for their open end loans used to finance the Home Equity, car, signature loans and other such loans.

The CARD Act does not appear to solve any items outside the credit card industry. For non-credit card payments (cars, signature loans, Home Equity Loans, etc.) most people go on-line to get their statement information.

Many people have established automatic loan payments either as direct deposit from their paycheck or through ACH, or automatic transfers, or through an online bill pay service. The payment amount is relatively constant, as are the due dates. When the payment or due date varies it occurs with the consumers knowledge, unlike credit card open end credit.

The CARD Act creates even larger problems. Some members are paid weekly and so they find it best to contract in their Open End loan for payments being taken from each paycheck. In many cases their loan payments are due weekly. How does a lender send weekly notices 21 days in advance to individuals with weekly payments due that coincide with their paycheck? Other borrowers pay bi-weekly and others pay semi-monthly which further complicates the issue of sending notices 21-days in advance. Many lenders will cease allowing weekly, bi-weekly, semi-monthly payments if a notice is required to be sent 21-days in advance of each payment. This creates more problems than it solves for non-credit card open end lending.

One more large problem lies with the CARD Act "solution." Most consumers do not read or even open their statements. I know this is true as I asked 53 people if they open their bank statement and only 13 actually open their statement. (By the way, do you really open each of your bank statements? How about your children, friends etc.? Ask 53 people and see what their replies are.) People who open their credit card statements find the payment, APR and due date clearly listed...at least that is true for me, my parents", and children"s statements. The real problem is that the consumers don"t read what they already receive.

What Congress really needs is to require that the consumers open, read, and comply with the information already contained in their statements. It is a bit ironic that the "Credit Card Accountability Responsibility and Disclosure Act" (emphasis mine) does not require the consumer to do anything. Both the lender and the consumer should be accountable and responsible to open and read their statements, then many of the issues government is trying to resolve in this Act would not be an issue. The consumer has an obligation to be accountable and responsible to the lender.

In closing, the 21-day rule for non-credit card open end lending will create more problems and confusion that it will resolve. Provided that the payment, APR and due date remain constant or that the consumer initiates the change in the terms, the 21-day notice should not be required. Trusting that government"s laws will not create more problems than it solves, I am,

Sincerely yours,

/s/

L. Wayne Mansur
Texoma Community Credit Union