

March 20, 2015

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1275 First Street NE
Washington, DC 20552

Re: Prepaid Accounts Under the Electronic Fund Transfer Act (Regulation E) and the Truth-in-Lending Act (Regulation Z); RIN 3170-AA22; Docket No. CFPB-2014-0031

Dear Ms. Jackson:

The Indiana Credit Union League (ICUL) appreciates the opportunity to submit comments on the Consumer Financial Protection Bureau's (CFPB) proposed amendments to the Electronic Fund Transfer Act (Regulation E) and the Truth-in-Lending Act (Regulation Z) addressing prepaid accounts. The ICUL member credit unions represent 96% of assets and members of Indiana's credit unions, with those memberships totaling more than two million consumers.

While ICUL understands the CFPB's goal is to create new consumer protections covering the prepaid accounts market, we are concerned that certain proposed requirements under Regulation E impose unnecessarily heavy compliance costs on credit unions, and the 12-month delayed effective date for existing prepaid account materials is insufficient.

A. Impact on Indiana Credit Unions

As the CFPB has noted in Supplementary Information to its proposal, generally credit unions (including many in Indiana) use third parties to administer prepaid accounts. However, we do not agree with the CFPB's assessment that only 16 credit unions would be impacted by the proposed regulation. We believe the proposal will have a direct effect on Indiana credit unions that offer these products. We urge the CFPB to consider the monetary and compliance costs the prepaid accounts proposal will have on smaller financial institutions, including Indiana's credit unions.

Credit unions are impacted by the compliance risk of the vendors they use, such as those that provide prepaid account services. For example, the proposed regulation generally requires prepaid account issuers to highlight on the short form disclosure up to three fees frequently incurred during the previous 12 months. Issuers must update this information annually based on fee assessments. Additional costs to update materials as required by the proposed regulation will be additional costs to credit unions that offer these products.

We oppose this requirement. First, many prepaid accounts are short-lived, so an assessment based on a 12-month period does not provide a useful perspective. Second, the most common fees may change each year, requiring new short form disclosures each 12-month period. The potential for annual adjustments to the disclosures precludes credit unions from making bulk purchases of disclosures to minimize the expense. Additionally, credit unions are impacted by increased compliance burdens placed on the vendors they use. Additional compliance

requirements on vendors flow through to the credit unions and their members in the form of increased costs for a given service.

Further, under the proposal, credit unions and other financial institutions that offer prepaid accounts would have a choice of providing periodic statements or making account information available online. If an issuer chooses the latter, it must provide consumers with access to an 18-month history of transactions. We are concerned that financial institutions may have difficulties maintaining an 18-month transaction history due to system limitations. Credit unions may also have to develop interfaces with third-party providers' processing systems. Technology upgrades to make this available can be tremendously costly. We suggest this requirement be removed or shortened.

B. Extending Reg Z Protection to Prepaid Cards

The proposal would extend Reg Z credit protections to prepaid cards with credit features like overdraft protection. While we do not believe credit unions currently offer prepaid cards with this feature, we are concerned how this may relate to future CFPB overdraft regulations. We encourage the CFPB to carefully consider the impact of any overdraft regulations on credit unions and their members that want and rely on these services.

C. Implementation Date

The proposal would allow credit unions to use prepaid account materials that are printed prior to the final rule's publication in the *Federal Register* for 12 months following publication of the final rule. Credit unions that purchase card stock in bulk to reduce cost may be penalized by the proposed deadline. We believe a longer implementation period is appropriate. Consideration should be given to allowing the financial institution to utilize the expiration date of existing card stock as the implementation date.

D. Summary

Smaller financial institutions, such as credit unions, should not suffer the heaviest compliance burden when new regulations are proposed, and we believe the small changes proposed in this letter will have a significant impact on credit unions that offer prepaid accounts. We encourage the CFPB to use its authority to exempt institutions, such as credit unions, that are not the source of the problems the proposed regulation is intending to address.

Thank you for the opportunity to comment on the proposal. If you have any questions about our letter, please do not hesitate to give me a call at (317) 594-5320.

Sincerely,
John McKenzie
President, Indiana Credit Union League