



Credit Union National Association

cuna.org

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October 8, 2009

The Honorable Barney Frank
Chairman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Spencer Bachus
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairman Frank and Ranking Member Bachus:

On behalf of the Credit Union National Association (CUNA), I am writing to express our opposition to H.R. 3639, the Expedited CARD Reform for Consumers Act, which is subject to a hearing today in your Committee. CUNA is the nation's largest credit union advocacy organization, representing approximately 90% of America's 8,000 state and federal credit unions and their 92 million members.

During the consideration of the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act, CUNA recognized that the concerns about abusive credit card practices were legitimate, even though it was generally acknowledged that credit unions do not engage in abusive practices. As we testified before your Committee in March, we applauded the efforts to end discriminatory, predatory, deceptive and abusive lending practices. However, we also noted 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. In our testimony, we also highlighted the effective dates of the then-proposed legislation as among our greatest concerns.

Four months after enactment, credit unions and their members have been significantly affected by the unintended consequences of a specific provision of the CARD Act; and, the relatively quick effective and compliance dates have compounded the problems credit unions face in order to comply with the new law. H.R. 3639, which would accelerate many of the remaining effective dates from February 2010 to December 2009, has the potential to make matters even worse for credit unions and their members. We urge the Committee not to approve H.R. 3639.

Accelerated Compliance with the CARD Act may be Impossible for Credit Unions

Some have suggested that moving the effective dates from February to December will only affect the largest credit card issuers; however, half of the nation's credit unions issue credit cards, and 84% of credit union members belong to a credit union that offers credit cards. Accelerating the effective date could raise even greater compliance concerns for credit unions as opposed to larger issuers because they do not typically run their own credit card operations and therefore cannot simply pour more resources into their programs to comply on short notice. Credit unions rely upon third-party vendors to provide necessary support, and these vendors are working diligently to comply by the February 2010 effective date.



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Data processing changes are still being developed and need to be tested, and additional Regulation Z changes to implement other provisions of the CARD Act were just proposed last week (in a 800-page proposal to which comments are due 30 days after publication). Imagine the harm consumers would experience if credit unions and other issuers were forced to implement changes that had not been fully tested. Eliminating any time for testing data processing changes will inevitably produce a tremendous number of errors, and consumer inquiries and complaints. In addition, the Regulation E amendments required by the CARD Act to impose restrictions on gift cards have not even been proposed by the Federal Reserve.

Simply put, many steps need to be taken before credit unions and others will be able to comply with the new law in any orderly fashion; while the three month period between December and February is a relatively short period of time, it is a critical period of time for credit unions to take these necessary steps. Therefore, we must oppose H.R. 3639 and urge the Committee not to approve this legislation.

On behalf of America's credit unions, we appreciate the opportunity to express our views on this legislation.

Sincerely,

A handwritten signature in cursive script that reads "Daniel A. Mica". The signature is written in black ink and is positioned above the typed name and title.

Daniel A. Mica
President & CEO