

From: Lawrence Tabone <letabone@yahoo.com> on 08/22/2005 12:15:03 PM

Subject: Truth in Lending

Jennifer J. Johnson

Secretary

Board of Governors of the Federal Reserve System

20th Street and Constitution Avenue, NW.

Washington, DC 20551

Dear Ms. Johnson:

Because of a recent experience with a credit card issuer, I have taken an interest in the regulation of credit card company practices. It has always been my understanding that credit card companies are required to send me an application for a credit card. A lawyer I contacted stated that this understanding is correct and directed me to 15 U.S.C. § 1642. After reading that statute and the comments interpreting Regulation Z, I am also of the opinion that credit card issuers cannot send "renewal" credit cards years after the prior card expired. When the creditor was confronted with the fact they could not be renewing a credit card that expired years ago and that I thought was closed, they claimed to be sending me a substitute credit card. Having had no contact with the creditor in years, they seem to be claiming that because they have turned their proprietary card into a co-branded card, they can send me an unsolicited credit card as a substitute. I think this is a flagrant violation of 15 U.S.C. § 1642 and the old account is being used as a pretext.

I am an extremely busy individual who does not like receiving extra work from those I do business with. I am tired of receiving unsolicited debit cards, "convenience" checks, and now unsolicited credit cards from financial institutions I do business with, or at one time did business with. Every unsolicited card or check I receive I have to shred. I also have to worry about the ones that get "lost" in the mail. Even though my liability is capped for unauthorized use, in most cases, it is still an inconvenience for me to have to dispute the charges. Further, as most consumers who have disputed unauthorized charges in the past know, the burden of proof is on the consumer, regardless of what the statutes, rules and Federal

Reserve's comments state. In addition to the time and frustration that comes with these disputes, a cap of liability at \$50 is still a lot of money for many people and I would be strongly against any increase in that cap. I suspect an increasing number of unauthorized uses are going to occur as a result of the cyber security breaches at financial we've all been reading about recently. I do not think you should be rewarding financial institutions for their careless loss of my private financial information.

Finally, as long as you are reviewing Regulation Z might I suggest that: 1) all of the material terms of a credit card agreement or other credit agreement need to be disclosed on the application and at least a 10 point font; 2) that all fees be included in the "Schumer box;" 3) that all payments must be credited to the account on the business day they are received (i.e., do not allow creditors to assess a late fee because their internal cutoff is 10 a.m. when they know mail does not arrive until 11 a.m.); & 4) the elimination of mandatory binding arbitration clauses. This last request is especially important because consumers are being deprived of their day in court because of mandatory arbitration clauses. Not only are most creditors now including them, but they are requiring the use of forums that are decidedly anti-consumer.

The Federal Reserve needs to take the following actions when it amends Regulation Z and its official interpretation of Regulation Z:

1) Substitution is permissible only when the access to a new feature on the underlying account requires that a new card be issued.

2) Substitution or renewal can only occur on active accounts (i.e., a transaction in the last 12-18 months) or in the case of an expiring card, within three months preceding the expiration.

3) The burden of proof of compliance or that the use was authorized is on the lender. The lender should have to prove that the account was not part of a block of accounts that were compromised, that it was an accountholder and not merely a resident at the same address who activated the card.

4) Requiring creditors to have an opt-in system for receiving "convenience checks" and other unsolicited account access devices.

5) Requiring disclosure of all material terms in a clear and conspicuous manner.

6) Where there is a conflict between the promotional terms in big/bold print and the fine print of the account agreement, the terms more favorable to the consumer control.

7) Require at least one billing cycle's notice of changes in terms required to be disclosed under TILA.

Unfortunately I am too busy to keep up with all of the regulatory changes being proposed and the concerns stated above are only the tip of the iceberg. It is my hope that the Federal Reserve Board will remember that just as commerce requires the participation of buyers and sellers, a successful banking system requires the participation of debtors and creditors. The current regulatory environment has allowed increasingly one-sided account agreements to become the norm and has contributed to consumers becoming plagued by unmanageable debt. Consumers' who are stuck paying off usurious loans (especially after you pile on the extremely punitive fees) are unable to make additional purchases. I think we could agree that a banking system cannot thrive where the overall economy is suffering.

Sincerely,

Lawrence Tabone

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