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Via E-mail and Hand Delivery

December 16, 2005

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Reg.Comments@FederalReserve.gov

**Re: Advance Notice of Proposed Rulemaking: Truth in Lending (II)
Docket No. R-1217**

Dear Ms. Johnson:

Capital One Financial Corporation (“Capital One”) is pleased to submit comments regarding the Board’s Advance Notice of Proposed Rulemaking on the subject of the recently enacted Bankruptcy Abuse Prevention and Consumer Protection Act’s (“Bankruptcy Reform Act”) amendments to the Truth in Lending Act, which require revisions to Regulation Z on certain subjects.

Capital One Financial Corporation is a financial holding company whose subsidiaries Capital One Bank, Capital One, F.S.B., and Capital One Auto Finance, Inc., offer a variety of consumer lending products. Capital One’s subsidiaries collectively had 49.2 million accounts and \$84.8 billion in managed loans outstanding as of September 30, 2005. Capital One is a Fortune 500 company and, through its subsidiaries, is one of the largest providers of MasterCard and Visa credit cards in the world.

In addition, last month Capital One completed its acquisition of Hibernia Corporation, a full-service commercial bank holding company that, as of September 30, 2005, had \$23.2 billion in assets and 326 locations in Louisiana and Texas.

Summary

This, the Board's second Advance Notice of Proposed Rulemaking to revise Regulation Z ("Z2") is an excellent opportunity to continue the Board's work in the Advance Notice of Proposed Rulemaking issued last December ("Z1") for the purpose of revising the open-end credit provisions of Regulation Z, and to apply the themes of that project to the new disclosures required by the Bankruptcy Reform Act.

In our comments on the Z1 Advance Notice, we pointed out that the credit card industry has evolved since the current Regulation Z disclosure framework was established, and that lenders have developed more complex and sophisticated products to control credit risk while offering consumers the low interest rates that result from intense competition. This evolution of the industry and its products requires that the Regulation Z disclosures be overhauled to ensure that key product terms are clearly communicated to and absorbed by consumers.

In particular, the Bankruptcy Reform Act's required minimum-payment repayment-period disclosures, the introductory-rate disclosures, and the late-payment disclosures provide a further opportunity for the Board to ensure that lenders provide consumers with effective disclosures on important aspects of credit card products. The internet-solicitation and home-secured-lending disclosure requirements also provide an opportunity to fashion disclosures using principles of effective communication.

In our Z1 comments, Capital One suggested the following principles of effective disclosure:

- Importance
- Comparability
- Clarity
- Simplicity
- Specificity

In this letter, we approach each of the subjects of the Board's Z2 Advance Notice in the light of these principles. As with the Z1 project, we have crafted model disclosure templates that we believe are both effective and feasible to implement.

Minimum-Payment Disclosures

Credit cards are an open-end credit product, designed so that outstanding balances and payments can fluctuate depending on the financial needs and desires of the customer.

The minimum payment requested on the periodic statement¹ is determined by formulas designed in the context of that background. A credit card account is not intended to be used like a closed-end loan, with an initial draw or draws that are paid down on a defined schedule. On a credit card account, the minimum-payment requirement is intended to control credit risk by ensuring that customers make at least some payment regularly, rather than primarily to achieve a scheduled pay-down. Most customers understand this and use their credit card accounts accordingly. Very few customers make only the minimum requested payment for an extended period.

For those few customers who may not appreciate that the minimum payment is not intended to be used as a pay-down tool, some warning is appropriate. Capital One currently provides such a warning to customers who make only the minimum payment for three consecutive payment cycles. Those customers receive the following warning on their periodic statements:

“HELPFUL PAYMENT HINT: We understand that making only the minimum payment may be the best choice for you. However, you’ll pay less interest and repay your balance sooner if you pay more than the minimum whenever possible. To explore the impact of making different payments, visit www.capitalone.com/calculator.”

Using the web-based calculator to which the statement directs them, these customers are able to enter their account balance and interest rate, and enter different levels of monthly payment that they may be comfortable with, to see the impact that those different payment levels have on pay-down duration as well as on the total amount of interest paid. The disclosure and the calculator were developed on the basis of customer research indicating that customers are engaged by a friendly, supportive disclosure, rather than by a threatening one, and that they would find such a calculator useful (although its actual usage so far has been quite modest, see Q81 below).

Capital One therefore supports the concept of minimum-payment pay-down disclosure embedded in the Bankruptcy Reform Act. As the Board crafts its rules to implement those provisions, we suggest that the Board be guided by the following considerations:

- The disclosures should be limited to those who may plausibly need them (see the Board’s Q60.) Requiring the disclosure in other cases would result in

¹ The Truth in Lending Act and current Regulation Z contain no requirement that periodic statements include a minimum payment, and possibly for that reason, they do not define the concept of “minimum payment.” We suggest that the revised Regulation Z contain such a definition. A workable concept for such a definition is: an amount stated on the periodic statement, which may be less than the total outstanding balance, such that, if the customer does not make that payment, the customer is exposed to potential adverse consequences, such as a late fee or repricing.

unnecessary clutter for the customer, diminishing the impact of other disclosures and of the minimum-payment warning itself, as customers become inured to seeing it on every statement, as well as unnecessary expense for lenders.

- The concept of “accuracy” in these disclosures is inherently problematic, because the hypothetical situation described in the disclosure – one in which the customer makes no further transactions on his or her account, and makes the minimum payment each month until the account is completely paid down – does not correspond with the reality of how consumers use credit cards. Hence, the Board should aim for the simple and achievable: clear disclosures that can be implemented at reasonable cost. The burden associated with greater “accuracy” with respect to the hypothetical pay-down situation may be great, and is not counterbalanced by benefit to the customer.
- Consistently with the foregoing consideration, lenders should be given the options that the Board enumerates – the option to disclose the “actual number of months” of repayment on the toll-free telephone line and not make a disclosure on the periodic statement; the option to disclose the “actual number of months,” or the estimate based on the Board’s table, on the periodic statement and not make the disclosure available on the toll-free telephone line; and the options to use their actual minimum-payment formulas and APR distributions in conjunction with the Board’s table of estimates – but none of those options should be mandated. Amendments to the Bankruptcy Reform Act that would have required the mandatory disclosure to be based on all materially relevant terms of the customer’s account were proposed and were decisively rejected. Congress made the judgment that the value, if any, of theoretically more accurate disclosure of the repayment period did not outweigh the additional cost and complexity of generating it. We submit that the Congressional judgment was clearly correct and ought not to be set aside by the Board. Those lenders who wish to provide a greater level of theoretical accuracy should be allowed to do so, but the legislative mandate is clear that creditors generally should not be required to.

Because of the complexity of the minimum-payment calculations and the multitude of assumptions that must be made to produce them (see our response to Q76 below), it is critical that the Board provide a safe harbor for these disclosures by clearly stating that lenders will be in compliance with the new requirements of Regulation Z, and that these disclosures are not deceptive, if they use the Board’s table of estimates in the manner that the Board prescribes, and if they disclose repayment times that are based on assumptions approved by the Board and are within the tolerance for error that the Board allows (see Q78). It would serve no social good if plaintiffs’ attorneys were able to exploit a windfall on the basis of alleged inaccuracies in creditors’ descriptions of pay-down scenarios that the customers will not actually experience, because customers do not engage in that payment practice.

Introductory-Rate Disclosures

Competitive pressures and increasing sophistication of credit risk management techniques, described above, have spawned a phenomenon of long, deep introductory APRs designed to encourage consumers to apply for the product, coupled with tight, post-account-acquisition credit-risk management and repricing of customers who activate the lender's repricing terms. Clear and effective disclosure is necessary to ensure that customers understand the products that they are signing up for. We support the disclosures mandated by the Bankruptcy Reform Act.

In fact, we think that the Act's disclosures need to be applied more widely than in the minimum circumstances required by the statute. We believe that there are at least two circumstances not covered by the statute in which these disclosures are necessary:

- Introductory rates of longer than one year are now commonplace. Credit card issuers commonly offer introductory rates of 15 or 18 months. Yet, the consumers to whom these products are marketed equally need to know the duration of the introductory period, the go-to rate, and the circumstances in which they could be repriced. In fact, precisely because of the greater duration of these long below-market introductory rates, the issuer's credit-risk is greater and the risk of repricing of which the customer needs to be warned may be greater. We propose that, in revising Regulation Z to implement the requirements of the Bankruptcy Reform Act, the Board drop the one-year period from the definitional elements of any introductory rate.² The Bankruptcy Reform Act's disclosure provisions were originally crafted before the recent lengthening of introductory rates. We believe that the inclusion of one year within the statutory definition of introductory rates was intended to assist in identifying the scope of the problem that Congress perceived in the industry at the time, rather than an explicit decision by Congress that consumers did not need the introductory-rate disclosures for introductory rates longer than one year if those should become prevalent, and still less to curtail the Board's power under section 105(a) of TILA to prescribe regulations necessary and proper to effectuate the purposes of the Act.

² If the Board adopts this approach, as we recommend, then it would also be desirable for the Board's rule to clarify that the concept of an "introductory period," defined by the statute as "the *maximum time period* for which the temporary annual percentage rate may be applicable" (emphasis added), though it may be and often is longer than a year, does have a definite end date after which the rate will be increased to a defined new rate, index, or range of rates.

Hence an introductory or promotional rate is to be distinguished from a rate of indefinite duration, which is identified as not changing for a specified *minimum period* after which it may or may not be adjusted. By analogy, a bank offering a fixed-rate deposit is required by Regulation DD to identify a period during which the rate on that deposit will be in effect (Reg DD § 230.4(b)(1)(i)), but the commitment not to change the rate within that period does not make the period "introductory" within the meaning of the Bankruptcy Reform Act's amendments to TILA.

- Introductory rates are offered not only in account solicitations, but also in account-management offers such as balance-transfer offers.

All of these circumstances pose the same concern that customers need to clearly understand the duration of the introductory period, the go-to rates that follow, and the circumstances in which they could be repriced. The Board should require that the introductory-rate disclosures be made in all of these circumstances.

Late-Payment Disclosures

The statutorily mandated late-payment disclosures present another opportunity to apply the disclosure principles that we outlined in our Z1 comment letter, in order to make the disclosures meaningful and useful to consumers. In particular, because of the prevalence of default repricing for late payment, and the fact that the financial impact on a customer of default repricing over time can be much greater than the impact of a single late fee (especially in the case of “no fee” products as to which repricing is the principal sanction for late payment), we endorse the Board’s suggestion (Q100) that the late-payment disclosure include not only the amount of the past-due fee, but also any repricing that may be triggered by late payment.

Internet Solicitations

The Board’s 2001 interim disclosure rules point in the right direction.

High Loan-to-Value Mortgage Credit

The Board would best facilitate the delivery of this disclosure by clarifying the circumstances in which the disclosure is required.

Account Termination

The statutory prohibition on termination of an account prior to its expiration date by reason of the customer’s not incurring finance charges should be implemented in a manner that is simple and easy for issuers to execute. For example:

- We agree with the Board’s proposal (Q106) that the “expiration date” of a credit card account (which otherwise does not normally have an expiration date) should be the expiration date stated on the credit card.
- The statute’s preservation of the issuer’s right to terminate an account for “inactivity” for three or more consecutive months should be interpreted as the absence of a balance for that period.

To illustrate some of our concepts and to assist the Board in visualizing what the new disclosures might look like, we have created two templates of the periodic statement with these disclosures, attached at the end of this letter as Periodic Statements (PS) 1 and 2. Both show the late-payment warning, including, as we recommend, a warning of the possible repricing effect that paying late might trigger. (The disclosures show a Capital One repricing policy; other issuers with different repricing policies would disclose them here, as applicable to the particular customer to whom the periodic statement was sent.) And, both show how the minimum-payment disclosure might be handled, but in different ways under different statutory options.

PS 1 would be used in a case in which the issuer is disclosing the “actual number of months” of repayment. The statutory disclosure and the toll-free telephone number appear on the statement back, which is the second page of PS 1. PS 2 would be used by an issuer that is not calculating the “actual number of months” but instead is disclosing an estimate based on the Board’s table, and hence prints the statutory example on the first page of the periodic statement. On PS 2, we have modified the statutory example as suggested by the Board by resetting the APR to a rate identified by the Board as an average for consumers carrying balances on their credit card accounts, and we have adjusted the pay-down period accordingly. We believe that it is important for the Board to authorize this change because the statutory example is likely to be too divorced from most consumers’ personal situations to be meaningful, especially because it shows an APR that is unrealistically high. PS 2 includes a statement back with various standard disclosures currently made by Capital One.

In addition, responding to the concern raised by the Board in its Z1 Advance Notice that customers need on-going access to key account terms during the life of the account, we have placed a version of the “Fact Sheet” that we developed for the Z1 project on the back of PS 1 (see next page). The Board might consider requiring that issuers place this Fact Sheet – or whatever variant of it or other successor to the Schumer box that the Board develops in its Z1 project – on the backs of periodic statements to ensure that customers have a summary of their key account terms ready at hand throughout the life of the account.³

³ Placing the Fact Sheet on the back of the periodic statement is not without cost. As illustrated by the second page of PS 2, the backs of Capital One’s periodic statements, in common with those of other issuers, are currently occupied by various disclosures. Many of them are required by Reg Z, but they are not all required to be delivered every cycle. A number of them can be delivered annually, but Capital One and some other issuers deliver them in standard form on the back of every statement to save the cost of a special annual mailing. The disclosures displaced by the Fact Sheet on the back of PS 1 would require a special annual delivery. If they were mailed annually by inserting an additional sheet with a periodic statement, the additional cost to Capital One would be about \$2 million a year.

PRICING & FEES			
9.9% Variable	Purchase APR	9.9% Variable 3% or \$50	Balance Transfer APR Balance Transfer Fee
\$10,000	Credit Line	12.9% Variable 3% or \$50 min.	Cash Advance APR Cash Advance Fee
\$0	Membership Fee	\$0.50	Minimum Finance Charge
\$29	Late Fee	3% or \$15	Minimum Payment
\$29	Overlimit Fee	25 days	Interest-Free Period for Purchases if balance is paid in full monthly. There is no interest-free period for Balance Transfers or Cash Advances
\$29	Returned Check Fee		

REASONS YOUR RATES MAY CHANGE		
You pay late or you pay less than the minimum requested.		<ul style="list-style-type: none"> • [Up to] XX% Default APR(s) • (creditor specific information for reduction or elimination of default APR)
You break a rule on another account with us.		<ul style="list-style-type: none"> • [Up to] XX% Default APR(s) • (creditor specific information for reduction or elimination of default APR)
You break a rule on an account with another creditor.		<ul style="list-style-type: none"> • [Up to] XX% Default APR(s) • (creditor specific information for reduction or elimination of default APR)
You have negative information show up on your credit report.		<ul style="list-style-type: none"> • [Up to] XX% Default APR(s) • (creditor specific information for reduction or elimination of default APR)
Your transactions go over your credit limit.		<ul style="list-style-type: none"> • [Up to] XX% Default APR(s) • (creditor specific information for reduction or elimination of default APR)
Your check is returned – unpaid.		<ul style="list-style-type: none"> • [Up to] XX% Default APR(s) • (creditor specific information for reduction or elimination of default APR)
Your terms may change from time to time due to market conditions or other reasons.		• Changes will be made in accordance with applicable law and the Card Agreement that will be sent with your card.

INFORMATION ABOUT YOUR APR & FINANCE CHARGES
Your APR is a variable rate that changes monthly based on the Prime Rate + 4.9%.
HOW YOUR FINANCE CHARGE IS CALCULATED: We figure the finance charge on each segment of your account by applying the periodic rate to the "average daily balance" of your account. To get the "average daily balance" we take the beginning balance of your account each day, add any new transactions and the periodic finance charge on the previous day's balance, and subtract any payments or credits. This gives us the daily balance. Then, we add up all the daily balances for the billing cycle and divide the total by the number of days in the billing cycle. This gives us the "average daily balance."

Lender includes any reasons that the rates of this product may change.

IMPORTANT INFORMATION ABOUT MAKING PAYMENTS
Your payments and credits will be applied to balances with lower APRs before balances with higher APRs.
Making only the minimum payment will increase the interest you pay and the time it takes to repay your balance. For more information call this toll free number: 1-800-000-0000.
Payments you mail to us will be credited to your account as of the business day we receive it, provided: (1) you send the bottom portion of this statement and your check in the enclosed remittance envelope and (2) your payment is received in our processing center by 3 p.m. ET (12 noon PT). Please allow at least five (5) business days for postal delivery. Payments mailed to another location or in any other form may not be credited the day we receive them. Our business days are Monday through Saturday, excluding holidays. Please do not use staples, paper clips, etc. when preparing your payment. When you send us a check(s), you authorize us to make a one-time electronic transfer debit from your bank account for the amount of the check. This authorization applies to all checks received during the billing cycle even if sent by someone else. If we cannot process the transfer, you authorize us to make a charge against your bank account using the check, a paper draft or other item.

We now address the specific questions the Board has asked.

Question 59. 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 consumer pays?

Yes, there are certain types of transactions or accounts for which the minimum payment disclosures are not appropriate. For example, it would be helpful if the Board would clarify that commercial loans, such as small business lines of credit, are exempt. In addition, for extensions of credit where there is a fixed repayment period, such as with certain HELOCs, the Board should consider a complete exemption. Where there is a fixed repayment period, there is no reason for such a warning as the payment amount and period have already been determined.

Question 60. 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?

Yes, the Board should grant the exemption that it suggests. The periodic statement disclosures may be expensive and distracting, especially if customers find them to be inessential or irrelevant. The addition of more disclosure material will dilute the impact of other information being conveyed, including other disclosures that are competing for the status of conspicuousness; and the impact of the minimum-payment disclosures themselves will be diluted if consumers see them on every statement, month after month, need them or not. The costs of delivering the information to all customers would be high: the cost of delivering additional pages of periodic statements can be millions of dollars a year, and so can the costs of maintaining a toll-free telephone line.

All of these problems can be substantially mitigated if the Board requires the disclosures to be delivered only to those customers whose behavior demonstrates that they may not understand the consequences of making only the minimum payment. The disclosures should not be required for customers who do not revolve a balance; nor should they be required for customers who do revolve a balance, unless they have made only the minimum payment for some consecutive number of cycles, such as three. Three cycles is the number that Capital One has adopted for purposes of the minimum-payment warning that it provides, see page [3] above. The three-cycle standard will sweep in a number of consumers who do not need the disclosures, because they are the beneficiaries

of introductory rates (some as low as 0%) as a result of which making only the minimum required payment, and thus getting the benefit of cheap money for a longer time, is the financially rational thing for those customers to do. In addition, we believe that many customers who make only minimum payments do so because they do not, at the moment, have ready funds to pay more, rather than because they fail to appreciate that making only minimum payments substantially prolongs paydown. Accommodating temporal differences in cash flow is a principal purpose of open-end credit. However, on balance we believe that three cycles is a reasonable screen, even though over-inclusive, to identify customers who may be paying too little for too long because they do not understand that their accounts' minimum-payment requirement should not be used in that way.

Question 61. 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?

Where there is a fixed amortization schedule or repayment period, as we commented under Q59, such loans should be exempt from the minimum payment warnings.

Question 62. 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. See Board of Governors of the Federal Reserve Board, Statistical Release G. 19, (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?

Because the statutory example, however configured, will not correspond with the reality of most customers, it is not worth going to great lengths to make it more precise. However, substitution of a more realistic interest rate is easy to do, and the Board should do it. An average of APRs paid by revolving customers would be a better number to use than the statutory 17%. The statute requires the Board to “periodically recalculate” the interest rate “as necessary.” We recommend that the Board do so on an annual basis and allow issuers three months to reconfigure their periodic-statement production systems if the rate changes.

Question 63. 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 cards 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?

Yes, the Board should consider revising the account balance, APR, or other “typical” minimum payment percentage used for open-end accounts other than credit card accounts, such as HELOCs and other types of credit lines. For example, for some HELOCs, the initial payments are interest only, after which the payments will include a percentage of the balance.

Question 64. 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?

The term “typical” might well be perceived by consumers as indicating that the stated percentage is an industry norm, but in fact the 2% figure in the principal statutory example no longer is an industry norm (as the Board recognizes, see Q67). The term “typical” should not be used to describe a minimum-payment formula that is in fact not typical. A better term would be “illustrative.”

Question 65. In developing the formulas used to estimate repayment periods, should the Board use the three assumptions stated above [on page 11 of the Advance Notice] concerning the balance calculation method, grace period, and residual interest? If not, what assumptions should be used, and why?

Yes, the Board should proceed with the assumptions that it describes. It is unlikely that any repayment period given to the customer will correspond with the customer’s actual future experience with the account. Therefore, an approach to the disclosure that is simple to implement would be better than one that is more complicated and is more accurate only in theory because it describes a hypothetical situation that will almost never occur. The Board’s assumptions are reasonable simplifications and should be adopted.

Question 66. Comment is specifically solicited on whether the Board should select “typical” minimum payment formulas for various types of accounts. If so, how should the Board determine the formula for each type of account? Are there other approaches the Board should consider?

For the reasons given above – the unlikelihood of any disclosure actually corresponding with the customer’s future experience with the account – it would be better and simpler for the Board to use a single minimum-payment formula.

Question 67. If the Board selects a “typical” minimum payment formula for general-purpose credit cards, would it be appropriate to assume the minimum payment is based on one percent of the outstanding balance plus finance charges? What are typical minimum payment formulas for open-end products other than general-purpose credit cards (such as retail credit cards, HELOCs, and other lines of credit)?

As noted above, the Board should adopt a single minimum-payment formula to use as the basis of its table of estimates, in order to facilitate simplicity of execution and communication. The Board should adopt a formula that it believes to be reasonably representative of those in use today. Capital One does not endorse a particular formula as best for that purpose among those that may be currently in use.

Question 68. 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?

Creditors, if they wish, should have the option of programming their systems so that the legally required estimate uses the creditor’s own minimum payment formulae; but they should not be required to do so. In the context of the minimum-payment duration disclosures, theoretical “accuracy” that will not correspond with the customer’s actual experience is not a goal that should override economy and feasibility of disclosure delivery. Therefore, creditors who prefer the easier route of relying on the Board’s tables of estimates, including the Board’s assumptions, should be able to do so. That approach is consistent with the legislative history, in which Congress rejected the proposal that issuers be required to give disclosures that were more particularized than those of the Board’s table of estimates.

The cost to creditors of the Board’s suggested requirement is difficult to quantify without more detailed knowledge of the Board’s table of estimates and how creditors would implement their use of it.

Question 69. Negative amortization can occur if the required minimum payment is less than the total finance charges and other fees imposed during the billing cycle. As discussed above, several major credit card issuers have moved toward minimum payment requirements that prevent prolonged negative amortization. But some creditors may use a minimum payment formula that allows negative amortization (such as by requiring a payment of 2% of the outstanding balance, regardless of the

finance charges or fees incurred). Should the Board use a formula for calculating repayment periods that assumes a “typical” minimum payment that does not result in negative amortization? If so, should the Board permit or require creditors to use a different formula to estimate the repayment period if the creditor’s actual minimum payment requirement allows negative amortization? What guidance should the Board provide on how creditors disclose the repayment period in instances where negative amortization occurs?

As we urged above, the Board should adopt a single minimum-payment formula as the basis of its table of estimates, for the purpose of facilitating clear and economical disclosure. However, we believe that if, as the Board supposes, some creditors use a minimum-payment formula that allows negative amortization, such as by requiring a payment of 2% of the outstanding balance without regard to APR, finance charge, or fees incurred, the Board should require those creditors to use that formula to estimate the repayment period.

Question 70. What proportion of credit card accounts accrue finance charges at more than one periodic rate? Are account balances typically distributed in a particular manner, for example, with the greater proportion of the balance accruing finance charges at the higher rate or the lower rate?

At this time, less than 10% of Capital One’s credit card accounts accrue finance charges at more than one periodic rate, though most have the capacity to do so. The great majority of balances on those accounts that do accrue finance charges at more than one rate do not carry the highest rate applicable to those accounts.

Question 71. The statute’s hypothetical examples assume that a single APR applies to a single balance. For accounts that have multiple APRs, would it be appropriate to calculate an estimated repayment period using a single APR? If so, which APR for the account should be used in calculating the estimate?

A single, representative APR would provide the best compromise between theoretical accuracy on the one hand, and simplicity and feasibility of disclosure on the other. A simple approach would apply the go-to purchase APR to the entire outstanding balance. That APR is likely to be more than introductory APRs and less than cash-advance APRs, and in addition, is likely to represent the majority of the outstanding balance over time. The most common situation in which use of the go-to APR would significantly differ from the result of applying the actual mix of APRs is the case of a customer who uses his or her account primarily to pay down a transferred balance as to which an introductory rate applies. In that case, use of the go-to purchase APR would overstate the repayment period, and if the objective of the disclosure is to warn customers away from making minimum payments by showing the prospect of a lengthy repayment period, a disclosure in which the repayment period is too long, rather than too short, works no injury. Hence, the go-to purchase APR is a feasible compromise which the Board should consider.

Question 72. Instead of using a single APR, should the Board adopt a formula that uses multiple APRs but incorporates assumptions about how those APRs should be weighted? Should consumers receive an estimated repayment period using the assumption that the lowest APR applies to the entire balance and a second estimate based on application of the highest APR; this would provide consumers with a range for the estimated repayment period instead of a single answer. Are there other ways to account for multiple APRs in estimating the repayment period?

As stated in our response to Question 71, we think that using the go-to purchase APR is a reasonable middle ground. We recommend against multiple estimates using different APRs, which we believe would increase the complexity and expense of the disclosure, as well as overloading the customer with more information than is likely to be readily absorbed.

Question 73. One approach to considering multiple APRs could be to require creditors to disclose on periodic statements the portion of the ending balance that is subject to each APR for the account. Consumers could provide this information when using the toll-free telephone number to request an estimated repayment period that incorporates all the APRs that apply. What would be the additional compliance cost for creditors if, in connection with implementing the minimum payment disclosures, creditors were required to disclose on periodic statements the portion of the ending balance subject to each APR for the account?

We recommend against this proposed solution, on the ground that it introduces complexity out of proportion to the added value to customers of the theoretically more accurate repayment disclosure. Requiring customers to input multiple APRs and balances would be substantially more cumbersome for the customer and substantially reduce customer usage of the tool. The principal reason given by those customers who would not use even the simplified calculator that Capital One provides is that they do not feel it is worth the extra effort required to access it. As it happens, the actual cost to Capital One of producing the additional information the Board proposes would not be significant. But it could be significant for other issuers, and as its purpose would be to support a disclosure mechanism the value of which would be nullified by its lack of use, the Board should not impose this requirement.

Question 74. As an alternative to disclosing more complete APR information on periodic statements, creditors could program their systems to calculate a consumer's repayment period based on the APRs applicable to the consumer's account balance. Should this be an option or should creditors be required to do so? What would be the additional cost of compliance for creditors if this was required? Would the cost be outweighed by the benefit in improving the accuracy of the repayment estimates?

The cost to creditors of the Board's suggested requirement is difficult to quantify without more detailed knowledge of the Board's table of estimates and how creditors

would implement their use of it. Even in concept, though, we believe that the additional complexity and cost of this proposed solution outweigh its utility (except for purposes of calculating the “actual number of months,” see Q77 below). Lenders should be permitted to use this solution if they wish, but they should not be required to do so.

Question 75. If multiple APRs are used, assumptions must be made about how consumers’ payments are allocated to different balances. Should it be assumed for purposes of the toll-free telephone number that payments always are allocated first to the balance carrying the lowest APR?

We believe that the lowest-APR-first payment allocation methodology is prevalent in the industry, and is the right methodology for the Board to assume if multiple APRs are to be used. As described above, however, we believe that the additional cost and complexity of this method are not justified by the additional utility of a theoretically more accurate repayment period that, in fact, would not correspond with any likely customer experience, nor do we believe that mandating this level of theoretical precision is within the direction given by Congress. Use of this method should be limited to the “actual number of months” disclosure, which Congress determined should be voluntary.

Question 76. 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?

The many assumptions that are necessary in order to calculate a repayment period are complex and unlikely to add value for most customers. Therefore, we recommend against requiring their disclosure. These assumptions would include, for example:

- That the customer initiates no further transactions
- That the index of a variable rate does not change
- The account is in good standing
- No repricing of non-introductory rates, *e.g.*, for default on another account or deteriorating credit report, or other reasons
- The balance-calculation method (average daily balance, preceding balance, etc.)
- Minimum-payment formula (*e.g.*, 3% of sum of principal and finance charge; or, finance charge plus 1% of principal)
- Minimum-payment floor (*e.g.*, \$10, \$15, \$20)
- Minimum finance charge
- When during cycle the payment is received (*e.g.*, at the due date)
- Treatment of multiple-APR accounts

- If effect is given to multiple APRs applicable to different balance segments, then there must be an assumption of what payment-allocation method is used
- Absence of grace period for any part of the balance
- Treatment of residual finance charge
- Length of billing periods
- Presence of recurring membership fees, and their amount

Lenders who are interested in making this information available to their customers should be allowed to do so in some way that does not clutter the periodic statement or otherwise subject the majority of customers to unwanted and confusing information overload, for example by providing an optional prompt on the toll-free telephone line. But we believe it would be difficult to communicate so extensive a list of variables and assumptions in such a way that the utility of the communication would not be outweighed by its bulk and complexity.

Question 77. 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?

The Board should deem a creditor to have provided the “actual number of months” of repayment if its calculation is based on the account terms that the board identifies as significant, which we propose to be the following:⁴

- Account balance
- APR (in a case of multiple APRs, in contrast to the standard disclosure discussed above, to obtain the “actual number of months” it is reasonable to require that the actual multiple APRs be correctly identified to the account balances to which they apply, and that the creditor apply its actual payment allocation methodology)
- Minimum-payment formula
- Minimum-payment floor

We submit that the many other factors that could affect the number in some amount, such as the balance-calculation method and the assumption about when during a cycle the payment is received, add complexity without being material and that the creditor should be able to rely upon the assumptions that the Board itself uses, even for purposes of determining the “actual number of months.” In fact, we believe that it would be infeasible to produce the “actual number of months” unless the account- and issuer-specific variables that must be used to generate the number are limited to those enumerated above.

⁴ If a customer is unable to avoid a recurring membership fee by ceasing transactions and paying down the account balance, that fee also would be a significant variable and should be included in the calculation.

To ensure that creditors who use this statutorily created option are not exposed to unacceptable liability for disclosing pay-down periods that are different from those that plaintiffs' lawyers might calculate using different assumptions, the Board should clearly state that a creditor who uses assumptions that the Board approves, and limits the specific variables that generate the number to those that the Board identifies, will be deemed to be in compliance with the regulation and that the numbers so generated are not misleading.

Question 78. Should the Board adopt a tolerance for error in disclosing the actual repayment periods? If so, what should the tolerance be?

Because of the complexity of calculating repayment periods, a tolerance for error is necessary. We recommend that the repayment period be deemed correct if it is within 20% of the repayment period that the Board concludes would be obtained applying the creditor-and customer-specific information identified in our answer to Question 77, combined with the issuer's or Board's assumptions on the other minimum-payment elements.

Question 79. 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?

Information to determine the "actual number of months" to repay an account balance is not available from Capital One's current systems. New systems would have to be developed. A reliable estimate of the cost of doing so is difficult for Capital One, because no such system has actually been built, and because the variables and assumptions that would be necessary inputs to that system have not been agreed (see Q76, 77 above).

Bearing that cautionary note in mind, we believe that system modifications necessary to generate the "actual number of months," based on a reasonable set of assumptions and a limited number of key variables such as those described above, can be achieved; and we also believe that the costs of the initial system design would be significantly less than the costs of delivering the resulting information to customers. Key variables include the extent to which additional disclosures on the periodic statement force the generation of an additional statement page, and the extent to which customers call the toll-free telephone number. Each of those cost estimates is subject to variations of many millions of dollars a year depending on the assumptions made. Our best guess, subject to the serious uncertainty of those assumptions, is that the cost to Capital One of both delivery channels together will fall somewhere in the single-digit millions of dollars annually.

Question 80. Are there alternative frameworks to the three approaches discussed above that the Board should consider in developing the repayment calculation formula? If suggesting alternative frameworks, please be specific. Given the variety

of account structures, what calculation formula should the Board use in implementing the toll-free telephone system?

For the reasons stated above, the best option is the second that the Board has identified: Each creditor uses the standard assumptions approved by the Board, except that each creditor has the option of using its own data and formulas on how its minimum payment is calculated, and on how to treat accounts to which multiple APRs apply.

Question 81. Are any creditors currently offering web-based calculation tools that permit consumers to obtain estimates of repayment periods? If so, how are these calculation tools typically structured; what information is typically requested from consumers, and what assumptions are made in estimating the repayment period?

Capital One offers a web-based calculation tool at www.capitalone.com/calculator. It is a simplified tool, in which the customer enters the account balance, a single APR that is assumed to apply to the entire balance, and the customer's membership fee, if any. The tool assumes a flat monthly payment, rather than a percentage payment that declines as the balance does. The customer enters either the amount that he or she wants to pay each month, or the desired pay-down period in months. If the customer enters the monthly payment amount, the calculator generates the pay-down period and the total amount of interest paid; if the customer enters the pay-down period, the calculator generates the monthly payment amount, and again, the total amount of interest that would be paid.

Although Capital One's calculator is greatly simplified, it has two advantages over the system mandated by Congress. First, it allows the customer to observe the effects of inserting a greater or lesser payment amount, as well as determining the monthly payment necessary in order to pay down the account in a specified desired period. Hence, it is more useful as a planning tool than the disclosures required by Congress. Second, Capital One's calculation tool provides the customer with an estimate, not only of the repayment period, but also of the total amount of interest that would be paid over that period. The total amount of interest paid may be equally meaningful to the customer as the repayment period. However, we do not believe it would be appropriate for the Board to require issuers to disclose the total amount of interest, because Congress specifically considered enacting such a requirement and declined to do so.

Actual usage of this calculator during the brief period that it has been available appears to have been very low, despite customers having indicated to Capital One in interviews that they would value such a tool. Possibly that interest was overstated. What this means for the value and continuing vitality of the calculator is something we are only beginning to assess, but the Board might take from our experience the proposition that a minimum-payment disclosure mechanism that requires consumers to assume some burden is not likely to be used. Hence the Board's proposal that consumers be required

to key in multiple APRs and the balance-segment amounts to which they apply (Q73) is likely to be an ineffective disclosure mechanism.

Question 82. 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?

Consistently with our position that creditors should be permitted to make the statutorily required disclosures in a way that is most economical, and to the degree of specificity that they desire subject to the statutory minimums, we encourage the Board to allow creditors to adopt the disclosure methods described in this question. What method is best for each creditor may depend on many variables, such as the configuration of that creditor's periodic statements and the current state of that creditor's systems.

Question 83. What guidance should the Board provide on the location or format of the minimum payment disclosures? Is a minimum type size requirement appropriate?

Standardization of disclosures is always desirable, because it facilitates comparison and enables customers who may be interested in the subject to know what to look for and how to find it easily. The existing Schumer box is an outstandingly successful example of that approach. For the same reasons, a minimum type-size requirement would be appropriate here. An example is provided in PS 1 and 2, attached.

Question 84. What model forms or clauses should the Board consider?

As the required disclosures were largely drafted by Congress, the principal open areas in which it would be useful for the Board to provide guidance are location and format.

Question 85. The Bankruptcy Act requires the Board to issue model disclosures and rules that provide guidance on satisfying the clear and conspicuous requirement for introductory rate disclosures. The Board is directed to adopt standards that can be implemented in a manner that results in disclosures that are "reasonably understandable and designed to call attention to the nature and significance of the information." What guidance should the Board provide on satisfying the clear and conspicuous requirement? Should the Board impose format requirements, such as a minimum font size? Are there other requirements the Board should consider? What model disclosures should the Board issue?

Minimum font size and standard disclosure requirements would be desirable, just as they have contributed to the value provided by the Schumer box.

Question 86. Credit card issuers must use the term “introductory” in immediate proximity to each mention of the introductory APR. What guidance, if any, should the Board provide in interpreting the “immediate proximity” requirement? Is it sufficient for the term “introductory” to immediately precede or follow the APR (such as “Introductory APR 3.9%” or “3.9% APR introductory rate”)?

To ensure that the concept of an introductory rate is communicated effectively, we recommend that the term “introductory” immediately precede or follow the APR and terms that modify the APR such as “fixed” or “variable”.

Question 87. The expiration date and go-to APR must be closely proximate to the “first mention” of the temporary introductory APR. The introductory APR might, however, appear several times on the first page of a solicitation letter. What standards should the Board use to identify one APR in particular as the “first mention” (such as the APR using the largest font size, or the one located highest on the page)?

The “first mention” of the introductory APR should be the mention that the consumer’s eye will naturally light upon first. We believe that would be either the highest mention on the page or the largest-font reference if that is different. In many cases, both will coincide in the “Johnson box” that many direct marketers place at the top of the marketing letter.

Question 88. 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?

Consumers normally look first to the issuer’s marketing letter in order to understand the principal features of the product being marketed, and the marketing letter is designed to attract the consumer’s eye first. That is the document to which the requirements of the “first mention” of the introductory APR should apply. As a bright-line test, issuers should be required to meet those requirements on the same document on which the FTC-mandated prescreening opt-out disclosure appears, if the introductory rate is mentioned on that document.

Question 89. The expiration date for the temporary APR and the go-to APR also must be in a “prominent location” that is “closely proximate” to the temporary APR. What guidance, if any, should the Board provide on this requirement?

We submit that the requirement that the disclosures of the expiration date and the “go to” APR be in a “prominent location” and “closely proximate” (not merely

“proximate”) to the first listing of the introductory rate reflects the judgment of Congress that these account terms are necessary to the consumer to understand the value of the introductory-rate offer and hence must be disclosed in a way that the consumer will have all of these key terms simultaneously present in mind. We believe that the judgment of Congress on that point was clearly correct. To give effect to that judgment, we suggest that the requirement of close proximity would be met by a requirement that these terms be disclosed in the sentence preceding or following the first mention of the introductory APR; or, if the material is not being presented in narrative form, then within some closely defined spatial measurement, such as an inch or less. And, if our recommendation is adopted with respect to the “first mention” (Q87), we believe that these requirements of close proximity in conjunction with that concept of first mention will satisfy the “prominent location” requirement, with only some further admonition that the impact of the presentation not be defeated by means of smaller type than the surrounding material, footnote format, or similar means.

Question 90. Some credit card issuers’ offers list several possible permanent APRs, and consumer qualification for any particular rate is subsequently determined by information gathered as part of the application process. What guidance should the Board provide on how to disclose the “go-to” APR in the solicitation when the permanent APR is set using risk-based pricing? Should all the possible rates be listed, or should a range of rates be permissible, indicating the rate will be determined based on creditworthiness?

The best combination of clarity, simplicity, and importance is to state a range of rates, coupled with a statement that the customer’s actual rate will be determined based on creditworthiness. But an issuer that wishes to enumerate each possible rate should have the option of doing so.

Question 91. Regulation Z currently provides that if the initial APR may increase upon the occurrence of one or more specific events, such as a late payment, the issuer must disclose in the Schumer box both the initial rate and the increased penalty rate. The specific event or events that may trigger the penalty rate must be disclosed outside of the Schumer box, with an asterisk or other means used to direct the consumer to this additional information. The Bankruptcy Act requires that a general description of the circumstances that may result in revocation of the temporary rate must be disclosed “in a prominent manner” on the application or solicitation. What additional rules should be considered by the Board to ensure that creditors’ disclosures comply with the Bankruptcy Act amendments? Is additional guidance needed on what constitutes a “general description” of the circumstances that may result in revocation of the temporary APR? If so, what should that guidance say?

The requirements of the statute that conditions for revoking an introductory rate, and the resulting APRs, be disclosed “clearly and conspicuously” and “in a prominent manner” parallel the existing requirements for disclosure of many of the Schumer-box

contents. Therefore we believe that inclusion of the repricing conditions and the resulting APRs in the Schumer box or its successor such as the Fact Sheet that we have proposed (or in the case of the repricing conditions, under the current Schumer box, since current rules do not allow repricing conditions to be included in the box itself) would meet the statutory requirements of “prominent manner” and “clear and conspicuous.” However, we offer two further observations.

First, the concept of the statute is that introductory-rate solicitations pose a special need for consumers to understand the terms specifically applicable to the introductory rates. The circumstances in which that rate could be lost, and the consequences of losing it, are important terms that a consumer needs to have present in mind when deciding whether to accept such an offer. Hence, it would be desirable for an issuer, if those terms are not disclosed in the marketing message to the consumer, to direct the consumer to the Schumer box (or Fact Sheet) where they may be found. Issuers should be encouraged to do this, although the variety of manners in which information may be communicated in marketing materials makes it undesirable, we believe, for regulators to mandate a solution.

Second, the statute’s requirement that the issuer disclose only a “general description” of the circumstances in which the introductory rate can be lost is inconsistent with the need for the Schumer box or Fact Sheet to present specific information on that subject. Because the consequences of repricing can be so significant – much higher APRs, much larger finance charges – consumers need to know with specificity what circumstances can trigger repricing, both so that they can evaluate the desirability of the product before applying for it, and so that they can guide their behavior subsequently so as to minimize the risk of repricing. Therefore, if an issuer chooses to meet the requirements of “prominent manner” and “clear and conspicuous” by placing the required information in the Schumer box or its successor, then the issuer should be required to provide the specificity of information that we urged in our Z1 comment letter and that we show in our model Fact Sheet.

If an issuer presents the information in a different place – perhaps in a place close to the first mention of the introductory APR, to facilitate the consumer’s ready absorption of the key terms applicable to that introductory APR – then we believe that additional guidance from the Board on what constitutes a “general description” as contemplated by the statute would be desirable.

We suggest that, to be meaningful and useable, the circumstances that may result in revocation of the temporary APR be categorized as follows for purposes of the general disclosure:

1. Violations of account terms. This disclosure can be used for any violation that could trigger repricing. If only violations of specific terms, such as exceeding the credit limit or paying late, can trigger repricing, the “general description” should reference the Schumer box or its successor, which should include those triggers with specificity.

2. If the introductory rate is subject to repricing on account of a rule-break on another account, or because the quality of the customer's credit bureau report has declined, the disclosure should say that.

3. If the rate is subject to repricing pursuant to a change in the account's terms after advance notice, the disclosure should say that.

Question 92. The introductory rate disclosures required by the Bankruptcy Act apply to applications and solicitations whether sent by direct mail or provided electronically. To what extent should the guidance for applications and solicitations provided by direct mail differ from the guidance for those provided electronically?

Guidance for applications and solicitations provided electronically should be similar to that for direct mail. An obvious difference between the two media is the absence of hard-copy documents on-line, replaced by computer screens and links to different pages. The Board should take this difference into account when assessing the "first mention" of the introductory APR. On-line, the first mention should be the highest or largest-font reference to the introductory APR that appears on the first screen that the consumer sees that includes mention of the introductory APR. In the case of a banner ad, this would likely be the first screen to which the banner ad directs the consumer.

Question 93. Although the Bankruptcy Act provisions concerning Internet offers refer to credit card solicitations (where no application is required), this may be interpreted to also include applications. Is there any reason for treating Internet applications differently than Internet solicitations?

The Bankruptcy Reform Act's provisions concerning internet solicitations should also apply to internet applications, to the extent necessary to ensure that consumers applying on-line are exposed to those disclosures at the time that they apply for a credit card account, as long as the regulations do not require duplicative disclosures.

Question 94. What guidance should the Board provide on how solicitation (and application) disclosures may be made clearly and conspicuously using the Internet? What model disclosures, if any, should the Board provide?

Crafting prescriptions for clarity and conspicuousness for electronic disclosures is challenging because differences in screen sizes and other technical features make it infeasible, for example, to prescribe font sizes as the Board has done for paper disclosures. The Board might consider comparative standards. For example, the Board could require that the type size used for the Schumer box disclosures be at least as large as the type size used by the issuer for the application instructions, or for the narrative describing the features of the card – both of which the issuer would be certain to make large enough to be easily viewed and understood by the consumer. For elements within

those disclosures that the Board wants to make even more conspicuous, like APRs, the Board could consider requiring a larger type by some comparative standard (like 1.5x) or bold-face.

Question 95. What guidance should the Board provide regarding when disclosures are “readily accessible to consumers in close proximity” to a solicitation that is made on the Internet? The 2001 interim final rules stated that a consumer must be able to access the disclosures at the time the application or solicitation reply form is made available electronically. The interim rules provided flexibility in satisfying this requirement. For example, a card issuer could provide on the application (or reply form) a link to disclosures provided elsewhere, as long as consumers cannot bypass the disclosures before submitting the application or reply form. Alternatively, if a link to the disclosures was not used, the electronic application or reply form could clearly and conspicuously refer to the fact that rate, fee, and other cost information either precedes or follows the electronic application or reply form. Or the disclosures could automatically appear on the screen when the application or reply form appears. Is additional or different guidance needed from the guidance in the 2001 interim final rules?

We believe that the guidance provided in the Board’s 2001 interim final rules is sufficient to meet the requirements of the Bankruptcy Reform Act. Capital One follows that guidance for its on-line solicitations today. For consumers who visit Capital One’s web-site and apply for a card there, Capital One offers a link to the disclosures before the consumer begins the application process, and interposes a non-bypassable link to the disclosures before the application can be submitted. Consumers who apply by clicking on an application link in an e-mail solicitation from Capital One are directed to the Capital One web-site, where the disclosures are presented in the manner just described. Capital One strongly recommends that the Board *not* require extensive disclosures in e-mail solicitations (as long as the disclosures are subsequently delivered in the application process as we have described) because experience shows that long e-mails are ignored by consumers. They are also more likely to be blocked by internet service providers’ spam filters.

Question 96. What guidance should the Board provide regarding what it means for the disclosures to be “updated regularly to reflect the current policies, terms, and fee amounts”? Is the guidance in the 2001 interim rules, suggesting a 30-day standard, appropriate?

The 30-day standard for regular updating contained in the Board’s 2001 interim rules is not necessary, if the consumer in fact receives correct on-line disclosures applicable to the product applied for at the time the application is made. If that test is met, the statutory requirement for regular updating should be met if the issuer has a reasonable program for regular review of its web-site postings, without the Board mandating that the issuer’s review cycle be of a particular length.

Question 97. 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?”

For Capital One, the date on which the payment is due is the same as the earliest date on which a late-payment fee may be charged. If a creditor states an explicit grace period on its statement – analogous to the common practice with mortgages and utility bills – then the due date and the late-payment penalty date should be stated separately.

There is a customer-friendly practice of undisclosed grace-periods that the Board’s disclosure rules should accommodate. In some cases, a creditor may allow a small number of undisclosed days of grace after the stated due date, to accommodate occasional mail delays and to reduce the number of complaints from customers who insist that they mailed their payments on time, while still encouraging their customers to pay on time by clearly stating the due date without any grace period. The Board should allow this practice to continue, since in such cases, disclosing the presence of the grace period would defeat its purpose. To accommodate this practice, we think that the reasonable interpretation of the “earliest date on which a late-payment fee may be charged” is the earliest date after which the creditor has reserved the right to assess a fee, regardless of whether it does so as a matter of practice.

Question 98. 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?

To facilitate clarity and comparability of disclosures, the Board should consider format requirements along the lines suggested in the Board’s question. Model disclosures would be helpful. Capital One’s proposal appears on PS 1 and 2, attached to this letter.

Question 99. 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?

As we detailed in our Z1 comment letter, a midnight cut-off hour would cause severe operational problems for Capital One, and would be inconsistent with reasonable standards in other banking contexts, such as Regulation CC (2:00 p.m. an acceptable cut-

off time) and the UCC (same). We continue to urge the Board not to impose such a requirement. Particular disclosure requirements are not significant in comparison with the operational difficulties that an unreasonable cut-off requirement would pose.

We believe that the cut-off time should be disclosed somewhere in the materials available to the customer (Capital One customers who pay by mail will find our 3:00 cut-off time disclosed on the back of the remittance slip at the bottom of the periodic statement). But whether the cut-off time is disclosed as part of the late-payment disclosures mandated by the Bankruptcy Reform Act should be left to the issuer's judgment. Many issuers, including Capital One, set different cut-off times for different payment channels, adding to the potential complexity of the disclosure. Capital One's attached PS 1 and 2 provide an example of how the cut-off time might look as part of the late-payment disclosure disclosure.

Question 100. Failure to make a payment on or before the required due date commonly triggers an increased APR in addition to a late payment fee. As a part of the Regulation Z review, should the Board consider requiring that any increased rate that would apply to outstanding balances accompany the late payment fee disclosure?

The financial impact of the increased rate may in many cases be much greater than the impact of a late fee. Therefore, it is equally important, or more so, that the disclosure on the periodic statement include any increased rate that would apply in the event of late payment. If, like Capital One, a creditor has a policy of allowing a fixed number of late payments before repricing can occur, the customer should be warned of that policy in order to shape his or her behavior. For an example of that disclosure, see PS 1 and 2.

Question 101. The late payment disclosure is required for all open-end credit products. Are there any special issues applicable to open-end accounts other than credit cards that the Board should consider?

No, there is no reason to have a different standard for open-end credit products other than credit cards when it comes to the late payment disclosure requirement.

Question 102. 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?

Because "fair market value" can be an uncertain concept, especially as applied to real estate, it would be desirable for the Board to provide guidance on the definition of the term, including a list of acceptable criteria that can be used to determine it.

To be useful to the customer, the disclosure should be required if the new extension of credit, combined with existing mortgages, may exceed the dwelling's fair market value.

Question 103. 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?

In determining whether the debt “may exceed” a dwelling’s fair market value, only the initial amount of the loan or credit line and the current property value should be considered. A clear rule is needed in order to determine when this disclosure must be made.

Question 104. 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?

. Yes, it would be helpful if the Board provided model clauses or forms with respect to these disclosures.

Question 105. 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?

Capital One has no comment with respect to this question.

Question 106. 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?

Credit card accounts do not normally have a stated expiration date. The closest relevant concept is the expiration date of the card, after which the card must be reissued. It is reasonable for the Board to use that expiration date for purposes of implementing this requirement of the Bankruptcy Reform Act.

Question 107. 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?

Capital One has no comment with respect to this question.

Question 108. 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”?

If there is ambiguity in the term “inactivity,” the Board should provide guidance. A reasonable definition of inactivity is that there have been no transactions on the account initiated by the customer, and there is no outstanding balance.

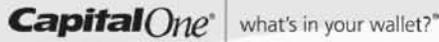
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Capital One appreciates the opportunity to comment on the Advance Notice of Proposed Rulemaking and commends the Board for moving forward expeditiously with this project in conjunction with its Z1 Advance Notice of Proposed Rulemaking. If you have any questions about this matter and our comments, please call me at (703) 720-2265 or Christopher Curtis at (703) 720-2255.

Sincerely,

/s/

Frank R. Borchert III
Senior Vice President and
Deputy General Counsel



VISA ACCOUNT
9999-9999-9999-9999

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PS1



Account Summary

Previous Balance	\$2139.00
Payments, Credits and Adjustments	\$100.00
Transactions	\$800.00
Finance Charges	\$16.43
New Balance	\$2855.43
Minimum Amount Due	\$85.65
Payment Due Date	Mar. 22, 2005
Total Credit Line	\$10,000.00
Total Available Credit	\$7144.57
Credit Line for Cash	\$10,000.00
Available Credit for Cash	\$7144.57

At your service

To call Customer Relations or to report a lost or stolen card:
1-(877)-534-6841

Visit www.capitalone.com today to manage your account online and receive valuable offers.

Send payments to: Send inquiries to:
Attn: Remittance Processing Capital One Services
Capital One Bank P. O. Box 85015
P. O. Box 790216 Richmond, VA
St. Louis, MO 23285-5015
63179-0216

LATE PAYMENT PENALTY: If you mail your monthly payment to us, it is due to us by 3 p.m. ET (12 noon PT) on the date stated above. Any payment received past this time is considered late, and your account will be assessed a Past Due Fee of \$29. After the first late payment, your Annual Percentage Rates (APRs) will not change. If your payment is late twice within 12 consecutive billing periods, all APRs associated with your account will change to 19.80%.

Rewards Summary (reflects transactions posted during this billing cycle)

PREVIOUS REWARDS BALANCE	\$3.87
GO CASH REWARDS 2/1-2/28	\$1.94
REWARDS TO BE ISSUED	\$9.00
BALANCE AS OF 2/28/05	\$5.81

Payments, Credits and Adjustments

1	21 FEB	PAYMENT - THANK YOU	-\$100.00
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Transactions

DATE	PURCHASES	
1 06 FEB	BED BATH & BEYOND RICHMOND VA	\$ 49.55
2 08 FEB	BORDERS RICHMOND VA	\$ 62.38
3 12 FEB	GUITAR CENTER RICHMOND VA	\$ 15.35
4 12 FEB	LOWE'S RICHMOND VA	\$ 86.22
5 20 FEB	TGI FRIDAYS MIDLOTHIAN VA	\$ 92.17
6 21 FEB	BLOCKBUSTER VIDEO #XXXX RICHMOND VA	\$ 8.95
7 25 FEB	AMAZON.COM SUPERSTORE	\$ 55.68
8 27 FEB	CREDIT INSURANCE PREMIUM	\$ 15.00
9 28 FEB	**FINANCE CHARGE**	\$ 16.43

Finance Charges

Please see reverse side for important information

	Balance rate applied to	Periodic rate	Corresponding APR	FINANCE CHARGE
PURCHASES	\$1884.76	.02712%	9.90%	\$15.85
CASH	\$.00	.05425%	12.90%	\$.00

ANNUAL PERCENTAGE RATE applied this period 9.12%

▼ PLEASE RETURN BELOW PORTION WITH PAYMENT. ▼



0000000 9 9999999999999999 99999999 99999999

New Balance

\$2855.43

Minimum Payment

\$85.65

Due Date

Mar. 22, 2005

PLEASE PAY AT LEAST THIS AMOUNT ↑

Amount Enclosed

Account Number: 9999-9999-9999-9999

Please print address or phone number changes below using blue or black ink.

Address _____

Home Phone _____ Alternative Phone _____

E-mail address _____ @ _____

JOHN Q. CUSTOMER
JANE Q. CUSTOMER
APT NO
123 MAIN STREET
ANY CITY, ANYWHERE 1234-5555

7 CAPITAL ONE
PO BOX 99999
ANY CITY, ANYWHERE 99999-9999

00004



Please write your Account Number on your check or money order made payable to Capital One, F.S.B. and mail with this coupon in the enclosed envelope.

PRICING & FEES			
9.9% Variable	Purchase APR	9.9% Variable 3% or \$50	Balance Transfer APR Balance Transfer Fee
\$10,000	Credit Line	12.9% Variable 3% or \$50 min.	Cash Advance APR Cash Advance Fee
\$0	Membership Fee	\$0.50	Minimum Finance Charge
\$29	Late Fee	3% or \$15	Minimum Payment
\$29	Overlimit Fee	25 days	Interest-Free Period for Purchases if balance is paid in full monthly. There is no interest-free period for Balance Transfers or Cash Advances
\$29	Returned Check Fee		

REASONS YOUR RATES MAY CHANGE		
You pay late or you pay less than the minimum requested.		<ul style="list-style-type: none"> • [Up to] XX% Default APR(s) • (creditor specific information for reduction or elimination of default APR)
You break a rule on another account with us.		<ul style="list-style-type: none"> • [Up to] XX% Default APR(s) • (creditor specific information for reduction or elimination of default APR)
You break a rule on an account with another creditor.		<ul style="list-style-type: none"> • [Up to] XX% Default APR(s) • (creditor specific information for reduction or elimination of default APR)
You have negative information show up on your credit report.		<ul style="list-style-type: none"> • [Up to] XX% Default APR(s) • (creditor specific information for reduction or elimination of default APR)
Your transactions go over your credit limit.		<ul style="list-style-type: none"> • [Up to] XX% Default APR(s) • (creditor specific information for reduction or elimination of default APR)
Your check is returned – unpaid.		<ul style="list-style-type: none"> • [Up to] XX% Default APR(s) • (creditor specific information for reduction or elimination of default APR)
Your terms may change from time to time due to market conditions or other reasons.		• Changes will be made in accordance with applicable law and the Card Agreement that will be sent with your card.

INFORMATION ABOUT YOUR APR & FINANCE CHARGES
Your APR is a variable rate that changes monthly based on the Prime Rate + 4.9%.
HOW YOUR FINANCE CHARGE IS CALCULATED: We figure the finance charge on each segment of your account by applying the periodic rate to the "average daily balance" of your account. To get the "average daily balance" we take the beginning balance of your account each day, add any new transactions and the periodic finance charge on the previous day's balance, and subtract any payments or credits. This gives us the daily balance. Then, we add up all the daily balances for the billing cycle and divide the total by the number of days in the billing cycle. This gives us the "average daily balance."

Lender includes any reasons that the rates of this product may change.

IMPORTANT INFORMATION ABOUT MAKING PAYMENTS
Your payments and credits will be applied to balances with lower APRs before balances with higher APRs.
Making only the minimum payment will increase the interest you pay and the time it takes to repay your balance. For more information call this toll free number: 1-800-000-0000.
Payments you mail to us will be credited to your account as of the business day we receive it, provided: (1) you send the bottom portion of this statement and your check in the enclosed remittance envelope and (2) your payment is received in our processing center by 3 p.m. ET (12 noon PT). Please allow at least five (5) business days for postal delivery. Payments mailed to another location or in any other form may not be credited the day we receive them. Our business days are Monday through Saturday, excluding holidays. Please do not use staples, paper clips, etc. when preparing your payment. When you send us a check(s), you authorize us to make a one-time electronic transfer debit from your bank account for the amount of the check. This authorization applies to all checks received during the billing cycle even if sent by someone else. If we cannot process the transfer, you authorize us to make a charge against your bank account using the check, a paper draft or other item.



VISA ACCOUNT
9999-9999-9999-9999

FEB 1 - FEB 28, 2005
Page 1 of X

PS2



Account Summary

Previous Balance	\$2139.00
Payments, Credits and Adjustments	\$100.00
Transactions	\$800.00
Finance Charges	\$16.43
New Balance	\$2855.43
Minimum Amount Due	\$85.65
Payment Due Date	Mar. 22, 2005
Total Credit Line	\$10,000.00
Total Available Credit	\$7144.57
Credit Line for Cash	\$10,000.00
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Capital One Bank P. O. Box 85015
P. O. Box 790216 Richmond, VA
St. Louis, MO 23285-5015
63179-0216

Rewards Summary (reflects transactions posted during this billing cycle)

PREVIOUS REWARDS BALANCE	\$3.87
GO CASH REWARDS 2/1-2/28	\$1.94
REWARDS TO BE ISSUED	\$9.00
BALANCE AS OF 2/28/05	\$5.81

Payments, Credits and Adjustments

1	21 FEB	PAYMENT - THANK YOU	-\$100.00
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Transactions

DATE	PURCHASES	
1 06 FEB	BED BATH & BEYOND RICHMOND VA	\$ 49.55
2 08 FEB	BORDERS RICHMOND VA	\$ 62.38
3 12 FEB	GUITAR CENTER RICHMOND VA	\$ 15.35
4 12 FEB	LOWE'S RICHMOND VA	\$ 86.22
5 20 FEB	TGI FRIDAYS MIDLOTHIAN VA	\$ 92.17
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8 27 FEB	CREDIT INSURANCE PREMIUM	\$ 15.00
9 28 FEB	**FINANCE CHARGE**	\$ 16.43

Finance Charges

Please see reverse side for important information

	Balance rate applied to	Periodic rate	Corresponding APR	FINANCE CHARGE
PURCHASES	\$1884.76	.02712%	9.90%	\$15.85
CASH	\$0.00	.05425%	12.90%	\$0.00

ANNUAL PERCENTAGE RATE applied this period 9.12%

MINIMUM PAYMENT WARNING: Making only the minimum payment will increase the interest you pay and the time it takes to repay your balance. For example, making only the typical 2% minimum monthly payment on a balance of \$1,000 at an interest rate of 15% would take 79 months to repay the balance in full. For an estimate of the time it would take to repay your balance, making only the minimum payments, call this toll-free number: 1-800-000-0000.

LATE PAYMENT PENALTY: If you mail your monthly payment to us, it is due to us by 3 p.m. ET (12 noon PT) on the date stated above. Any payment received past this time is considered late, and your account will be assessed a Past Due Fee of \$29. After the first late payment, your Annual Percentage Rates (APRs) will not change. If your payment is late twice within 12 consecutive billing periods, all APRs associated with your account will change to 19.80%.

▼ PLEASE RETURN BELOW PORTION WITH PAYMENT. ▼



000000 9 9999999999999999 99999999 99999999

New Balance	Minimum Payment	Due Date
\$2855.43	\$85.65	Mar. 22, 2005

PLEASE PAY AT LEAST THIS AMOUNT ↑

Amount Enclosed .

Account Number: 9999-9999-9999-9999

Please print address or phone number changes below using blue or black ink.
Address _____

Home Phone _____ Alternative Phone _____

E-mail address _____ @ _____

┌ CAPITAL ONE
PO BOX 99999
ANY CITY, ANYWHERE 99999-9999
└

00004

JOHN Q. CUSTOMER
JANE Q. CUSTOMER
APT NO
123 MAIN STREET
ANY CITY, ANYWHERE 1234-5555

Please write your Account Number on your check or money order made payable to Capital One, F.S.B. and mail with this coupon in the enclosed envelope.



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1. How To Avoid A Finance Charge.

- a. **Grace Period.** You will have a minimum grace period of 25 days without finance charge on new purchases, new balance transfers, new special purchases and new advance charges if you pay your total "New Balance", in accordance with the important notice for payments below, and in time for it to be credited by your next statement closing date. There is no grace period on cash advances and special transfers. In addition, there is no grace period on any transaction if you do not pay the total "New Balance."
- b. **Assessing Finance Charge.** Transactions which are not subject to a grace period are assessed finance charge 1) from the date of the transaction or 2) from the date the transaction is processed to your Account or 3) from the first calendar day of the current billing period. Additionally, if you did not pay the "New Balance" from the previous billing period in full, finance charges continue to accrue to your unpaid balance until the unpaid balance is paid in full. This means that you may still owe finance charges, even if you pay the entire New Balance indicated on the front of your statement by the next statement closing date, but did not do so for the previous month. Unpaid finance charges are added to the applicable segment of your Account.
- c. **Minimum Finance Charge.** For each billing period that your account is subject to a finance charge, a minimum total FINANCE CHARGE of \$0.50 will be imposed. If the total finance charge resulting from the application of your periodic interest is less than \$0.50, we will subtract that amount from the \$0.50 minimum and the difference will be billed to the purchase segment of your account.
- d. **Temporary Reduction in Finance Charge.** We reserve the right to not assess any or all finance charges for any given billing period.

2. Average Daily Balance (Including New Purchases).

- a. Finance charge is calculated by multiplying the daily balance of each segment of your account (e.g., cash advance, purchase, special transfer, and special purchase) by the corresponding daily periodic rate(s) that has been previously disclosed to you. At the end of each day during the billing period, we apply the daily periodic rate for each segment of your account to the daily balance of each segment. Then at the end of the billing period, we add up the results of these daily calculations to arrive at your periodic finance charge for each segment. We add up the results from each segment to arrive at the total periodic finance charge for your account. To get the daily balance for each segment of your account, we take the beginning balance for each segment and add any new transactions and any periodic finance charge calculated on the previous day's balance for that segment. We then subtract any payments or credits posted as of that day that are allocated to that segment. This gives us the separate daily balance for each segment of your account. However, if you paid the New Balance shown on your previous statement in full for if your new balance was zero or a credit amount, new transactions which post to your purchase or special purchase segments are not added to the daily balances. We calculate the average daily balance by adding all the daily balances together and dividing the sum by the number of the days in the current billing cycle. To calculate your total finance charge, multiply your average daily balance by the daily periodic rate and by the number of days in the billing period. Due to rounding on a daily basis, there may be a slight variance between this calculation and the amount of finance charge actually assessed.
- b. If the code Z or N appears on the front of this statement next to "Balance Rate Applied To," we multiply the average daily balance of each segment by your monthly

periodic rate. To obtain the average daily balance for the billing period covered by this statement, we take the beginning balance of each segment each day, add any new transactions to each segment, and subtract any payments or credits. (If the code N appears on the front of this statement next to "Balance Rate Applied To," we also subtract any unpaid finance charge included in the balance of each segment.) This gives us the daily balance of each segment. Then, we add up all the daily balances for each segment for the billing period and divide by the total number of days in the billing period. This gives us the average daily balance of each segment.

3. Annual Percentage Rates (APR).

- a. The term "Annual Percentage Rate" may appear as "APR" on the front of this statement.
- b. If the code P (Prime), L (3-mo. LIBOR), G (Certificate of Deposit), or S (Bankcard Prime) appears on the front of this statement next to the periodic rate(s), the periodic rate and corresponding ANNUAL PERCENTAGE RATES may vary quarterly and may increase or decrease based on the stated indices, as found in *The Wall Street Journal*, plus the margin previously disclosed to you. These changes will be effective on the first day of your billing period covered by your periodic statement ending in the month January, April, July and October.
- c. If the code D (Prime), F (1-mo. LIBOR or G (3-mo. LIBOR (Revised Monthly)) appears on the front of your statement next to the periodic rate(s), the periodic rate and corresponding ANNUAL PERCENTAGE RATES may vary monthly and may increase or decrease based on the stated indices, as found in *The Wall Street Journal*, plus the margin previously disclosed to you. These changes will be effective on the first day of your billing period each month.

4. Assessment of Late, Overlimit and Returned Payment Fees.

Your account will be assessed no more than two of the fees listed here that occur during any billing period. Under the terms of your customer agreement, we reserve the right to waive or not to assess any fees without prior notification to you without waiving our right to assess the same or similar fees at a later time.

- 5. **Renewing Your Account.** If a membership fee appears on the front of this statement, you have 30 days from the date this statement was mailed to you to avoid paying the fee or to have such fee credited to you if you cancel your account. During this period, you may continue to use your account without having to pay the membership fee. To cancel your account, you must notify us by calling our Customer Relations Department and pay your "New Balance" in full (excluding the membership fee) prior to the end of the thirty-day period.
- 6. **If You Close Your Account.** You can request to close your account by calling our Customer Relations Department. You must destroy your credit card(s) and account access checks, cancel all preauthorized billing, and close using your account. If you do not cancel preauthorized billings, we will consider receipt of a charge your authorization to reopen your account. Additionally, your account will not be closed until you pay all amounts you owe us including any transactions you have authorized, finance charges, past due fees, overlimit fees, returned check fees, cash advance fees and any other fees assessed to your account. You are responsible for these amounts whether they appear on your account at the time you request to close the account or they are incurred subsequent to your request to close the account. This may result in charges appearing on your account after you have requested the account to be closed or the reopening of

your account if it has already been closed. For example, if you authorized a purchase from a merchant and we receive the transaction from the merchant after your account has been closed, your account will be reopened, the amount of the charge will be added to your account, and you will be responsible for payment. If there is a membership fee for your account, the fee will continue to be charged, to the extent permitted by law, until the account balance has been paid in full as defined above.

7. Using Your Account.

Your card or account cannot be used in connection with any internet gambling transactions.

BILLING RIGHTS SUMMARY

In Case Of Errors Or Questions About Your Bill
If you think your bill is wrong, or if you need more information on a transaction or bill, write to us on a separate sheet as soon as possible at the address for inquiries shown on the front of this statement. We must hear from you no later than 60 days after we sent you the first bill on which the error or problem appeared. You can call our Customer Relations number, but doing so will not preserve your rights. In your letter, give us the following information: your name and account number, the dollar amount of the suspected error, a description of the error and an explanation, if possible, of why you believe there is an error; or if you need more information, a description of the item you are unsure about. You do not have to pay any amount in question while we are investigating it, but you are still obligated to pay the parts of your bill that are not in question. While we investigate your question, we cannot report you as delinquent or take any action to collect the amount you question.

4. Special Rule For Credit Card Purchases

If you have a problem with the quality of property or services that you purchased with a credit card and you have used in good faith to correct the problem with the merchant, you may have the right not to pay the remaining amount due on the property or services. You have this protection only when the purchase price was more than \$50.00 and the purchase was made in your home state or within 100 miles of your mailing address. (If we own or operate the merchant, or if we mailed you the advertisement for the property or services, all purchases are covered regardless of amount or location of purchase.) Please remember to sign all correspondence.

† Does not apply to consumer non-credit card accounts

‡ Does not apply to business non-credit card accounts

Capital One supports information privacy protection; see our website at www.capitalone.com.
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Important Notice: Payments you mail to us will be credited to your account as of the business day we receive it, provided (1) you send the bottom portion of this statement and your check in the enclosed remittance envelope and (2) your payment is received in our processing center by 3 p.m. ET (12 noon PT). Please allow at least five (5) business days for postal delivery. Payments received by us at any other location or in any other form may not be credited as of the day we receive them. Our business days are Monday through Saturday, excluding holidays. Please do not use staples, paper clips, etc. when preparing your payment. When you send us a check(s), you authorize us to make a one-time electronic transfer debit from your bank account for the amount of the check. This authorization applies to all checks received during the billing cycle even if sent by someone else. If we cannot process the transfer, you authorize us to make a charge against your bank account using the check, a paper draft or other item.