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**From:** Darlene Palmore [mailto:Darlene.Palmore@gecu-ep.org]  
**Sent:** Monday, August 04, 2008 6:19 PM  
**To:** \_Regulatory Comments  
**Subject:** Harriet May - Comments on Proposed Rule Part 706

Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

RE: RIN 3133-AD47  
Proposed Rule 12 C.F.R. Part 706

Dear Ms. Rupp:

GECU supports the majority of the proposed amendments and believes the changes will greatly benefit consumers. However, we have concerns regarding the feasibility of two provisions that would create a regulatory burden for all financial institutions.

#### **Unfair Acts and Practices Regarding Application of Increased Rates to Outstanding Balances**

The proposal will prohibit the application of increased rates to pre-existing balances, except in certain limited circumstances. Rates are increased for a variety of reasons including market conditions and the individual risk presented by each consumer.

Allowing issuers to increase the rate only on new transactions is not sufficient as the greatest risk is on funds already extended. Rather than prohibiting a rate increase on an existing balance, it is recommended that the final rule permit increases if consumers also have the ability to opt-out of the increase by closing the account or transfer the balance to another card. The proposed amendment will compel financial institutions to offer variable rate lending in lieu of fixed rate lending to allow for a more effective asset/liability management program for safety and soundness.

Additionally, our state law allows increasing of fixed rates provided the consumer is allowed to reject the change-in-terms and terminate their account while continuing to make payments at their existing rate. We feel this is fair and reasonable for both creditors and consumers.

#### **Unfair Acts or Practices Regarding Fees for Exceeding Credit Limit Caused by Credit Holds**

The proposal will also prohibit institutions from assessing an over-the-credit-limit fee if the credit limit was exceeded due to a hold unless the actual amount of the transaction for which the hold was placed would have resulted in the consumer exceeding the limit.

Although we understand and agree with the Agencies' concern that many consumers are unfamiliar with credit hold practices and may unknowingly exceed their credit limits, the proposal as written with the responsibility transferred to the card-issuing financial institution from the merchant's processor and appropriate network, will impose manual handling in some instances resulting in increased costs. The practices of "placing holds" for

Point of Sale pre-authorizations would be better served by addressing with the merchant processors or networks rather than the financial institutions.

GECU appreciates the opportunity to present our comments and we commend the Agencies for their efforts to improve consumer awareness and promote fairness in the financial sector. If you have any questions concerning our comments, please contact me at 915-774-1702

Respectfully submitted,  
Harriet May  
President/CEO  
GECU  
El Paso, TX

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