

**Docket No. R-1314 (Regulation AA)**  
**Docket No. R-1315 (Regulation DD)**  
**Meeting at the Federal Reserve Board on June 26, 2008**

On June 26, 2008, representatives from Washington Mutual met with Governor Randall Kroszner and members of the Board's staff to discuss the Board's proposed rules under the Federal Trade Commission Act (Regulation AA) and the Truth in Savings Act (Regulation DD).

The meeting was attended by Kerry Killinger, Anthony Vuoto, John Robinson, Scott Gaspar, and Allison Watson on behalf of Washington Mutual. Also in attendance were Scott Alvarez, the Board's General Counsel, and staff from the Board's Legal Division and Division of Consumer and Community Affairs.

Washington Mutual's representatives made the following points during the meeting:

Credit Card Proposals

- Washington Mutual's practices are already consistent (or can be made consistent through minor adjustments) with the Board's proposals regarding time to make payment, fees for exceeding the credit limit caused by credit holds, two-cycle billing, fees for the issuance or availability of credit, and firm offers of credit.
- With respect to the Board's proposal regarding application of increased rates to existing balances, Washington Mutual expressed concern that it would be prevented from increasing the rate on existing balances to reflect an increased risk that the account will go into default and be charged-off. In addition, the proposal would negatively affect existing credit card-backed securities, which were structured based on the expectation that accounts could be repriced. If this proposal were implemented, Washington Mutual would be forced to raise the interest rates it offers to all consumers and to reduce available credit. Washington Mutual encouraged the Board to permit repricing when consumers exhibit behaviors that increase the likelihood that the account will be charged off: paying late, exceeding the credit limit, or bouncing a check. With respect to late payment, they believe the 30-day delinquency exception should be shortened significantly.
- With respect to payment allocation, Washington Mutual believes that the Board's proposal will make it unprofitable and unsound to offer zero-percent promotional rates, denying consumers the benefit of those rates. Washington Mutual also noted that its payment allocation practices have not produced a significant number of complaints from its customers.

### Deposit Account Proposals

- Washington Mutual's practices are already consistent (or can be made consistent through minor adjustments) with the Board's proposal requiring an opt-out from the payment of all overdrafts as well as the proposed disclosure rules under Regulation DD.
- With respect to the partial opt-out for automated teller machine and point-of-sale debit card transactions, Washington Mutual believes the proposal would be difficult and costly to implement and confusing for consumers.
- With respect to fees caused by debit holds, Washington Mutual believes the proposal would be difficult and costly to implement and that the cost is not justified because of the infrequency of this type of fee. Washington Mutual requested that the Board explore requiring disclosure at point of sale or requiring banks to refund fees contested by the consumer.

### Liability Under State Law

- Washington Mutual expressed concern that a prospective rule prohibiting established practices on the grounds that they are unfair or deceptive under the FTC Act will result in litigation under similar state statutes, including claims seeking to apply the rules retroactively or to acts that occur between issuance of the rule and its effective date.