Wachovia Corporation
Legal Division
NC0630
One Wachovia Center
301 South College Street
Charlotte, NC 28288-0630

Tel 704 374-6611

Eugene M. Katz
Senior Vice President and
Assistant General Counsel
Direct Dial: 704 383-7707
Fax: 704 715-4494
Email: gene.katz@wachovia.com

WACHOVIA

December 16, 2005

DELIVERED BY ELECTRONIC AND FIRST CLASS MAIL

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Electronic Address: regs.comments@federalreserve.gov

Re: Docket No. R-1217
ANPR regarding open-end credit rules of Regulation Z

Dear Ms. Johnson:

This letter is submitted on behalf of Wachovia Corporation and its subsidiaries, including Wachovia Bank, National Association, and its operating subsidiary, Wachovia Mortgage Corporation; Wachovia Securities, LLC; HomEq Servicing Corporation, a mortgage loan servicing company; and Wachovia Bank of Delaware, National Association (collectively referred to as "Wachovia"). In this letter, Wachovia provides its comments to the Board's Advanced Notice of Proposed Rulemaking ("ANPR") regarding open-end credit rules of the Board's Regulation Z.

Wachovia supports the need to provide all consumers with meaningful and accurate information regarding open-end credit products. We also understand and support the desire to clearly inform consumers about the overall effect of making only minimum payments on their open-end accounts. As a full service bank, we provide numerous credit products and repayment options to our customers in a desire not only to make credit affordable to these customers, but also to offer them choices that meet their individual credit needs and circumstances.

Because we offer our customers a wide variety of open-end credit products, we would like to call to the attention of the Board the significance to our business of the Truth-in-Lending Act ("TILA") changes contained in the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (the "Bankruptcy Act"). These are sweeping changes for the industry and will be implemented only after a concerted effort and significant expense. Identifying and responding appropriately to the multi-faceted issues contained within the Board's ANPR and how they impact our diverse credit products is a complex and sizeable task. In that light, we respectfully ask the Board to consider whether the Board has provided sufficient time for institutions to identify, discuss, research and provide a meaningful response to the Board's numerous questions set forth in the ANPR.

Wachovia, as do many medium to large institutions, works on a schedule for developing and implementing business automation and technology changes in our systems. Presently we are scheduling work to be completed in the third quarter of 2006. Should these changes proposed by the ANPR become effective, we respectfully request that the Board consider an implementation period of twenty-four to thirty months.

This comment letter is not intended to be a comprehensive analysis of all issues raised by the ANPR; rather, we have chosen to focus on some specific issues and difficulties that we and other financial institutions will face with respect to implementing the proposed changes. To that end, we first will address some general issues raised in the introductory sections of the ANPR; we then will follow with responses to certain select questions posed by the Board in the remainder of the ANPR.

General Comments

Under present TILA/Regulation Z disclosure rules, the amount of information required to be disclosed to an accountholder is overwhelming. With the addition of any new disclosure requirements in the accountholder's periodic statement, the statement will take on the appearance of a legal contract, perhaps resulting in more confusion than clarification. As a result, a typical accountholder may discount most, if not all, information provided by any new disclosure requirements. We encourage the Board to use its authority to require new disclosures only where such disclosures would be meaningful to the accountholder and to seek a simple method of providing this information to reduce consumer confusion.

Establishing a Toll-free Phone Number

The Bankruptcy Act adds § 1637(b)(11)(F) to TILA, which provides that consumers who call a toll-free telephone number may be connected to an automated device through which they can obtain repayment information by providing information using a touch-tone telephone or similar device; but consumers who are unable to use the automated device must have the opportunity to be connected to an individual from whom the repayment information may be obtained. Under this section, creditors may not use the toll-free telephone number to provide consumers with information other than the repayment information set forth in the "table" issued by the Board. However, § 1637(b)(11)(J) of TILA as added by the Bankruptcy Act, which provides creditors with the authority to maintain a toll-free number for the purpose of providing consumers with the actual number of months that it will take to repay the customer's outstanding balance, does not contain such restrictions.

Wachovia currently maintains toll free phone numbers and Voice Response Units ("VRUs") to assist customers and potential customers in securing account information and/or assistance when needed. We believe that customers ultimately benefit from being able to access all account information from one VRU or toll-free number, and that requiring separate toll-free numbers depending upon the type of information to be accessed will only cause customer confusion. Current estimates indicate the initial cost to build a stand alone VRU is $150,000 and will require four months design to production time. The number of ports required to support the call volume will determine the monthly cost for this VRU. Based on a conservative to high estimate of call volume increase, the cost should range from $76,000 to $85,000 monthly. As a result, we ask the Board to consider and clarify several issues:

1. May lenders use existing VRU or toll-free numbers, which provide additional and unrelated account information, under §§ 1637(b)(11)(F) and 1637(b)(11)(J)?

2. If a lender chooses to follow § 1637(b)(11)(J), does the requirement that the customer must have the opportunity to be connected to an individual apply?

3. What hours must any such number be available to the customer -- normal business days and hours; or seven days a week, twenty-four hours a day? Does this same requirement apply to both the automated device and an individual customer service representative?

Because of the size of the account balances for many accounts, disclosed repayment periods in some cases would be quite lengthy. We anticipate that providing this information on repayment periods, especially if the information reflects very long periods, will prompt additional questions from customers, such as: (1) How can the customer reduce the number of months needed to pay the account in full? (2) What monthly payment is required to pay off the balance in a certain number of months? (3) Can the creditor reduce the interest rate so that the customer can pay the balance more quickly? and (4) What is the net result if the customer makes bi-weekly payments? We see this telephone call becoming more of a customer service issue rather than a simple disclosure requirement. Creditors may be compelled to respond to every possible scenario the customer may inquire about in order to avoid a potential loss of a customer. This could more than double the amount of time it takes in our present environment to respond to customer calls. If that is the case, the number of employees available to respond to these calls will expand dramatically. This will require additional training time for these customer service representatives.

Developing a calculation process to provide customers with accurate information in and of itself will likely be very costly, as discussed below in our response to Question 68. However, providing the toll-free phone access will also have a significant monetary impact on us and other institutions. For example, in October 2005, we responded to 152,199 lending related customer service calls. The cost of these calls averaged $2.83 per call for a total monthly expense of $430,723. A conservative estimate of 55% increase in these type calls, and factoring in the additional time required for each call, will increase the average cost per call to $5.72 for a total expense of $1,354,690 per month. On the high side, a 75% increase in call volume increases the total expense to $2,239,630 per month. This does not include the cost incurred to install and maintain a dedicated toll-free line for this purpose.

Commercial Accounts

We, like many other institutions, have a significant number of blended households with both consumer and business accounts. It is our anticipation that existing TILA and Regulation Z provisions relative to the applicability of any new disclosures to business purpose credit will remain. The Board should be aware that including disclosures for the consumer market will increase demand and call volume for the business market.

A. Minimum Payment Disclosures

Should certain types of accounts or transactions be exempt from the disclosures?
(Questions 59-61)

Q59- Are there certain types of transactions or accounts for which the minimum payment disclosures are not appropriate? For example, should the Board consider a complete exemption from the minimum payment disclosures for open-end accounts or extensions of credit under an open-end plan if there is a fixed repayment period, such as with certain types of HELOCs? Alternatively, for these products, should the Board provide an exemption from disclosing the hypothetical example and the toll-free telephone number on periodic statements, but still require a standardized warning indicating that making only the minimum payment will increase the interest the customer pays?

Response to Question 59: We agree with the Board's comments in the ANPR that the intent behind the Bankruptcy Act's minimum payment disclosure requirement was focused on credit card accounts, where typically there is no fixed repayment period or, in other words, maturity date. Therefore, we recommend that any open-end account that provides for a specific maturity date be exempted from these disclosure requirements. If a specific maturity date is provided, the minimum payment disclosure provides no additional benefit to the consumer. In addition, we recommend that reverse mortgages also be exempted from this disclosure requirement. A reverse mortgage is made for the primary purpose of providing supplemental income to the borrower, and there is no expectation that it will be repaid. For that reason, the minimum payment disclosure would provide no benefit for this type of product.

This required disclosure also will be of little significance on an overdraft line protection account. These accounts are designed to accommodate an overdraft on an incremental basis and not as a permanent line of credit. Consequently, we recommend that overdraft protection lines be excluded from this requirement.

Additionally, we believe that an occasional minimum payment will have little effect on the cost of credit for the account. Therefore, we recommend limiting this disclosure to those accounts with regard to which the accountholder consistently makes minimum payments. For example, the disclosure requirement can be limited to accounts on which only the minimum payment is made for 3 to 6 consecutive months.

In the event that the Board chooses not to exempt these types of accounts from the minimum payment disclosure requirement, we request that the Board exempt these types of accounts from the hypothetical example and toll-free number requirements, and impose a disclosure requirement that simply requires a warning that making only the minimum payment will increase the interest that the consumer will be required to pay.

Q60- Should the Board consider an exemption that would permit creditors to omit the minimum payment disclosures from periodic statements for certain accountholders, regardless of the type of account; for example, an exemption for consumers who typically (1) do not revolve balances; or (2) make monthly payments that regularly exceed the minimum?

Response to Question 60: We believe that the Board should consider exempting certain accountholders from any minimum payment disclosure requirements, regardless of their account type.

We, like many other creditors, permit accountholders to make payments that exceed the minimum monthly amount. Depending upon the type of account and the underlying contractual agreement, these "prepayments" may be applied to future minimum payments or applied to the principal balance outstanding on the account. Many of our customers enjoy the benefit, and self-controlled ability, to reduce or eliminate future minimum payments during times when they expect available funds to be limited or while they are traveling to ensure that their account payment requirements are met while they are away from home. Other customers prefer the ability to reduce their principal balances and the amount of interest accruing on their accounts.

In our opinion, an occasional minimum payment will have little effect on the cost of credit for customers who regularly pay more than their minimum payment amount. Therefore, we request that the Board exempt from any minimum payment disclosure requirements those accountholders who consistently make more than the minimum payment amount. In the alternative, we request that the Board exempt these types of accountholders from the hypothetical example and toll-free number requirements, and impose a disclosure requirement that simply requires a warning that making only the minimum payment will increase the interest the consumer will be required to repay.

We also ask the Board to clarify the minimum payment disclosure requirements for accounts that have quarterly payments, but receive monthly billing statements. For example, we would appreciate clarification on whether the minimum payment disclosure requirements would apply to monthly periodic statements where no minimum payment is actually required.

Q61- Some credit unions and retailers offer open-end credit plans that also allow extensions of credit that are structured like closed-end loans with fixed repayment periods and payments amounts, such as loans to finance the purchase of motor vehicles or other "big-ticket items." How should the minimum payment disclosures be implemented for such credit plans?

Response to Question 61: We, like many other creditors, offer similar functionality in many of our open-account accounts via a conversion option. With a conversion option, a customer can choose to convert all or a portion of their outstanding balance to a fixed-rate, closed-end loan. Depending upon the creditor and/or product, the payments for these converted loans may be separately billed or included in the open-end periodic statement.

To the extent that these converted closed-end loans are serviced by their own billing statement, we would suggest that the minimum payment disclosure requirements of the Bankruptcy Act should not apply. If these converted closed-end loans are addressed in the same periodic statement as the remainder of the open-end account, each converted "sub-account" and the overall open-end "master account" arguably could require its own minimum payment disclosure. Given the complexity of this type of account, and the inapplicability of the minimum payment disclosure to any converted, closed-end balance, we recommend excluding accounts with this option from the minimum payment disclosure requirements. In the event that the Board chooses not to exempt these types of accounts from the minimum payment disclosure we request that the Board exempt these types of accounts from the hypothetical example and toll-free number requirements, and impose a disclosure requirement that simply requires a warning that making only the minimum payment will increase the interest the consumer will be required to repay.

<u>Hypothetical examples for periodic statements</u> (Questions 62-64)

Q62- The Bankruptcy Act authorizes the Board to periodically adjust the APR used in the hypothetical example and to recalculate the repayment period accordingly. Currently, the repayment periods for the statutory examples are based on a 17 percent APR. Nonetheless, according to data collected by the Board, the average APR charged by commercial banks on credit card plans in May 2005 was 12.76 percent. If only accounts that were assessed interest are considered, the average APR rises to 14.81 percent. <u>See</u> Board of Governors of the Federal Reserve Board, <u>Statistical Release G. 19</u>, (July 2005). Should the Board adjust the 17 percent APR

used in the statutory example? If so, what criteria should the Board use in making the adjustment?

Q63- The hypothetical examples in the Bankruptcy Act may be more appropriate for credit card accounts than other types of open-end credit accounts. Should the Board consider revising the account balance, APR, or "typical" minimum payment percentage used in examples for open-end accounts other than credit card accounts, such as HELOCs and other types of credit lines? If revisions were made, what account balance, APR, and "typical" minimum payment percentage should be used?

Q64- The statutory examples refer to the stated minimum payment percentages of 2 percent or 5 percent, as being "typical." The term "typical" could convey to some consumers that the percentage used is merely an example and is not based on the consumer's actual account terms. But the term "typical" might be perceived by other consumers as indicating that the stated percentage is an industry norm that they should use to compare the terms of their account to other accounts. Should the hypothetical example refer to the minimum payment percentage as "typical," and if not, how should the disclosure convey to consumers that the example does not represent their actual account terms?

Response to Questions 62-64: As the Board appropriately notes, the account balance, APR, and "typical" minimum payment percentage are generally going to be grossly inaccurate for most types of open-end accounts, including HELOCs, overdraft lines of credit, and personal lines of credit. For example, some of our variable rate products currently have a ceiling of 16% that has not been approached for years. We strongly recommend that the Board provide creditors latitude in providing a hypothetical example that is accurate and meaningful to consumers. The Board should consider the type of product and provide more options relative to account balance and relevant APRs actually recently used by the creditor.

As to minimum payment options, the minimum payment amount will vary by institution, and although some minimum payment percentage is considered common, we are not certain there is a "typical" payment percentage to rely upon. In addition to the standard HELOC or open-end line of credit accounts with minimum payment amounts, Wachovia and many other banks have open-ended revolving credit accounts with large credit limits that have an interest-only payment option or an option to pay 2% -5% of the balance. In addition, open-end accounts with a separate repayment period may have amortized or similar repayment methods during the repayment period. Banks will need to develop the ability to calculate and disclose the time to pay the account in full using each of these interest repayment options as required by the account repayment arrangement.

How should the minimum payment requirement and APR information be used in estimating the repayment period? (Questions 66-75)

Q68- Should creditors have the option of programming their systems to calculate the estimated repayment period using the creditor's actual payment formula in lieu of a "typical" minimum payment formula assumed by the Board? Should creditors be required to do so? What would be the additional cost of compliance for creditors if they must use their actual minimum payment formula? Would the cost be outweighed by the benefit in improving the accuracy of the repayment estimates?

Response to Question 68: Wachovia agrees with giving institutions the options to program their systems to calculate the estimated or actual repayment time on an individual account basis. The magnitude of this project will be very large for Wachovia and many of our peer banks. It will require a new system and data stream to provide this information to customers and accommodate all the anticipated questions. It will require hundreds of programming and testing hours building the calculation logic, and additional time for programmers and designers to develop the new data stream and front end system to pass the data from the servicing system to a disclosure screen. Although we are unable at this time to estimate the total cost to provide this single piece of data to the customer, we have estimated the 2003 changes to the Home Mortgage Disclosure Act to be approximately $1.7 million, and the proposed changes to Regulation Z far are far more complex than the HMDA changes.

What disclosures do consumers need about the assumptions made in estimating their repayment period? (Question 76)

Q76- What key assumptions, if any, should be disclosed to consumers in connection with the estimated repayment period? When and how should these key assumptions be disclosed? Should some or all of these assumptions be disclosed on the periodic statement or should they be provided orally when the consumer uses the toll-free telephone number? Should the Board issue model clauses for these disclosures?

Response to Question 76: Wachovia would support the disclosure of those types of assumptions (*i.e.*, no new transactions, no late payments, no changes in the APRs, only minimum payments being made) suggested by the Board in framing this Question 76. However, we believe that the Board should recognize that there are a number of open questions regarding what other assumptions must be made in developing a calculation process for determining an estimated repayment period. These assumptions include that: (a) the account is not over the established limit; (b) the annual service fee will be included for the time remaining; (c) there is a constant rate for the remaining time; (d) no new promotional advantages will be provided to the account; (e) skip-pay periods will be excluded from the calculation; (f) the calculation process will require factoring in a tiered rate, promotional rate, and breakpoint rate; and (g) the base rate must take into consideration that current rate indexes include prime, Libor, T-bill and CD rates. Because these rates differ very much, the base rate will not be accurate for any single account; a creditor would need to review all type accounts to determine which accounts are set to pay the lower minimum payment.

<u>**Option to provide the actual number of months to repay the outstanding balance**</u>
(Questions 77-79)

Q77- What standards should be used in determining whether a creditor has accurately provided the "actual number of months" to repay the outstanding balance? Should the Board consider any safe harbors? For example, should the Board deem that a creditor has provided an "actual" repayment period if the creditor's calculation is based on certain account terms identified by the Board (such as the actual balance calculation method, payment allocation method, all applicable APRs, and the creditor's actual minimum payment formula)? With respect to other terms that affect the repayment calculation, should creditors be permitted to use the assumptions specified by the Board, even if those assumptions do not match the terms on the consumer's account?

Response to Question 77: Compliance with a requirement that the "actual number of months" to repay the outstanding balance be "accurate" could be quite burdensome because the calculation to a great degree is subject to the consumer's actions. Basic account information I would be necessary to undertake a reasonably accurate calculation. This information would include the account balance, the current interest rate applied to the outstanding balance, and the minimum payment required by the institution. We suggest that, should a creditor use and apply these Board-recognized elements, the creditor should be granted a safe harbor. The calculation process could then be validated during a regulatory compliance examination.

***Q78- Should the Board adopt a tolerance for error in disclosing the actual* repayment periods? If so, what should the tolerance be?**

Response to Question 78: Given the complexity and uncertainty involved in calculating the "actual repayment period", we recommend that the Board adopt a six-month tolerance in the disclosed actual repayment period. In addition, although using and applying the elements discussed in the response to Question 77, above, should produce an accurate disclosure of the repayment time remaining, in anticipation of payment irregularities in processing, we suggest that the time to correct a misstated repayment time be 60 days. This would be a period of time consistent with the correction provisions of section 108 of the Act for the identification and correction of inadvertent errors.

Q79- Is information about the "actual number of months" to repay readily available to creditors based on current accounting systems, or would new systems need to be

developed? What would be the costs of developing new systems to provide the "actual number of months" to repay?

Response to Question 79: Please refer to the response to Question 68.

Are there alternative approaches that the Board should consider? (Questions 80-84)

Q82- Are there alternative ways the Board should consider for creditors to provide repayment periods other than through toll-free telephone numbers? For example, the Board could encourage creditors to disclose the repayment estimate or actual number of months to repay on the periodic statement; these creditors could be exempted from the requirement to maintain a toll-free telephone number. This would simplify the process for consumers and possibly for creditors as well. What difficulties would creditors have in disclosing the repayment estimate or actual repayment period on the periodic statement?

Response to Question 82: Many banks and other creditors may not have the ability to develop systems to disclose the estimated or actual repayment period in cases in which the consumer is making only the minimum payment amount, and must rely solely on a toll-free number to provide this information. However, many banks and other creditors will have the ability and will desire to utilize a periodic statement disclosure as a primary disclosure method. We suggest that institutions be given the option to provide the actual disclosure in a periodic statement supplemented by an existing toll-free phone with a VRU option for follow-up assistance.

Q83- What guidance should the Board provide on the location or format of the minimum payment disclosures? Is a minimum type size requirement appropriate?

Response to Question 83: The periodic statement contains a significant amount of information presently. Some of the information is required by other regulations such as the Fair and Accurate Credit Transactions Act, existing Truth in Lending disclosures, and some for legal and contractual requirements. As the information disclosures continue to increase, less and less space becomes available on the statement. Wachovia recommends that creditors be given the ability to determine for themselves the type size, font and location on the statement based on the design needs of their individual account statement formats. However, we also recommend that the minimum payment disclosure be on the front of the statement and located in the vicinity of the required payment amount disclosure.

Q84- What model forms or clauses should the Board consider?

Response to Question 84: If creditors are provided the flexibility to utilize existing space availability, as described above in response to Question 83, we believe that model disclosure forms would not be necessary.

B. **Introductory Rate Disclosures** (Questions 85-92)

Q88- Direct-mail offers often include several documents sent in a single envelope. Should the Board seek to identify one document as the "first mention" of the temporary APR? Or should each document be considered a separate solicitation, so that all documents mentioning the introductory APR contain the required disclosures?

Response to Question 88: Although this question relates specifically to credit card solicitations, we believe that it has broader relevance. We believe that it may be difficult to segregate one piece of solicitation material and identify it as being a "first mention" document. Therefore, we suggest that it would be prudent to include the disclosure on all solicitation materials included in the direct mail offers.

D. **Disclosures Related to Payment Deadlines and Late Payment Penalties** (Questions 97-101)

Q97- Under what circumstances, if any, would the "date on which the payment is due" be different from the "earliest date on which a late payment fee may be charged?"

Q98- Is additional guidance needed on how these disclosures may be made in a clear and conspicuous manner on periodic statements? Should the Board consider particular format requirements, such as requiring the late payment fee to be disclosed in close proximity to the payment due date (or the earliest date on which a late payment fee may be charged, if different)? What model disclosures, if any, should the Board provide with respect to these disclosures?

Response to Questions 97 and 98: Most creditors establish a "payment due by" date that is disclosed on each statement requiring a payment, and we believe that most consumers readily understand that late fees may be assessed as of the scheduled due date. Therefore, it is our opinion that a more clear and conspicuous disclosure is not required. Furthermore, we believe that disclosing late fees amounts and grace periods until assessment on each statement may encourage an account owner to make a payment beyond the scheduled due date. Should an account owner not adhere to the minimum payment amount schedule, the schedule becomes less meaningful. Nevertheless, if these additional disclosures are required, they can be included in proximity to the due date disclosure to indicate the date on which a late charge will be accessed if payment is not received. Any such disclosure should be consistent with other disclosed information relating to payment requirements.

Q99- The December 2004 ANPR requested comment on whether the Board should issue a rule requiring creditors to credit payments as of the date they are received, regardless of what time during the day they are received. Currently, under Regulation Z, creditors may establish reasonable cut-off hours; if the creditor receives a payment after that time (such as 2:00 pm), then the creditor is not required to credit the payment as of that date. If the Board continues to allow creditors to establish reasonable cut-off hours, should the cut-off hour be disclosed on each periodic statement in close proximity to the payment due date?

Response to Question 99: We believe that most consumers understand that an institution must have sufficient time to run the payment posting process and most are familiar with the long-standing 2:00pm rule in banking. This is a logistics issue in that all collected payments during each business day via mail, lockbox or at the branch, must be collected in a centralized process to initiate the process of posting to accounts. This requires the ability to temporarily discontinue many system functions to update each individual record and post correctly. Without sufficient time during the afternoon, this cannot be effectively accomplished. Wachovia recommends that institutions continue with the ability to establish a reasonable cut-off time and would support a statement disclosure, which states that "payments must be received before 2:00pm for same day posting". Beyond this simple statement, additional information is not necessary.

E. <u>Disclosures for Home-Secured Loans That May Exceed the Dwellings Fair Market Value</u> (Questions 102-105)

Q102- What guidance should the Board provide in interpreting when an "extension of credit may exceed the fair-market value of the dwelling?" For example, should the disclosures be required only when the new credit extension may exceed the dwelling's fair-market value, or should disclosures also be required if the new extension of credit combined with existing mortgages may exceed the dwelling's fair-market value?

Q103- In determining whether the debt "may exceed" a dwelling's fair-market value, should only the initial amount of the loan or credit line and the current property value be considered? Or should other circumstances be considered, such as the potential for a future increase in the total amount of the indebtedness when negative amortization is possible?

Q104- What guidance should the Board provide on how to make these disclosures clear and conspicuous? Should the Board provide model clauses or forms with respect to these disclosures?

Q105- With the exception of certain variable-rate disclosures (12 CFR §§ 226.17(b) and 226.19(a)), disclosures for closed-end mortgage transactions generally are provided within three days of application for home-purchase loans and before consummation for all other home-secured loans. 15 USC 1638(b). Is additional compliance guidance needed for the Bankruptcy Act disclosures that must be provided at the time of application in connection with closed-end loans?

Response to Questions 102-105: While Wachovia does not offer this type of loan, we believe such a disclosure would need to include a statement advising the customer that the fair market value of the home securing the account is not sufficient to pay the loan in full should the account owner sell their home. Many creditors do not offer a monthly statement for their loan accounts; rather, consumers are issued "payment coupons" for a specific period of time, typically 60 months. We suggest that each "payment coupon" be required to display a similar disclosure.

F. <u>Prohibition On Terminating Accounts For Failure To Incur Finance Charges</u> (Questions 106-108)

Q106- What issues should the Board consider in providing guidance on when an account "expires?" For example, card issuers typically place an expiration date on the credit card. Should this date be considered the expiration date for the account?

Q107- The prohibition on terminating accounts for failure to incur finance charges applies to all open-end credit products. Are there any issues applicable to open-end accounts other than credit card accounts that the Board should consider?

Q108- The prohibition on terminating accounts does not prevent creditors from terminating an account for inactivity in three or more consecutive months (assuming the termination complies with other applicable laws and regulations, such as the rules in Regulation Z governing the termination of HELOCS, 12 CFR 226.5b(f)(2)). Should the Board provide guidance on this aspect of the statute, and what constitutes "inactivity?"

Response to Questions 106-108: We appreciate that the Bankruptcy Act amendments prohibit the closing of an account under an open-end consumer plan solely because the account did not incur a finance charge in the normal course of business. We would note that some credit card account programs provide the ability to pay in full each billing cycle without incurring a charge. However, many of these same programs began a finance charge accrual upon posting to the account for some types of transactions. We anticipate the proposed changes will not curtail the ability to offer these types of accounts. We recommend that institutions continue be given the option to close an account upon three or more months' inactivity.

* * *

Wachovia appreciates this opportunity to comment on this advance notice of proposed rulemaking. If you have any questions, please contact me.

Yours truly,

Eugene M. Katz