



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

January 22, 1992

Patricia A. Torkildson
Vice President and
Associate General Counsel
CUNA Service Group, Inc.
Box 431
Madison, WI 53701-0431

Re: Credit Card Interest (Your October 4, 1991,
Letter)

Dear Ms. Torkildson:

You have asked whether federal credit unions (FCUs) may charge interest from the transaction date of a credit card transaction, rather than the posting date. As you know, we have analyzed similar issues in the past.

In a letter to Fred Barrett dated November 21, 1983, we determined that the question of when interest could be accrued on letters of credit was governed by state law. In letters to Jill Arnott and Robert C. Pyfer, dated July 11, 1986, and April 16, 1987, respectively, we addressed the issue of whether FCUs may accrue interest during the three-day rescission period under the Federal Reserve Board's Regulation Z, 12 C.F.R. Part 226. In the letter to Mr. Pyfer, we noted the addition of Section 701.21(b)(1) to the National Credit Union Administration (NCUA) Rules and Regulations, which provides that the exercise of NCUA's authority to regulate the rates, terms of repayment, and other conditions of FCU loans and lines of credit to members, preempts any state laws purporting to limit or affect, among other things, amounts of finance charges. We stated that the question of when a finance charge begins to accrue was included within the parameters of "amounts of finance charge" and thus that state laws attempting to regulate the accrual of finance charges during the rescission period would be

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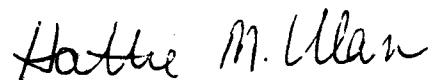
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preempted. Since NCUA had not chosen to regulate in this area, FCUs were free to determine for themselves whether to accrue finance charges during that period.

Based on our determination that state laws affecting the accrual of finance charges are preempted under Section 701.21(b)(1), we conclude that any state laws affecting whether FCUs may charge interest from the transaction date of a credit card transaction are also preempted. Since NCUA has not chosen to exercise its authority in this area, each FCU may determine for itself whether to charge interest from the transaction date of a credit card transaction. However, we question whether doing so is in keeping with the credit union tradition, as it seems to us that an FCU has not actually provided a service to a member until the transaction is posted and payment is made to a third party.

Sincerely,



Hattie M. Ulan
Associate General Counsel

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