



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

via email delivery

Re: Docket No. R-1316; FACT Act Risk-Based Pricing Rule

Dear Ms. Johnson:

Target National Bank (the “Bank”) appreciates the opportunity to submit comments on the Federal Reserve Board’s (“Board”) proposed rule to implement the risk-based pricing provisions of the Fair Credit Reporting Act. The Bank is a CEBA credit card bank chartered in 1994. As a wholly-owned subsidiary of Target Corporation, one of the largest retailers in the United States, the Bank issues a Target[®] Visa[®] Credit Card and a private label Target Credit CardSM.

The Bank supports the Board’s goal of improving the accuracy of consumer reports. However, we would like to take this opportunity to comment on the timing requirement in the proposed rule.

For a new credit account, the proposed rule requires delivery of the risk-based pricing notice after the consumer is approved for an account but before the first transaction is made on the account. The Board requested comment on whether there are circumstances in which the notice should be permitted to be provided after the first transaction under the plan. We suggest for a new credit account when there is an in-person application and the first transaction is made on the account immediately after the account is opened, the notice should be permitted to be provided within a reasonable time after the first transaction.

In the retail context, an application for a credit account is usually processed at the time the consumer is paying for goods at the cash register. After the application is approved, only a few seconds elapse before the first transaction is put on the account. Requiring the notice to be provided within a few seconds while the consumer is making a purchase, especially using the table format provided in the Model Forms, would be extremely costly and very complex to implement, if not impossible.



The practical effect of the proposed timing requirement is likely to be that creditors who grant credit at retail locations will avoid the risk-based pricing notice by only offering one purchase APR to consumers. To appropriately manage risk, the purchase APR would be the highest APR the creditor offers, which would negatively impact consumers who would otherwise have qualified for a lower APR.

Moreover, providing the notice before the first transaction in this context does not benefit the consumer. Given the amount of information in the notice, it would be unrealistic to expect the consumer to review it at the point of sale, much less to take action if the consumer believes that an error in the report led to the less favorable pricing decision. The consumer is more likely to read the notice if it is provided in the same manner as other important account communications, and the consumer will still at that point have the opportunity to address any concerns about the accuracy of the consumer report.

Therefore, at least in the context of in-person applications where a transaction is made on the account immediately after the credit application is approved, we encourage the Board to allow the notice to be provided at a later time, such as when the consumer receives the plastic credit card or with the first periodic statement.

Very truly yours,

TARGET NATIONAL BANK

By: /s/
Susan K. Smith
Secretary and General Counsel