



National Association of Federal Credit Unions

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July 18, 2008

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

RE: Comments on Docket No. R-1286; Regulation Z

Dear Ms. Johnson:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions (FCUs), I am writing in response to the Board of Governors of the Federal Reserve System's (Board) request for comment on the proposed amendments to Regulation Z, which implements the Truth in Lending Act (TILA).

This rulemaking (May 2008 Proposal) was preceded by a comprehensive rulemaking to amend Regulation Z's open-end credit rules, which was proposed in June 2007 (June 2007 Proposal). The Board is now seeking comment on a number of additional revisions to the regulation and commentary. Specifically, the new proposed amendments address creditors' responsibilities to establish reasonable instructions for receiving timely payments and in the event that a due date falls on a weekend or holiday. Additionally, the proposal addresses creditors' responsibilities when investigating a consumer's claim of an unauthorized transaction or billing error, and sets forth new disclosure requirements for advertisements of deferred interest plans.

NAFCU is generally supportive of the additional amendments. However, we have some concerns with regard to the proposed grace period labels and the 5:00 pm cut-off hour for crediting mailed payments, which we describe in greater detail below.

Grace Period Labels

The June 2007 Proposal used the term "grace period" in certain disclosures, including the application summary table, commonly known as the "Schumer box." Under the May 2008 Proposal, however, the phrase "How to Avoid Paying Interest on Purchases," or a substantially similar phrase, would be required in lieu of the grace period terminology.

NAFCU disagrees with this change. As noted in the preamble to the proposed rule, TILA Section 122(c)(2)(C) specifically requires use of the term "grace period." 73 FR 28869, 28873. The phrase "grace period" is a generally understood and widely-used expression that is familiar in the

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common vernacular. NAFCU believes it is unnecessary to replace this Congressionally-mandated phrase with a much lengthier sentence. In fact, we are concerned that a shift to the longer phrase, "How to Avoid Paying Interest" will cause greater confusion among consumers, who are already accustomed to the concise "grace period" terminology.

Moreover, this lengthier phrase will create additional cost and compliance challenges for credit unions, particularly because conforming revisions would be required in order to maintain uniformity across all disclosures. Indeed, pursuant to the proposed requirement that creditors use consistent terminology under proposed § 226.5(a)(2)(i), all subsequent disclosures would also require costly and burdensome revisions to employ similar terminology.

Crediting Payments

Under the current rule, creditors may require consumers to abide by reasonable payment instructions, including a cut-off time for receiving payments. The May 2008 Proposal would amend this rule by deeming a cut-off hour earlier than 5:00 pm on the due date an unreasonable instruction for mailed payments.

NAFCU believes that a required minimum cut-off hour of at least 5:00 pm is not feasible for certain institutions. Some credit unions, particularly smaller institutions, are open only several days a week and have very limited business hours. For example, a small faith-based credit union chartered to serve the members of a church congregation may only be open Sundays and weekends for several hours prior to or after worship services. Mandating a specific cut-off time by regulation would create a significant burden for these limited service credit unions. For such creditors, a cut-off time that is consistent with that particular institution's closing time should be considered reasonable under the rule. Accordingly, NAFCU supports the Board's initial approach that was set forth in the June 2007 Proposal, which would require that creditors disclose the earliest of their cut-off times for payments in close proximity to the due date on the front page of the periodic statement, if that earliest cut-off time is before 5:00 pm.

NAFCU appreciates the opportunity to comment on this proposed rulemaking. Should you have any questions or require additional information please call me or Pamela Yu, NAFCU's Associate Director of Regulatory Affairs at (703) 522-4770 or (800) 336-4644 ext. 218.

Sincerely,



Carrie R. Hunt
Senior Counsel and Director of Regulatory Affairs

CRH/py