

## IMPORTANT NEW LEGISLATIVE RULES THAT AFFECT YOUR CREDIT UNION LOANS

On July 22, 2009, the Federal Reserve Board (Fed) published in the *Federal Register* an interim final rule to amend Regulation Z to implement two provisions of the Credit Card Accountability Responsibility and Disclosure (**CARD**) Act. This very complicated government law was specifically designed to prevent credit card companies from raising interest rates arbitrarily and charging and/or changing fees that are not advantageous to consumers.

Blue Chip FCU has never practiced raising interest rates “on a whim”. The fees that are charged on credit union loans are termed “adverse” fees – used for specific situations, as opposed to a method of creating income for the credit union. However, because we are a financial institution that is in the lending business, the credit union must comply with the **CARD** Act.

The majority of the changes will occur in February 2010; there are two (2) sections of the law that took effect on Thursday, August 20, 2009. We use open-end lending for our consumer loans and our Home Equity Lines of Credit. We have been informed by CUNA that the new laws affect both our credit cards and any loans set up using the open-end lending program.

The two (2) sections that now apply to your loans are:

- The periodic statement must be mailed at least 21 days *before* the payment due date. In the last four (4) years, credit union loan due dates have always been the **15<sup>th</sup>**, with the exception of credit cards. **To comply with the new CARD Act, all due dates have been changed to the 28<sup>th</sup>**. For example – assume you use coupons to pay your loans monthly. If you made your August payment on August 13<sup>th</sup>, the system would have moved the next due date to September 15<sup>th</sup>. However, to comply with the 21-day notice, your August monthly statement will now show the next due date as September 28<sup>th</sup>. **For those of you who make your loan payment(s) through direct deposit, payroll deduction or automatic transfer, nothing will change.**

All accounts that have one or more consumer loan or Home Equity LOC must receive a monthly statement. This change will create some added expense to the credit union – in the printing of and mailing statements. The change will only affect those members who currently receive quarterly statements. We will do our best to ensure all of your suffixes will be listed on your statement. We ask for your help – if you find that you are missing some suffixes, please call the credit union and ask that we change the statement run code on all suffixes to monthly.

We are in compliance with the 21-day rule for our credit cards; therefore, no change is necessary in this area.

- The second provision requires that any change-in-term notices be provided at least 45 days in advance before increasing the annual percentage rate (APR) or changing significant terms. Prior to August 20<sup>th</sup>, financial institutions could make these changes with a 15-day notice.