RELIANT COMMUNITY FEDERAL CREDIT UNION
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August 4, 2008

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

Re: Reliant Community Federal Credit Union Comments on Proposed Rule
Part 706 -- RIN 3133-AD47

Dear Ms. Rupp,

Reliant Community Federal Credit Union welcomes the opportunity to comment on the interagency initiative to prohibit unfair or deceptive acts or practices in connection with consumer credit cards accounts and overdraft services for deposit accounts.

We offer the following specific comments on selected aspects of the proposed regulations:

CREDIT CARDS
Allocation of Payments

If a financial institution has increased the interest rate that applies to a particular type or types of transactions but is prohibited from applying the increased rate to outstanding balances as proposed in this regulation, the regulation should be revised to permit institutions to apply payment amounts in excess of the minimum payment first to those outstanding balances on which the institution is prohibited from increasing the rate.

We would oppose any change in the proposed regulation to permit the consumers to instruct the institution regarding allocation of amounts in excess of the required minimum periodic payment. This approach would be unworkable under current payment processing systems.

Increasing the Interest Rate on an Outstanding Balance

Our primary concern with the proposed restriction on increasing rates is the potential effect on the availability of risk-based pricing. The concept underlying risk-based pricing is that the consumer pays based upon the cost to the financial institution to manage the relationship. Periodically the financial institution may reprice the rate downward if the consumer's credit score has improved or upward if the score declines.

Data shows that servicing and charge-off costs go up as credit scores go down. If a financial institution is unable to increase a price to compensate for increasing risk, it is less likely to lower the price to consumers demonstrating decreased risk. Some financial institutions may drop lower credit score applicants altogether because of the inability to adjust compensation for additional risk, thereby decreasing the availability of credit.

Sincerely,

Pamela P. Heald
President & CEO