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Subject: Regulation AA

As a retired lawyer, I have represented credit card companies, been general counsel to a downtown Dallas bank, and done other work for creditors. I have also done a lot of work for hard-pressed debtors, and as someone who has suffered health and other misfortunes beyond my control, my wife and I have some first-hand experience, I have some opinions about credit card abuses and the need for fundamental reform of this industry.

Business Week has carried some documented articles about abuses by credit card companies, including Capital One, including intentionally setting due dates on days that they do not post payments to increase defaults and late fees, manipulating credit limits to generate over-limit fees, etc., and pointed out the huge percentage of the income they book that comes from such penalty fees assessed against vulnerable consumers. These contracts are unconscionable.

Capital One pretended to be friends of my very vulnerable wife, who they knew was disabled, not working, and on SSI, and got her to take out four (4) of their credit cards rather than one with the same total limit. For openers, that means four (4) annual fees, four sets of high and almost as high interest portions, compounded, and four default and over-limit penalties every month. The way the contract is written, you are late if they decide not to post your payment on time, not if your check or on-line payment is not timely. One of those moves triggers not one but four $29.00 late fees, reductions in limits, and thus four $29.00 over-limit fees, under "universal default" and other such unconscionable gimmicks. Interest rates go to 30 – 33%, compounded. There is n way the average Capital One customer can get out of that trap.

Now being unable to pay an unexpected medical bill will also trigger steep interest rate hikes, universal default, etc.

A small businessman I know mailed his payment in plenty of time but it was posted late, so they hit him with a late fee, cut his credit limit way below his balance, doubled his interest rate, and hit him with over-limit fees.

Credit card debt long outlawed under the applicable law of the consumer's residence, etc., is sold back and forth between entities and reported to credit bureaus by each of them as though it were recent defaults on still lawfully enforceable debt.

The existing Fair Debt Collection Practices Act and regulations thereunder are full of holes and offer no real protection or deterrent for abuses, because the credit card companies, collection agencies, and pennies on the dollar old debt speculators have paid off Congress on this and other bills, and the regulators. I have seen too many clients referred to me after their wives had been driven to attempt suicide by these abuses.

The alleged disclosures by credit card companies are clearly calculated, drafted, and printed to prevent the average consumer from reading and understanding them, and to take unfair advantage of them and rip them off.

I'm not an expert on the accounting and tax angles behind some of this, but there must be some, given some of the otherwise insane behavior I have seen by major real banks that issue cards as well as by the so-called credit card banks that don't take deposits or make business loans. One client, a $30,000.00 a year defense plant worker, called his major bank after midnight from a riverboat casino, after having been allowed to get ahead and convinced he was on a winning streak, whereupon they raised his limit to $70,000.00, all of which, as well as his winnings, he promptly lost. My typical bankruptcy client owed two and a half years' gross income just in credit card debt by the time they came to me. One received new cards and credit totaling $13,000.00 which they picked up at the post office on the way to their Chapter 7 Creditors' Meeting, a month after these credit card companies had been notified that he couldn't pay what he already owed them and had filed for bankruptcy. One doctor and hospital got a client who had just suffered a heart attack, forcing him to retire, to put, and they put, his open heart surgery and hospital bill, totaling several more years' income, on credit cards. Somehow, this game of building up a bottom line out of unpaid questionable card tickets benefits these card companies so they don't act like they care about the chances of getting paid, except to engage in abusive collection tactics later. Is this a stock or borrowing scam?

These credit card and other banks issuing this credit are headed by really or supposedly really smart people with M.B.A. and finance degrees and they have to know what they are doing, while it is clear that the average consumer does not.

The last solid figures I have seen, from the Office of U. S. Trustee and from pro-business publications, reveal that the special provisions the credit card industry bought from Congress and paid $40 million that they admit, and more they didn't, for, did not have as much of the desired effect as actually or allegedly expected, and that nearly 60% of debtors are hard enough off that they can still discharge their credit card debt. I could have told you this would happen. Of course, Congress' own Bankruptcy Reform Commission, which they paid a lot of money to advise them, tried to tell them the credit card industry's story was a pack of lies, but they didn't listen because the industry bought them.

Please don't let the card issuers and their allies buy you this time.
Please give us real, effective reform.

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