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Members of the United States Senate:

On behalf of the Credit Union National Association (CUNA), I am writing regarding the Dodd-Shelby amendment to H.R. 627, the Credit Cardholders' Bill of Rights Act (the amendment). CUNA represents nearly 90% of America's 8,000 credit unions and their 92 million members.

Innovations in the financial services sector, such as the credit card, have made credit more available and more convenient to use than at any time in history. When used properly, the credit card is an important purchasing tool for consumers. Credit cards are rarely collateralized, which means the risks associated with this convenient form of credit are generally higher than other lending products. Financial institutions, including credit unions that offer credit cards to their members, need to be able to price that risk appropriately.

CUNA recognizes that there are legitimate concerns about abusive credit card practices. We applaud efforts to end discriminatory, predatory, deceptive and abusive lending practices, noting that these efforts should be balanced to avoid unintended consequences which would ultimately be adverse to consumers, including making credit more expensive and less available. While certainly well-intentioned, provisions like those which prohibit current balances from being subject to higher interest rates in the future and limit how creditors can be repaid on outstanding balances will almost certainly increase the cost of credit cards for everyone.

Last year, the Federal Reserve Board of Governors (Federal Reserve), the Office of Thrift Supervision (OTS) and the National Credit Union Administration (NCUA) issued rules that restricted and prohibited a number of credit cards practices, pursuant to their authority under the Unfair and Deceptive Acts and Practices Act (UDAP) and the Federal Reserve issued separate rules under Regulation Z which address credit card practices; these rules will become effective July 1, 2010. Although CUNA raised operational and practical concerns, we were supportive of many of the provisions that were included in these final rules. Furthermore, CUNA generally supports H.R. 627 as passed by the House of Representatives, because it would, for the most part, put into law the requirements that the agencies will require banks and credit unions to follow beginning next year.

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As the Senate considers the amendment, we urge the Senate to use the regulations as a guide for the statute. The rulemaking process in which the regulators engaged was exhaustive and comprehensive. Deviation from the regulations will increase the compliance cost and make compliance more complicated. For credit unions, these costs are borne directly by their member-owners; therefore, we have several concerns regarding the amendment.

Effective Date

We have significant concern with respect to the amendment's various effective dates. While most of the provisions of the amendment would be effective nine months after enactment, there are several provisions which would go into effect 90 days after enactment. These provisions include new requirements on advance notice of rate increases and rules regarding mailing of periodic statements.

Credit unions are making a significant investment in both time and resources to update computer systems and train staff to be ready to comply with the UDAP and Regulation Z changes next year. This comes at a time when credit unions are struggling with enormous regulatory burdens resulting from a number of new and significant laws and rules that have been enacted over the past decade, including requirements in the area of privacy, Internet gambling, the *Real Estate Settlement Procedures Act*, the *Fair Credit Reporting Act*, and the *Bank Secrecy Act*, among others.

The implementation of the amendment would require significantly more resources, which would have a direct impact on member service. Moreover, we are concerned that the provisions with which credit unions would have to comply within 90 days of enactment may present an impossible compliance burden given the timeframe.

Opt-In for Over-the-Limit Transactions

The amendment includes language in Section 102 regarding fees that are triggered when a cardholder exceeds the credit limit on the account. Specifically, the bill would prohibit over-the-limit fees unless the cardholder elects to receive extensions of credit in excess of the cardholder's credit limit. The amendment also requires disclosure of the cardholders' right to revoke the election on periodic statements that include the assessment of an over-the-limit fee.

CUNA is aware that over-the-limit fees have been a source of consumer complaints and even lawsuits. However, this is a service for the convenience of cardholders, and we are concerned that detailed restrictions in the law and burdensome procedures to set up "over-the-limit" access on a card-by-card basis may curtail card usage at the very moment that a consumer may need access to his line of credit. We hope that any provision adopted by Congress will provide the Federal Reserve with adequate flexibility to adopt reasonable requirements after a thorough consideration through the notice-and-comment regulatory process.

Minimum Payment Warning

Section 201 requires creditors to print a "Minimum Payment Warning" on the periodic statement that is considerably different from the minimum payment warning required by the Federal Reserve's final open-end rules under Regulation Z, which implements a law enacted by Congress several years ago on minimum payment disclosures. Credit unions have been working with their data processors and software providers to implement the minimum payment warning required by revised Regulation Z. If the

warning required by this section is adopted, credit unions will have to spend additional time, expense and effort in changing their software and data processing systems to incorporate the changes. We encourage the Senate to consider codifying a requirement that is more consistent with the warnings credit unions will have to provide under the final rules.

Reassessment of Interest Rate
Starting January 1, 2009, if a credit card issuer ever raises the interest rate on a credit card, it will be required under Section 101 to reassess that credit card account every six months to determine whether the annual percentage rate should be reduced. We agree that it is a good idea to reassess accounts on an occasional basis, but a semi-annual requirement that each card be reassessed represents a significant compliance burden and expense for credit unions. This should be a business decision of the creditor, but to the extent that Congress determines such a requirement is necessary, we would hope that such a review would be required no more frequently than once every 12-18 months.

Maintenance of an Internet Presence
Section 204 requires issuers to maintain an Internet website on which they are to post their credit card agreements. Not every credit union maintains an Internet presence. We do not believe that the law should require smaller institutions to maintain a website, and ask for an exception for smaller issuers with respect to this provision.

Protection of Young Consumers
We applaud the language in Title III aimed at protecting young consumers. Credit unions have an understanding of the needs of their college-student aged members. We believe that the restrictions in this amendment are preferable to the language in H.R. 627 as passed by the House of Representatives.

Again, while we strongly believe that credit unions extend credit to their members on fair terms, we recognize that there are legitimate concerns about abusive credit card practices. As the Senate proceeds with its debate of this legislation, and ultimately reconciliation of the differences with the House, we strongly encourage the use of the recently finalized regulations as the guide for the legislation.

On behalf of America's credit unions, thank you very much for your consideration.

Sincerely,

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