



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

Attn: Docket No. R-1217:

The Minnesota Bankers Association (MBA) is pleased to have the opportunity to comment on the second advance notice of proposed rulemaking regarding the open-end credit rules of Regulation Z. The MBA is a trade group representing over 460 Minnesota banks. The MBA membership includes a broad range of banks, from independent community banks to regional banking organizations operating in multiple states.

The MBA supports the Board's integrated approach to the changes mandated by the Bankruptcy Act. Implementing the Bankruptcy Act amendments to the Truth in Lending Act as part of the overall review of Regulation Z should cause less of a regulatory burden for banks than implementing the changes separately.

Minimum payment disclosures

The MBA encourages the Board to limit the minimum payment disclosure requirements to open-end loans without a fixed repayment period, such as credit cards. It appears that Congress meant to specifically address loans without a fixed repayment period, because consumers are more likely to make minimum payments over a long period of time on such loans. The disclosures would be appropriate because they would make clear to consumers how long they are stretching out debt when they make only minimum payments.

Conversely, open-end loans with a fixed repayment period should be exempt from the minimum payment disclosure requirements because the date of the final payment is disclosed at account opening. Consumers would clearly know that the balance would have to be paid off by that date. Exempting these loans would also keep small banks with traditional products from having to change their disclosures and eventually setting up a toll-free number.



Introductory rate disclosures

The MBA believes that the current “clear and conspicuous” standard is the best method for protecting the interests of consumers without unduly burdening creditors. Because of the regulatory burden inherent in changing the disclosure standard, the MBA does not believe that the Board should set a different standard without clear evidence that another method would be more understandable to consumers.

The MBA believes that placing the word “introductory” either immediately before or after the APR should satisfy the “immediate proximity” requirement in the Bankruptcy Act.

Internet based credit card solicitations

Because the Bankruptcy Act amendments regarding Internet based credit card solicitations do not expressly apply to Internet applications, the MBA does not believe that the Board should include applications in the Regulation Z amendments.

Disclosures related to payment deadlines and late payment penalties

The Board asks for a circumstance where a payment due date and the date a late fee may be assessed could differ. Under one of Minnesota’s usury laws often used for open-end loans, a late fee may not be charged until the tenth day after a payment is due, so under this Minnesota law the due date is different than the late fee date.

Naming the date that a late fee may be assessed in close proximity to the payment due date, should satisfy the “clear and conspicuous” standard in the Bankruptcy Act. The MBA would oppose any requirement that would prohibit creditors from having a reasonable cutoff hour for accepting payments. Since most credit card payments are made by mail, not handed in person by the consumer to the creditor, the idea of prohibiting creditors from having a reasonable cutoff hour seems unduly burdensome in relation to the benefit conferred.

Disclosures for home-secured loans that may exceed the dwelling’s fair-market value

To make the Bankruptcy Act amendments meaningful, the MBA believes that the disclosures should be given when a new extension of credit combined with existing mortgages may exceed the dwelling’s fair-market value. When the loan is a line of credit, the entire credit line should be considered. It would be helpful to have model language available for these disclosures.

The MBA appreciates the opportunity to comment on this proposed rulemaking.

Sincerely,

Tess Rice
General Counsel

