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AMERICA'S CREDIT UNION
A FEDERAL CREDIT UNION

June 30, 2008

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Kenneth S. Leonard
President/CEO
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National Credit Union Administration
Mary Rupp, Secretary of the Board
1775 Duke Street
Alexandria, Virginia 22314-3428

RE: RIN 3133-AD47
Unfair or Deceptive Acts or Practices

We feel consumers should be treated with fairness, honesty and given the information to make an informed decision in all their financial endeavors. After all, this is what credit unions have stood for since their inception. The maximum interest rate federal credit unions can charge is usually less than the best rate some consumers receive from their credit card provider. We agree with most of the proposed rules except those items listed below. In order to provide the best products and services to our members the credit union has to be able to manage without costly burdensome regulations and to be able to control their assets/liabilities effectively.

706.24 Unfair application of increased annual percentage rates to outstanding balances.

This imposes unfair restrictions on the credit union to manage its risk in changing interest rate markets, not to mention the risk of chargebacks and increased cost of mass card replacements to the credit union caused by sources outside of the credit union's control. The credit union's ability to manage assets and liabilities will be severely impacted. This will cause unintended consequences to our Members in the form of higher interest rates and fees, not only in our credit card program, but losses will have to be passed on to other programs outside of open-end lending.

The option of amortizing the existing balance at the same interest rate may not be a benefit to the Member if their credit card monthly payment increases 40% or more, or the other option of an increased payment at twice the percentage of the previous payment would be a 100% increase in payment. Assuming the average credit card balance of most consumers is $8,000 with a modest 2% payment would be a $160 monthly payment, a 4% increase in payment would be a monthly payment of $320—to the consumer this would be challenging in today's environment of skyrocketing gas and food prices.

706.32 Unfair practices involving overdraft services (a) Opt-out requirement.

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The credit union has no issue with providing an opt-out option since we provide the member with the option to opt-out at account opening and the member can opt-in or opt-out anytime thereafter. As for requiring the opt-out option on every periodic statement cycle where the member has had an overdraft is excessive and burdensome.

We do feel that having a partial opt-out provision for automated teller machines and point of sale transactions will be confusing for the members. Most of our members do more point-of-sale transactions than checks and would not find a partial opt-out beneficial. As an industry of trying to move consumers to more of an electronic settlement process, this might revert them back to check writing.

In the examples it states that we can still pay an overdraft and charge a fee even if the member has opted out, if we have a prior authorization or it's a paper based debit charge. Does this mean the credit union can no longer pay an overdraft and charge a fee in any other situation if the member opted out? If so, what will be the unintentional harm to the member whose mortgage check or ACH is returned because his account is short $30?

We currently have an overdraft program that is based on preset overdraft limits based on the amount of direct deposits to the account. We also pay overdrafts for members who have opted out, on accounts that we do not offer the overdraft program, for overdraft amounts less than $50, and sometimes more based on account history, and charge a NSF fee, which is the same fee as the overdraft program. Will this regulation prevent the credit union from charging the NSF fee if we decide to pay the overdraft in the above situations? Would our choice be to return the overdraft and charge a NSF fee or pay the overdraft and not charge a fee for the service?

This whole process seems to do nothing but further confuse the consumer and limit the credit union's ability to offer value added products. If concerns of abuse is your reasoning for debating this issue, why not solve it through the proper conduit of financial training and education.

7 06.32 Unfair practices involving overdraft services (b) Debit holds.

This rule will cause an unfair burden to the credit union by taking a fully automated process to a complicated manual hand posted process. This will be impossible to manage as these holds are placed for 3 days and do not clear when the transaction posts if the amounts differ. Eliminating the 3-day holds would put the credit union in an unacceptable risk position. Reviewing these transaction histories is a time consuming process. Due to the complexity of merchant holds and procedures, it will be impossible to program an effective process to be in compliance with this rule.

Thank you for your consideration of these important issues.

Sincerely,

Kenneth S. Leonard
President/CEO