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Re: Regulation Z - Truth In Lending [R-1217]

To whom it may concern:

I applaud efforts to tell credit card customers how long it will take to pay off their balances. However, I believe the proposals regarding “hypothetical cases” are fraught with opportunities for confusion and deception. The only circumstances relevant to a customer are his own.

Further, the required computations are too complex to be done by giving pre-computed tables to customer service representatives. It is common for a customer to have portions of his loan at different interest rates, with interest rate changes scheduled as promotions expire. Thus, no two customers are alike.

Accordingly, the computations need to be done by the lender’s computer when the statement is prepared (and also available interactively to customer service representatives). I propose that the relevant part of the statement should look like this:

Current balance	\$1565.23	which you may pay in full if you wish.
Minimum payment	\$ 36.00	due November 30, 2005.
If you pay	\$ 36.00	per month, you will pay off this balance in 11 years 3 months.
If you pay	\$ 75.23	per month, you will pay off this balance in 5 years.
If you pay	\$ 182.98	per month, you will pay off this balance in 1 year.

These projections assume there will be no changes in finance charge rates except that temporary promotional rates will expire as scheduled.
In reality, finance charge rates may change in the future.

The line about promotional rates can be omitted if there are none in effect. If promotional rates are in effect, then every statement must show exactly when they will expire – a piece of information that is presently often omitted.

Finally, beware of the phrase “pay the minimum payment every month.” As the balance goes down, so does the minimum payment, and the balance is never paid off. The only reasonable practice is to “pay this month’s minimum payment every month.”

Yours sincerely,

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