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National Association of Federally-Insured Credit Unions

April 5, 2016

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW,
Washington, DC 20552

Re: Prepaid Accounts Under the Electronic Fund Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z); Delay of Effective Date
RIN: 3170-AA69

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally-insured credit unions, I would like to share with you our thoughts on the proposed extension of the Consumer Financial Protection Bureau's (CFPB) rule governing "Prepaid Accounts Under the Electronic Fund Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z)." NAFCU believes that the CFPB's proposed six month delay of the effective date of the Prepaid Accounts Final Rule (the Rule) is problematic because it would overlap with the implementation date for the successors-in-interest and bankruptcy periodic statements provisions of the Mortgage Servicing Rule. Accordingly, NAFCU asks for a delay of 18 months to avoid significant disruption as the credit union industry transitions into compliance with these new requirements. The delay would also grant the CFPB a chance to comprehensively review concerns regarding the substance of the Rule.

Although an 18 month delay would temporarily relieve regulatory burden, NAFCU believes that the CFPB should rescind the Rule. The complexity of the Rule's new disclosure requirements is disproportionate to the types of prepaid products credit unions offer. As not-for-profit financial cooperatives, credit unions understand that the best way to serve their members and communities is by developing products that are easy to use. Since the Great Depression, the credit union industry has defined itself as "not for profit, not for charity, but for service," and that shared philosophy has endured to this day.

NAFCU has consistently supported providing consumers with helpful information about the products and services they use. Prepaid accounts offered by credit unions are among the most transparent and understandable products available in the financial marketplace. Yet the Rule's array of pre-acquisition disclosures, which incorporate multiple fee schedules and specific methods for determining reportable fees, will require credit unions to thoroughly review prepaid account agreements and engage in extensive coordination with program managers for white label products. An 18 month delay of the Rule's effective date would ease the transition into full

compliance and spare consumers the risk of confusion in the near term. However, to preserve a healthy market for prepaid products the CFPB must rescind the rule entirely.

At a minimum, the CFPB should also contemplate a proportional delay for the effective date of the account agreement submission requirement in Regulation E § 1005.19(f)(2). This delay will help relieve pressure on credit unions who may need to submit credit card agreements pursuant to Regulation Z § 1026.58 for covered separate credit features accessible by hybrid prepaid-credit cards.

Although the CFPB anticipates that covered separate credit features will be structured as separate sub-accounts distinct from the prepaid asset account, credit unions must nevertheless digest consumer feedback to determine what structure would be most beneficial for prepaid accounts that access certain credit features—including overdraft services. Additionally, credit unions must assess whether affiliates or business partners can accommodate changes to the structure of accounts and determine whether existing agreements are compatible with revised structures. Mapping the relationship between account structures and their operational costs or risks can be a lengthy process and may necessitate reconsideration of program manager responsibilities.

As the CFPB is likely aware, many unbanked consumers depend on prepaid accounts to avoid the higher costs associated with traditional products or financial services. A sudden and abrupt transition to a highly regulated prepaid account environment could adversely affect these financially vulnerable consumers. NAFCU believes that the CFPB should rescind the rule entirely to avoid the risk of disrupted service or loss of access to affordable prepaid products. In the alternative, NAFCU asks that the CFPB exempt credit unions from the Final Rule. The transition to new disclosures, new systems, and potentially new prepaid account structures will correspond with significant costs and reduced availability of prepaid products. NAFCU believes that these costs would overshadow the potential benefits envisioned by the CFPB.

NAFCU commends the CFPB for recognizing that the complexity of the Prepaid Accounts Final Rule may necessitate a longer implementation period. However, a six month delay is entirely insufficient and would compound transition difficulties as provisions of the Mortgage Servicing Rule go into effect around the same timeframe. NAFCU appreciates the chance to submit comments regarding the proposed extension to the effective date of the Prepaid Accounts Rule. Should you have any questions or concerns, please do not hesitate to contact me at amorris@nafcu.org or (703) 842-2266.

Sincerely,

A handwritten signature in black ink that reads "Andrew Morris". The signature is written in a cursive, flowing style.

Andrew Morris
Regulatory Affairs Counsel