

REGULATORY ALERT

NATIONAL CREDIT UNION ADMINISTRATION
1775 DUKE STREET, ALEXANDRIA, VA 22314

DATE: April 2004

NO: 04-RA-08

TO: All Federally-Insured Credit Unions

SUBJECT: The Federal Trade Commission and Federal Communication Commission's "Do Not Call" Rules

Dear Board of Directors:

The purpose of this regulatory alert is to inform you of some of the significant provisions of the Federal Trade Commission's (FTC) Telemarketing Sales Rule issued on January 29, 2003, and the Federal Communication Commission's (FCC) Telemarketing Rule issued on July 25, 2003.

While the FTC's Telemarketing Sales Rule does not specifically apply to federal credit unions, it does apply to state chartered credit unions and third-party telemarketers, whether hired by a federal or state chartered credit union. Penalties for violating this rule can be significant and as much as \$11,000 per violation.

The FTC's Telemarketing Sales Rule:

- Establishes a National Do Not Call Registry and generally prohibits telemarketing calls to consumers listed on the registry.
- Allows telemarketing calls only between the hours of 8 am and 9 pm.
- Requires telemarketing calls to be transmitted with Caller ID information.
- Requires telemarketers to disclose material information relating to the identity of the telemarketer, purpose of the call, nature of goods or services, cost, quantity, limitations, restrictions, refund policy, prize promotions, credit card loss protection, and explanation of negative option features.
- Prohibits misrepresentation by the telemarketer.
- Establishes standards for payment authorization verification.
- Prohibits the assisting and facilitating of sellers or telemarketers who violate the rule.

For state chartered credit unions subject to FTC's rule, there are a few exceptions, such as:

- Where there is an established business relationship, calls are exempt if made within three months of an inquiry or 18 months of a transaction.
- For calls other than unsought solicitations and advertisements, various exceptions may apply.

For the most part, the FCC's telemarketing rule does not apply to tax-exempt non-profit organizations, such as credit unions. The FCC requirements that do apply to credit unions are applicable to both state and federal charters and are generally related to the use of automatic telephone dialing systems, prerecorded voice message systems, messages sent to fax machines, and abandoned calls.

Due to the varying provisions of these rules and potential penalties involved as a result of violations, all credit unions are encouraged to review the FTC's and FCC's rules. For more information on these rules, please visit the FTC's website at www.ftc.gov/bcp/online/pubs/buspubs/tsrcomp.htm or FCC's website at www.fcc.gov/cgb/donotcall.

Should you have any questions about these rules, please do not hesitate to contact your NCUA Regional Office or State Supervisory Authority.

Sincerely,

/S/

Dennis Dollar
Chairman