Feb. 6, 2006

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke St.
Alexandria, VA 22314-3428

Re: Washington State Employees Credit Union Comments on Part 707 Truth in Savings

Dear Ms. Rupp:

On behalf of Washington State Employees Credit Union, I appreciate the opportunity to offer these comments on the interim final changes to Part 707 (Truth in Savings) of NCUA's Regulations, published in the Federal Register on December 8, 2005. We recognize that NCUA must adhere to the Congressional mandate to issue regulations "substantially similar" to the Federal Reserve Board's Truth in Savings regulation. Nevertheless, we believe that NCUA can, and should, make changes to the interim final rule, for the benefit of both credit unions and their members. We suggest the following changes:

Effective Date

The changes were published on December 8, 2005, with compliance becoming mandatory on July 1, 2006. This compliance date coincides with the effective date of the corresponding changes to the Federal Reserve Board's Truth in Savings Regulation. However, the FRB published its rule on May 24, 2005 – a thirteen-month lead time for compliance. By contrast, the NCUA has provided a lead time of less than seven months. We believe this is insufficient for credit unions to take the steps necessary for compliance.

One reason why more time is needed is that much of the compliance work for these rules is out of the hands of credit unions. Most credit unions will rely on vendors (data processors and statement providers) to make the substantial programming changes needed for compliance. Some providers may be ready by July 1, 2006, but others will not.

The new rule requires credit unions to disclose year-to-date fee information on periodic statements. While credit unions will not have to revise their periodic statements until July 1, it is unclear in the rule as to whether at that time they will have to disclose data dating back to January 1 of 2006 and report retroactively. If so, credit unions that

would be subject to the new rules will have had less than a month from the date the rules were published to perform (or have their vendors perform) the programming changes needed in order to track the year-to-date information that must be disclosed. Those that could not do so (presumably the vast majority) will need to do additional special programming in order to pull the relevant historical data.

Whether we need to report retroactively or not, we request that NCUA consider a revised compliance date of January 1, 2007. We do not believe that either members or credit unions will be harmed by delaying the mandatory compliance date. Members who want this kind of data from their credit unions can request it. Credit unions who feel that not providing the data puts them at a competitive disadvantage can take the steps to comply sooner. Certainly, delaying the mandatory compliance date beyond the FRB's effective date will not have any more significant impact than the delay in mandatory compliance for the original Truth in Savings regulation when it was first promulgated.

Given this background, it would be reasonable and appropriate for NCUA to delay mandatory compliance with the new rule (or at least the periodic statement disclosure requirements) until January 1, 2007. This would give credit unions and their vendors time to adapt technology to comply with the new requirements and to implement the year-to-date tracking as of the beginning of a new year.

Categories of Transactions

Section 707.11(b)(1)(ii) provides that a credit union must disclose in promotional materials the categories of transactions for which an overdraft fee may be imposed. Similarly, new Comment 6 to Section 707.4(b)(4) indicates that a credit union's initial Truth in Savings disclosures must include the categories of transactions for which a fee may be imposed. The second change (regarding Section 707.4(b)(4)) appears to apply to all credit unions, not just those offering protection programs. In most cases, we believe the additional verbiage required by these provisions does not provide the member with any additional meaningful information, and simply clutters the advertisement or account opening disclosures.

For most credit unions, the type of transaction that creates an overdraft does not affect how it is treated for purposes of an overdraft protection program, including the imposition of a fee. If a disclosure or advertisement indicates that a fee will be imposed on any overdraft, reasonable consumers would interpret the statement to apply to all overdrafts, irrespective of how they were created. These fees, and the transactions to which they apply, are not new. Credit unions have charged insufficient funds and overdraft fees and disclosed such fees for years, and members already understand that the fees apply to any type of transaction on the account. There is no need to impose a requirement for advertising and account opening disclosures to list the types of transactions that can create an overdraft, unless a particular type of transaction would not be subject to a fee (or would be subject to a different fee).

We recommend modifying these sections to require disclosure (if applicable) of any categories of transactions that will be treated differently than others with respect to overdraft fees. This change would be helpful to credit unions in delivering streamlined disclosures and advertising (where space is usually at a premium), but it would retain sufficient similarity to the FRB's rule so as to satisfy the "substantially similar" requirement of the Truth in Savings Act.

Examples of Advertising the Payment of Overdrafts

The rule provides several examples of advertising practices regarding the payment of overdrafts that would trigger the periodic statement disclosures. The first example is unreasonably broad and does not provide adequate guidance for credit unions to distinguish between providing "informative" information in account opening brochures regarding the Credit Union's Courtesy Pay program and the "promotion" of the Program. Also, this Commentary paragraph refers to Section 707.11(a)(2) regarding communications that would not trigger periodic statement disclosures. However, there is no corresponding Commentary to Section 707.11(a)(2) provided. Further examples and a more detailed explanation in the Commentary of the exception in Section 707.11(a)(2)(viii) ("Providing informational or educational materials concerning the payment of overdrafts if the materials do not specifically describe the credit union's overdraft service") would be extremely helpful to guide credit unions in properly drafting informational and educational materials that clearly do not trigger the additional periodic disclosures.

We appreciate the opportunity to respond to this proposed regulation change and hope NCUA considers our input and makes the appropriate changes.

Sincerely,

Kevin Foster-Keddie, President & CEO

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