



**NORTH CAROLINA
CREDIT UNION LEAGUE**

Committed to helping credit unions succeed

April 14, 2010

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Docket No. R-1384 – Proposed Rule on Implementation of the CARD Act

Dear Secretary Johnson:

On behalf of the North Carolina Credit Union League (NCCUL), I am writing in response to the recently issued Regulation Z proposed rule related to the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act). As the trade association representing 95 North Carolina credit unions and the growing membership of 3.1 million, NCCUL values the opportunity to comment on the proposed rule.

Under the final set of provisions, credit unions would be required to impose “reasonable and proportional” fees for violations of account terms as well as reevaluate, at least every six months, annual percentage rate increases on or after January 1, 2009. Consistent with the intent of Congress to implement the CARD Act in phases, this final set of provisions will take effect on August 22, 2010 at a time when some compliance budgets will be stretched to their max.

In general, our credit unions support the intent of the CARD Act legislation to curb many of the unfriendly and abusive practices pertaining to open-end consumer credit plans. Additionally, our credit unions appreciate the acknowledgement from the Board that they and other small entities charge substantially lower fees than the large institutions. It would be our hope that the Board’s safe harbor fee structure would be comparative to that of credit unions, easing their compliance concerns while creating fair and predictable fee amounts for consumers.

As the primary topic in our comment letter, NCCUL would like to address the enormity of the compliance requirements which the Board has requested small entities to discuss. As member-owned, not-for-profit financial institutions, credit unions work to improve the lives of their members (more than 92 million members nationwide) by offering products and services in a way that is most beneficial. Yet due to the deceptive acts of for-profit credit card companies, credit unions have been unintentionally burdened.

The first two phases of the CARD Act required credit unions to conform their open-end credit statements and any disclosures resulting in significant and unbudgeted operational costs. Moreover, training and policy procedures, advertising models and tracking systems had to all be reevaluated in

the areas of open-end lending. In these final provisions of the CARD Act, further statement and disclosure modifications are directed, translating into more costly software and procedural changes.

If these complexities are not enough to derail card programs at smaller credit unions, the additional issues associated with the July 1 changes in the FACT Act, Regulation E and other Regulation Z changes could have far-reaching effects. Further compliance-related expenses are of obvious concern but more importantly, quality member-service could be jeopardized as new considerations and analyses for offering loans products will result.

In closing, NCCUL would like to express gratitude to the Board for conceding that the provisions of this proposed rule would have significant economic impact on a substantial number of small entities and for recognizing that a final review is necessary following the comment period. There is no doubt that even more comprehensive changes will ensue in the coming months. Yet, we remain optimistic that credit unions can continue to provide affordable financial services despite the additional burdens imposed.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Lauren D. Whaley". The signature is written in black ink and is positioned below the "Respectfully Submitted," text.

Lauren D. Whaley
Director of Legislative and Regulatory Affairs
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