

December 16, 2005

Ms. Jennifer J. Johnson
Secretary
Board of Governors of
the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

Re: Docket No. R-1217

Dear Ms. Johnson:

Fiserv, Inc. (“Fiserv”) appreciates the opportunity to comment to the Board of Governors of the Federal Reserve System (the “Board”) on its plans to implement the amendments to the Truth in Lending Act (“TILA”) made by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (the “Bankruptcy Act”) into its Regulation Z.

Fiserv provides information management systems and services to the financial and health benefits industries, including transaction processing, business process outsourcing, and software and systems solutions. The company serves more than 16,000 clients worldwide, including banks, credit unions, financial planners, investment advisers, insurance companies and agents, lenders, and savings institutions.

General Comments on Minimum Payment Disclosures

We would like to focus our comments primarily on the portion of the Bankruptcy Act that requires creditors that extend open-end credit to provide a disclosure on the front of each periodic statement about the effects of making only minimum payments. We strongly encourage the Board to develop its regulations to implement this requirement in a way that strikes an appropriate balance between giving consumers meaningful information without creating excessive processing and other costs. It is important that the Board maximize the flexibility for creditors and their processors to develop solutions based on the terms of their open-end credit plans and the features and limitations of their processing systems.

Of course, the purpose behind the minimum payment disclosure requirement is to help consumers understand how long it will take them to pay off their open-end credit balances if they make only minimum payments every month. However, the Board’s ANPR highlights the challenge presented by this mandate. A meaningful estimate of the number of months it would take to pay off a balance on an existing account, much less a calculation of the actual repayment period, requires the making of a number of assumptions, including some that are based on unknown future events.

For example, most open-end credit plans charge interest on a true “simple interest” basis. That is, interest accrues on the account each day on the outstanding principal balance. When the creditor receives a payment, it will apply the payment first to accrued interest (and possibly other charges), and then apply the remaining amount to the principal balance. Therefore, the precise allocation of a payment will depend on the exact date that the payment is received by the creditor. For purposes of providing an estimated repayment period, a creditor could assume that all future payments will be received on their exact due dates. However, unless the consumer has arranged for automatic payments to be made on the due dates, that is not likely to occur. If the consumer regularly makes payments early or late, the repayment period will be affected.

In addition, many open-end credit plans provide for interest rates that vary based on changes in a specific index. Of course, changes in the interest rate will also affect the repayment period if the minimum payment is based on a fixed percentage of the outstanding balance.

Because of all of these variables, we encourage the Board to resist the temptation to make the minimum payment disclosure requirement unnecessarily precise. Consumers that are interested in this information will be served as well by a reasonably accurate estimate as by a disclosure that appears to be more precise, but is, in fact, just an estimate because of the inevitable assumptions about unknown future events. For example, it doesn’t seem that it would make any real difference in a consumer’s understanding if he or she is told that an existing balance would be paid off in 55, 60, or 65 months.

Exempt Accounts or Transactions

Question 59- Consistent with our general recommendation, we encourage the Board to take a broad approach to providing for exceptions that will ensure that information provided to consumers is meaningful.

First, we encourage the Board to consider a broad exemption for all accounts other than credit card accounts or other similar types of accounts. It is our opinion that the minimum payment disclosure will have very little meaning, and may actually be misleading, for many other types of accounts.

For example, many creditors offer home equity line of credit (HELOC) accounts, in which only periodic interest payments are required. For such an account, making only minimum required payments would NEVER pay off the outstanding balance, something that a consumer who opens this type of account should understand. Many other HELOC accounts have a set maturity date at which time the consumer must either pay off the entire balance or refinance it. Still others provide for individual advances to be paid off based on a fixed amortization schedule that is established at the time of the advance. In that case, a consumer who makes minimum required payments would only pay off the entire balance when the advance with the latest maturity date is paid off. Providing a disclosure on every periodic statement for this type of account would serve no more purpose than reminding a borrower on a closed-end loan every month of when the maturity date for the loan is.

In addition to an exemption for accounts based on their repayment terms, we would encourage the board to adopt exemptions for accounts for which a creditor provides more specific information than the Bankruptcy Act requires. For example, it is our opinion that a creditor that has the appropriate calculation tools available might prefer to provide information about the repayment period directly on periodic statements instead of establishing and staffing a toll free telephone number to provide these estimates.

Congress has already provided an alternative for creditors to avoid providing the hypothetical example if it provides actual repayment periods to consumers through a toll free number. Logically, a creditor should be able to avoid the need to establish a toll free number if it provides the information directly on periodic statements.

Question 60- We favor an exemption like this for creditors that have the capability of supporting it. However, we also think that exemptions based on an entire class of accounts, rather than this type of consumer-level exemption, would be more useful to creditors.

Question 61- For the reasons described above, we think that minimum payment disclosures are meaningless, and should not be required, when individual advances on an account have fixed repayment periods.

Hypothetical Example

Questions 62-64- It is our opinion that the hypothetical example mandated by the Bankruptcy Act is more likely to be confusing to consumers than helpful, generally for the reasons stated in the ANPR. Therefore, we encourage the Board to exercise its discretion as much as possible to eliminate the need for creditors to provide the example (such as by adopting some of the general exemptions described above), or by allowing creditors to modify the example as appropriate to make it more relevant to the consumer's actual account and payment terms.

Assumptions for Calculating Estimated Repayment Period

Question 65- We strongly encourage the Board to adopt final regulations that make it clear that the estimates provided by creditors may be based either on the tables developed by the Board or more specific information about the creditor's actual accounts. It is our opinion that the Bankruptcy Act's requirement for the Board to develop the tables is designed to assist creditors who may not have calculation tools readily available. However, as clearly illustrated by the Board's discussion, the number of variables involved will make it practically impossible for the Board to develop tables that accurately cover all creditors' actual repayment terms. It would clearly be counterproductive to require a creditor to use one of these tables to provide estimates to consumers when doing so would increase a creditor's compliance costs and provide less useful information to consumers.

Questions 66-75- As stated above, we strongly encourage the Board to provide creditors and their processors with as much flexibility as possible. Several of the questions in this series (for example, questions 68, 73, and 74) propose alternative ways to address certain issues. We cannot provide specific cost information about any of these proposed alternatives. However, it is safe to

assume that some of these alternatives would be very costly for some creditors and their processors, and much less costly for others. Therefore, we encourage the Board to adopt these items as options, and not as requirements.

Disclosures About Assumptions

Question 76- Clearly, any disclosure of the repayment period will be based on a large number of assumptions, whether they are assumptions about the repayment terms of the account or assumptions about future events. It is our opinion that any attempt to explain all or any significant portion of these assumptions on the periodic statement will take up a significant amount of space on the statement and may detract from more important information. It may also make the disclosure unnecessarily confusing.

We think it is important to remember that this disclosure is meant to be, and by its nature must be, an ESTIMATE. Therefore, we recommend that the periodic statement say simply that the number of months to repayment is “approximately” or is “estimated to be” a certain amount. As a matter of customer service, we think that creditors will want to be prepared to explain to customers who want more information what assumptions the estimate is based on. However, we don’t think that the value of requiring an explanation of these assumptions is justified by the additional compliance costs and customer confusion it would create. This approach is consistent with the other portions of Regulation Z that allow a creditor to provide estimated disclosures without explaining what those estimates are based on. For example, see sections 226.5(c) and 226.17 (c) of Regulation Z.

Option to Provide Actual Number of Months to Repay

Question 77- For the reasons stated above, we encourage the Board to provide as much flexibility as possible in satisfying these requirements, including the disclosure of an “actual number of months” to repay. Of course, as also explained above, ANY amount provided to a consumer will be estimated at least to some extent because of the possible effect of unknown future events. Therefore, we encourage the Board to allow creditors to satisfy this requirement by disclosing an amount based on as few factors as possible. It is our opinion that this requirement should be satisfied if the disclosure is based on (1) the current interest rate, (2) the actual minimum payment amount, and (3) the balance calculation method for the account.

Question 78- We encourage the Board to build some tolerance into its final regulations so that creditors are not required to incur unnecessary costs in attempts to obtain additional precision that will have no real value for consumers. Because this disclosure is designed to produce a result that is necessarily estimated, we question whether a mathematical tolerance is appropriate. We recommend that a creditor be deemed to have satisfied this requirement if it either (1) bases the disclosure on good faith use of one of the methods permitted by the Board, or (2) provides a disclosure that is within a certain percentage (such as 25%) of the “actual” amount that would have been disclosed using any of the Board’s approved methods.

Alternative Approaches

Question 82- As explained above, we encourage the Board to allow creditors to disclose the actual number of months to repay on the periodic statement and to thereby be exempted from maintaining a toll-free telephone number and including the potentially misleading hypothetical example. Many creditors and processors already have the capability to produce and disclose these amounts, in some cases because of steps taken to comply with state laws. However, this approach should be optional.

Clear and Conspicuous Standard

Questions 83-84 We encourage the Board to adopt “clear and conspicuous” requirements that are as flexible as possible while satisfying the Bankruptcy Act’s directive. For example, we think that model language to be used on periodic statements would be useful. However, we also think that objective requirements concerning type size, relative prominence, or position of the disclosure could result in potentially costly redesigns of periodic statements without any corresponding benefit to consumers.

Payment Deadlines and Late Payment Disclosures

As with the minimum payment disclosures, we encourage the Board to develop regulations that will provide creditors and processors as much flexibility as possible to implement the disclosures relating to payment deadlines and late payment penalties.

Question 97- There are several different scenarios in which the date a payment is due may be different from the earliest date on which a late payment may be charged. For example, some states only allow a late payment fee to be charged if a payment is received more than a specified number of days after its due date. Other creditors may consider a payment “late” for purposes of reporting to a credit bureau, even if a late payment fee is not imposed until a later date. Also, creditors may have a “due date” by which payment must be made to avoid payment of interest, and this date might be several days before the date on which a late charge would be assessed.

Question 98- We do not think any specific additional guidance is needed on how these disclosures could be made “clear and conspicuous”. We encourage the Board to avoid specific format requirements, such as type size, relative prominence, and location.

Question 99- We do not think the Board should require disclosure of a cutoff hour on periodic statements. Because a high percentage of payments are sent by mail, consumers usually have very little control over the exact day, much less the exact time, that a payment is received by the creditor. Because of this, many creditors provide consumers with an undisclosed “grace period” before imposing a late payment fee to give consumers a cushion against unexpected delays in delivery.

Question 100- We encourage the Board not to adopt any additional disclosure requirements beyond those required by the Truth in Lending Act, including the disclosure of an increased APR for late payment.

Thank you for your consideration of these comments.

Sincerely,

John C. Mezzanotte
Vice President
Assistant General Counsel
Fiserv, Inc.