

From: Community Resource Federal Credit Union, Betsy Kindlon  
Subject: Reg Z - Truth in Lending

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Comments:

On behalf of all 6,000+ members of our Credit Union, I would like to express our concerns about some of the provisions of the CARD regulation. This Act was intended to protect consumers from deceptive practices with respect to credit cards and we are in full support of these provisions. However, the portion of the Act that included "All open-end lending" is creating enormous unnecessary expense and confusion for our Credit Union and our members. It creates a problem where none existed.

As a cooperative, not-for-profit financial institution, our Credit Union's primary concern is helping our members and saving them money. We use open-end lending forms to make the borrowing process more convenient for members and more cost effective so we can provide loans at lower rates. The structure of these agreements enables us to provide car loans as well as personal loans and lines-of-credit under a standard lending plan. Full disclosures are given and members are fully aware of the terms of the loan, payments, interest rates, etc. These loans have fixed payments and due dates each month. They do not function at all like a credit card. We also offer payment schedules that coincide with members' payroll dates for their convenience and greater savings for the consumer. For example, if a member receives a weekly paycheck, they can make weekly payments automatically, thus enabling them to save on the interest they pay. (We calculate interest on the unpaid balance for the number of days since the last payment.) Most borrowers take advantage of weekly or bi-weekly payment frequencies. Those who do not choose an automatic payment receive a coupon booklet that clearly states their monthly payment, the due date, any late fee and when it will apply. Furthermore, we allow members to select a monthly due date that best fits with their cash flow and financial needs. Members also receive either a monthly or quarterly statement.

In order to comply with this regulation as it now stands, we will have to totally restructure our loan payments. No matter what we do, our postage and printing costs will increase dramatically - an unnecessary expense that will ultimately have to be passed on to our members/consumers. In order to minimize the increase in our costs, we will have to require all loans to be due on a single day of the month so that we can insure we meet 21-day notification for all. We may not be able to provide the benefits of weekly or bi-weekly payments for our borrowers. This single due date will also cause potential cash flow issues for the credit union. None of the actions that we will have to take to comply with this regulation will benefit our members/borrowers. They will only harm them.

In an effort to comply rather than risk the consequences, we sent notices to members whose due dates were at the end of August. Overwhelmingly, we received phone calls with these types of comments: "Why are you sending me this notice? I know when my loan is due." "I don't want to get these every month." "You take my payments automatically. Why are you sending this?" "Please don't send me any more notices." This is from a small number of members so far.

We respectfully and strongly urge the Federal Reserve to take quick action to revise this portion of the CARD regulation by removing "all open-end lending"

from the regulation. At the very least, the date for implementation of this portion of the act needs to be extended for at least 90 days after the comment period to give the Federal Reserve time to properly assess how open-end lending is used and the detrimental effects of the act on consumers.

Thank you for your consideration of these comments. I would be glad to speak to anyone to provide more insight if that would be helpful.

Betsy Kindlon  
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