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Before the
Federal Communications Commission
Washington DC 20544

In the matter of **Credit Union National Association Petition for Declaratory Ruling**	**CG Docket No. 02-278** **Rules and Regulations Implementing the Telephone Consumer Protection Act of 1991** **DA 17-798** **6 October 2017**

Gerald Roylance's Reply re Credit Union National Association Petition for Declaratory Ruling

In DA 17-798,[1] the FCC seeks comment about Credit Union National Association's Petition for Declaratory Ruling.[2] The CUNA Petition wants either an established business relationship exemption for "informational" calls to wireless numbers or an exemption for calls to wireless numbers that just happen to be free. Both alternatives should be denied.

I went through the comments on this matter, and I support those comments that oppose the petition. The comments supporting the position do not show an understanding

[1] FCC, 6 October 2017, *Consumer and Governmental Affairs Bureau Seeks Comment on Credit Union National Association Petition for Declaratory Ruling under the Telephone Consumer Protection Act of 1991.* https://ecfsapi.fcc.gov/file/1006030028804/DA-17-978A1.pdf

[2] Credit Union National Association, 29 September 2017, *Petition for Declaratory Ruling*, https://ecfsapi.fcc.gov/file/10929652106182/CUNA%20petition%20draft.pdf

of the purpose of the TCPA. The supporters want to make life easier for credit unions rather than protect the privacy of consumers.

One of pro-CUNA comments stuck out: Patelco Credit Union.[3] It stuck out because Patelco has been doing a lot of television advertising in the Bay Area recently. I noticed the advertisements because I don't expect credit unions to seek business with such a wide medium. The ads were seeking business from anyone and everyone.

I went to Patelco's website, https://www.patelco.org. The .org domain is a nice touch. The about page shows that Patelco is not a small organization: "With assets now totaling $5 billion and 300,000 members nationwide, we are among the largest credit unions in the nation today. As a, not–for–profit, full–service financial institution, what we earn, we return to our members in savings from lower loan rates, fewer fees, and personalized service that focus on transparency, simplicity, and trust. We're federally insured, and dedicated to helping our members and our communities prosper through volunteer initiatives and we have expanded our field of membership to serve the employees of over 1,000 large and small businesses and communities throughout California and the United States."

Patelco's customers are 0.1% of the US population. And Patelco does not even claim to be the largest CU – only one of them. I clicked on open account, and I didn't see any restrictions on membership. I apparently do not need to be an employee of Pacific Telephone Company (original company served) or any other company. Patelco looks like a bank in credit union clothing. It certainly should not get any points for being a small business. Patelco's comments show it want to compete with banks: "Credit unions offer universally better rates and better customer care than banks, including greater flexibility to help members recover from tough times." The comment sort of sounds like Patelco is also trying to get customers who have credit troubles.

In the 1980s, I had an eye-opening conversation with a financial analyst for a venture capital firm. Most of the conversation was about whether the firm should invest

[3] https://www.fcc.gov/ecfs/filing/1106249162639 Express Comments

in a start up (I knew the officers of the start up), but the more interesting topic was credit cards and the credit card default rate. Banks had realized they could make money on poor credit risks, so there was a huge rush trying to sign up new credit card accounts. The basic idea was pretty simple: sign up risky customers and use a high interest rate to cover the losses. If 5% of the new customers default, then those losses would be covered by the others who were paying an extra 5% on the interest rate. The interest rate was not just about the cost of borrowing money but also an insurance policy against defaults. When the model got a little shaky (more defaults than planned), the companies moved to a state that allowed an APR of more than 20%. The end result is the banks held a lot of bad debt that they had anticipated as losses. Knowing the ins and outs of money, the banks realized they could make more money by collecting or selling those debts. It's the same business model that drug dealers use. The same model was used in the mortgage fiasco.

Anyway, back to Patelco. Patelco's interest in automated calls is for debt collection: "A collection call from your credit union is almost always an offer to help you out of trouble." The information and education Patelco wants is informing delinquent customers that they are in debt (something that they already knew), and educating that they should pay up. A creditor has his interests at heart. It is not the help and education that a financial might offer. Patelco wants its loans paid off; it won't advise paying off the high interest debts of other creditors first. It won't advise to pay the mortgage so you can keep the house. And it won't advise bankruptcy for someone hopelessly mired in consumer debt. And I don't know of any debt collector that educates debtors about their rights under the FDCPA.

Patelco's views send a chill up my spine. Patelco believes automated calls are welcomed and helpful. "When we can't reach a member to craft a solution, that member often slides further into delinquency." I doubt that consumers believe automated calls help them craft a solution. It probably feels like harassment. Or at least a reminder that the consumer is in a bind and will have lots of trouble getting out. I doubt most consumers want to slide further into delinquency.

Patelco's interest in automated calls is debt collection. Credit unions are not interested in consumer privacy. Modern credit unions are apparently little different from banks. Maybe they are not for profit, but that does not mean they are altruistic, kinder in their debt collection efforts, or do not reward employees for growing the business or collecting debts.