

January 8, 2003

Ms. Josephine Scarlett
Senior Attorney
National Telecommunications and Information Administration
14th Street and Constitution Avenue, NW
Washington DC 20230

Re: E-SIGN Act Exceptions

Dear Ms. Scarlett:

Navy Federal Credit Union appreciates the opportunity to comment on the Department of Commerce's request for comments on Section 101 of the Electronic Signatures in Global and National Commerce Act (E-SIGN Act). Navy Federal supports efforts to encourage electronic commerce, including the delivery of electronic disclosures and other notices. We currently deliver periodic statements, change-in-terms notices, privacy notices, and mortgage disclosures electronically to members who agree to the terms of such delivery.

We believe the E-SIGN Act exception for residential default, acceleration, repossession, foreclosure, and eviction notices (hereinafter referred to as "residential default and foreclosure notices") should only be removed if adequate consumer protections are maintained. The negative consequence of not receiving a residential default or foreclosure notice is potentially greater to a consumer than the consequences of not receiving other types of disclosures. Specifically, a debtor could lose their home if a residential default or foreclosure notice is not received in time for them to act on it.

Certain state laws require that residential default and foreclosure notices be delivered by certified or registered mail. This delivery method enables a creditor to verify that a notice was delivered to a debtor's address, which provides greater assurance that the debtor actually received the notice. While the E-SIGN Act does not prescribe a particular technology for delivering electronic notices, many creditors rely on traditional e-mail to communicate electronically. At this time, we do not believe traditional e-mail can provide the same assurances of delivery as certified or registered mail. It is our understanding that traditional e-mail does not consistently afford senders the ability to confirm that an e-mail was delivered. Without proof of delivery, we believe traditional e-mail reduces consumers' protection and, therefore, is inadequate.

Notwithstanding, we believe adequate proof of delivery may be available through other electronic mail delivery channels. For example, we provide members access to a personal electronic mailbox within our website. We can deliver an electronic notice to this electronic

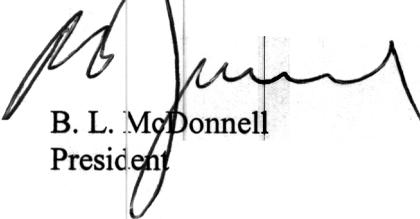
Ms. Josephine Scarlett
Page 2
January 8, 2003

mailbox and confirm whether or not the notice was opened. We believe this type of delivery verification is similar to the proof of delivery provided by certified or registered mail.

If the residential default and foreclosure exception is eliminated from the E-SIGN Act, we would likely still send default and foreclosure notices by certified or registered mail. However, if we opted to provide them electronically, we would first gain consent from the member during which the member would demonstrate his or her ability to receive an electronic message through their designated website electronic mailbox. Then, if a default or foreclosure notice was required, we would send it to their website electronic mailbox. Our system would enable us to determine whether or not the notice was delivered and opened. To protect the transmission of the notice through our website, we would use password authentication and 128-bit U.S. security level, Secure Sockets Layer encryption.

If you have any questions concerning our comments, you may contact me at (703) 255-8201, or Bill Briscoe, Assistant Vice President, Regulatory Compliance, at (703) 255-7496.

Sincerely,



B. L. McDonnell
President

BLM/scs