

**From:** "caroleday1" <caroleday1@cox.net> on 03/15/2005 02:51:34 PM

**Subject:** Truth in Lending

96 Lost Acres Road  
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March 14, 2005

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

In re: Docket No. R-1217

This in response to your request for comments on open-ended credit agreements and more specifically questions 5, 10, 11, 12, 30 and 52.

I teach Financial Intermediary Regulation at the University of Connecticut School of Law.

My comment relates to the inadequate notice in the monthly statements designed by Bank of America for its US Airways® Visa Signature® Card. My concerns regarding adequate notice can be best described by a recent incident that occurred earlier this year when I used this card.

I pay \$80 a year for the ability to use this card. I usually pay my balance in full each month. On my January statement the balance was \$4,204.90. When I removed the portion of the statement the bank designed to remit what I owed, it only referred to the minimum amount due (roughly \$67). I, of course, paid roughly what I remembered as the balance – and sent a check for \$4200 and it was processed on 1/14/2005 – well before the due date.

Much to my surprise, the February statement included a “Purchase Finance Charge” of \$54.63 for January’s *entire* average monthly balance (4204.90) because what I paid was \$4.90 short of the balance due. I agree that I owed the bank \$4.90

and the interest on this amount. But, the bank contended it was entitled to interest on the entire monthly January debt even though they had my payment and the float for virtually all of the debt on 1/14/2005. When I called and asked why, the bank the said the entire \$54.63 was all interest (no late fee) and that's the way it worked.

As a result, the bank attempted to charge me roughly an annual interest rate of 34,000% + on my \$4.90 debt. If, I paid even more that month, but still less than the total balance due (even by 1 cent), the effective interest rate would have been even higher.

I paid the entire amount due on the February statement, including the \$ 54.63 January Personal Finance Charge, while reserving my right to contest the charge under federal (The Truth –in- Lending Act and Regulation Z) and any other applicable state law.

I filed my complaint with the Federal Reserve Board in mid-February, but to date have heard nothing back. Several days ago, a representative of Bank of America called indicating they were waiving the entire Personal Finance Charge. I pointed out that I still owed interest on the \$4.90. The bank said no. They insisted on waiving the entire Personal Finance Charge as a courtesy.

I informed the bank that even with the waiver, I intended to file written comments to the Federal Reserve so other consumers could better understand how the so-called “grace period” could work to their disadvantage.

Consumers and the bank's fiduciary reputation would be better served by a simple explanation or warning on what happens if one fails to pay the balance even by a penny. The notice should be placed below the balance due (as opposed to the minimum due) amount and read as follows: **“If you do not pay the entire amount due, you will pay interest on the entire monthly balance. This will happen even though you are paying more than the minimum amount listed below to avoid a late charge.”**

Or even better: **“You will be charged interest only the debt you owe on the due date.”**

I know that some have argued for disclosure on how much one would pay if they pay only the minimum amount due. I believe the problem I experienced is far more insidious and can result in charges far in excess of the late fee.

My concerns are reinforced by the bank's electronic bill paying system, which I started to use this month in response to an e-mail they sent me asking me to sign up. The electronic statement for the credit card is much like the paper copy. When you finally get to the last screen, it asks you to pay and fill in "how much." The only number showing is the minimum amount due. Unless you wrote down the balance or had a fantastic memory, you have scroll back to get the precise amount and then write it down and then scroll to the payment screen to enter the balance due in place of the dollar amount the bank has inserted for the minimum payment. This system, under the guise of convenience, lends itself to a very efficient process to extract monthly finance charges.

I realize in a period of a flattening yield curve, the banks are under pressure, but this practice seems well beyond what is appropriate – if not abusive and maybe even a predatory practice aimed at the middle class and even others further up the ladder. In addition, the existing disclosure statement by the bank on why and how it reaches this result is far from clear, if not misleading.

I believe what the bank has done to me violates the Truth-in-Lending Law, Regulation Z and possibly a number of other federal and state laws. I think the bank understands this inequity and potential abuse by the adamancy that accompanied its waiver of the entire finance charge.

Thank you for your kind consideration.

Very truly yours,

John G. Day

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