Comerica Incorporated

July 22, 2004

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., NW
Washington, DC 20551
Attention: Docket No. OP-1195

Re: Request for Information for Study on Prescreened Solicitation or Firm Offers of Credit or Insurance

Dear Ms. Johnson:

The following comments are provided on behalf of Comerica Incorporated, a $53 billion bank holding company located in various states including California, Florida, Michigan, and Texas. Comerica appreciates the opportunity to comment on this study.

Background

Section 213(e) of the Fair and Accurate Credit Transactions Act of 2003 (FACT Act) authorizes the Board to conduct a study concerning prescreened solicitations. These comments are in response to the request for information regarding the aforementioned study.

What statutory or voluntary mechanisms are available to consumers to opt out of prescreened solicitations?

Section 604(e) of the FCRA statutorily gives consumers the right to have their names excluded from any prescreened lists. Requests must be honored for a two-year period. The FACTA has extended that time period to five years. Our financial institution is one of a majority of financial institutions that have voluntarily given customers the choice to opt out of receiving solicitations. Prescreened lists are compared with our database to eliminate any customers who have requested that we do not mail solicitations to them.

To what extent are consumers currently utilizing existing statutory and voluntary mechanisms to avoid receiving prescreened solicitations?

Comerica gives our customers choices regarding their solicitation preferences. Fifteen percent of our customers have opted out of at least one form of contacting them. Of the fifteen percent the majority of those customers have opted out of only one contact method. By giving the customer the choice of how, if at all, they would like to hear of product offerings from us, the customer is informed of new product offerings via the communication channel that they prefer.

What are the benefits to consumers in receiving prescreened solicitations?

Prescreened solicitations benefit consumers in several ways.

First, it is important to note that the prescreening selection process includes more that just the customer's credit information. Hundreds of life style attributes are also appended to the files by the credit reporting agencies. This allows lenders to make offers to those consumers most likely to need and purchase the product. By limiting the target market, the cost of marketing products is lower, thus the price charged to consumers for those products is lower.

Second, by utilizing the life style attributes, solicitors can determine which products will appeal to that group of consumers and send only those offers to the consumer. Consumer's benefit by receiving information on the types of products and services that they would be most interested in purchasing and not for products and services that they have no interest.

Third, these solicitations provide recipients with a benchmark of offers for services that they may not need at the current point in time but will in the future. Prescreened solicitations also provide consumers with a competitive snapshot of service levels, product offerings and the companies that offer them. Consumers may utilize this information to save them time and money when the timing to purchase a product is right for them.

Fourth, prescreened lists also enhance competition. Through the prescreened solicitation process each company knows what product features their competitors are offering. Through prescreened solicitation, companies also know that the consumer is abreast of the most current advances in product offerings. Therefore, companies will invest in new product offerings in order to stay competitive. Consumers will benefit through product advances that will meet their needs at lower cost due to increased competition.

How would additional restriction affect the cost consumers pay to obtain credit or insurance, the availability of insurance, consumers' knowledge about new or alternative products and services, the ability of lenders or insurers to compete with one another, and the ability of creditors or insurers to offer credit or insurance products to consumers who have been traditionally underserved?

There is always cost associated with increased regulation. If prescreened solicitation lists are further restricted the cost increase to comply with new regulation may result in business decisions by many companies not to solicit consumers. Thus, consumers will not reap the benefits listed above. For example, if prescreening is eliminated it would not be cost effective to do a mailing campaign to the general population. Therefore, mailing campaigns may become obsolete.

Credit Reporting Agencies gather extensive information about consumers that is appended to the credit information. This assists lenders and insurers in their research and development of new products and services to meet the needs of the consumers. The demonstrated need for new products stimulates the competition for lenders to have a complete product offering at a better price or with more features than the lender down the street has. Prescreening allows lenders to offer their products only to those most likely to purchase them. Without the possibility of a targeted mailing, account acquisition costs would be higher. Without the need for the new product research and development, the offerings would become complacent instead of more competitive. Prescreening allows financial institutions to make informed credit decisions that protect the safety and soundness of their institutions and leads to competition in the marketplace.

It has been argued that prescreening increases the risk of identity theft because a thief merely has to steal and sign a prescreened response form and add a new address in order to receive the pre-approved credit product. We disagree with this argument for a number of reasons.

First, prescreened offers contain only names and addresses. Consumers still must complete the response form, supplying personal data used in the identification process. To commit identity theft, the potential criminal would need additional information that a prescreened solicitation does not contain.

Second, customers acquired via prescreening are subject to additional screening mechanisms above and beyond those required of other applicants. This screening process makes it significantly more likely that a lender will solicit the correct consumer and that the application will not be sent to an identity thief. Through the screening process, lenders verify information supplied by responding consumers and obtain current credit reports when prescreened response forms are received. Moreover, in prescreening, lenders have two opportunities to check the consumer's identity-at the time of prescreening and at the time of response. An IPI Study confirms that the incidence of identity theft is lower for accounts established through prescreening than for accounts established in other ways.

Conclusion

Comerica applauds the Board's efforts in conjunction with the study on prescreening. We believe that further restricting the ability of lenders to offer prescreened solicitations would: (1) increase the cost of credit to the consumer, (2) reduce innovation in product offerings; (3) reduce consumers knowledge about new or alternative products, and (4) limit competition.

Thank you again for the opportunity to comment on this important study.

Sincerely,

C. Vance Borngesser
Vice President
Corporate Legal

Martha K. DenBaas
Vice President
Corporate Public Affairs