



October 12, 2007

VIA EMAIL

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551
regs.comments@federalreserve.gov
Docket No. R-1286

RE: Truth in Lending: Docket No. R-1286; Revisions to Rules for Open-End Credit Not Home-Secured.

Dear Ms. Johnson:

The Wisconsin Bankers Association (WBA) is the largest financial trade association in Wisconsin, representing approximately 300 state and nationally chartered banks, savings and loan associations, and savings banks located in communities throughout the state. WBA appreciates the opportunity to comment on the proposed revisions to Truth in Lending's implementing Regulation Z regarding open-end credit that is not home-secured.

FRB proposes to change the format, timing, and content requirements for five main types of open-end credit disclosures governed by Regulation Z: (1) credit and charge card application and solicitation disclosures; (2) initial disclosures; (3) periodic statement disclosures; (4) change in terms notices; and (5) advertising provisions. To assist FRB in promulgating such rules, WBA offers the following comments.

Background

The purposes of the Truth in Lending Act (TILA) are: (1) to provide meaningful disclosure of credit terms to enable consumers to compare credit terms available in the marketplace more readily and avoid the uninformed use of credit; and (2) to protect consumers against inaccurate and unfair credit billing and credit card practices. Disclosure requirements differ depending, in part, upon whether consumer credit is an open-end plan or a closed-end loan. The proposed changes are the result of FRB's review of the provisions that apply to open-end credit which is not secured by a home.

FRB began its review of Regulation Z in December 2004 when it issued an advance notice of proposed rulemaking (ANPR) seeking comment on a variety of issues relating to the format and content of open-end disclosures and the substantive protections

4721 SOUTH BILTMORE LANE
MADISON, WI 53718

P. O. Box 8880
MADISON, WI 53708-8880

608-441-1200
FAX 608-661-9381

www.wisbank.com

provided under the regulation. A second ANPR was issued in 2005 addressing several amendments to TILA's open-end credit rules contained in the Bankruptcy Abuse Prevention and Consumer Protection Act. Based upon the comments FRB received and its own analysis, FRB proceeded with a review of Regulation Z in stages. The proposed rule largely contains revisions to rules affecting open-end credit other than home equity lines of credit subject to Regulation Z section 226.5b.

FRB stated that the goal of the proposed revisions is to improve the effectiveness of Regulation Z disclosures provided to consumers for open-end credit accounts. FRB further stated that its proposed revisions are intended to provide, in a clear and conspicuous format, the most essential information to consumers when the information would be most useful to them. In addition, FRB stated it sought to balance the potential benefits for consumers with the compliance burdens imposed on creditors.

WBA shares FRB's desire to provide effective, accurate and consumer-friendly credit disclosures, and appreciates FRB's efforts to balance burden and benefit. However, WBA is concerned that the compliance burden of certain proposed revisions outweighs the perceived consumer benefit.

Summary of Proposed Revisions

Credit Card Applications/Solicitations

Credit card issuers are required to provide information regarding key costs and terms of the credit card with their applications and solicitations. If consumers respond to the offer and are issued a credit card, creditors must provide more detailed disclosures at account opening, before the transaction occurs. The disclosures are required to be presented in a standardized table with headings, content, and format substantially similar to model forms published by FRB.

FRB has proposed revision to the standardized table to change which disclosures would be required to appear both inside and outside of the table. The proposed revisions affect the placement of both existing and proposed new disclosures. An example of a new disclosure required to appear inside the standardized table is the "penalty APR". Creditors would be required to not only list the "penalty APR" inside the table but would also be required to identify: (1) when such rate(s) would apply; (2) which balances would be affected by the rate(s); and (3) the circumstances under which such rate(s) would expire. Also, if the "penalty APR" would apply indefinitely, a statement of that fact would be required in the table.

Additionally, credit card applications and solicitations would be required to include, as applicable: (1) a statement alerting consumers that they would pay interest on their purchases until their transferred balance is paid in full if payment allocation is applied entirely to transferred balances at introductory APRs; (2) a reference to FRB's website regarding how to compare credit cards and what factors to consider; and (3) for subprime accounts, an example of the amount of credit available to the consumer after he or she pays the fees or security deposit required for issuance of the card, assuming the consumer receives the minimum credit limit, if the fees or security deposit is 25 percent or more of the minimum credit limit offered for the account.

Account-Opening Summary

FRB has proposed the creation of a new account-opening summary table to be provided at account opening for all non-home secured open-end loan products. The new table is substantially similar to the table provided with direct-mail credit card applications and solicitations; however, it would also need to provide information, as applicable, regarding: APR; fees; grace period; required insurance, debt cancellation or debt suspension coverage; payment allocation; available credit; and FRB website reference. Within each of these main categories are numerous additional disclosure requirements.

Periodic Statements

Also proposed are changes to periodic statements for non-home secured open-end credit plans. Creditors would be required to group all charges together and describe them in a manner consistent with consumers' general understanding of costs, without regard to whether the charges would be considered "finance charges", "other charges", or neither. The proposal requires creditors to: (1) group similar transactions together by type, such as purchases, cash advances, and balance transfers; (2) disclose the payment due date on the front-side of the periodic statement; (3) disclose in close proximity to the due date, any cut-off time if it is before 5 p.m., and the amount of any late-payment fee and "penalty APR" that could be triggered by a late payment; (4) include a "warning" statement indicating that making only the minimum payment would increase the interest the consumer pays and the time it takes to repay the consumer's balance; (5) include a hypothetical example of how long it would take to pay a specified balance in full if only minimum payments were paid; (6) include a toll-free telephone number that consumers may call to obtain an estimate of the time it would take to repay their actual account balance using minimum payments; (7) disclose the total fees and total interest imposed for the statement cycle; and (8) disclose year-to-date totals for interest charges and fees.

Change in Terms Notices

The proposed rule also revises when and how change in terms notices must be delivered. FRB has proposed that the current 15-days advance notice period be extended to at least 45 days. In addition, if a notice enclosed with a periodic statement discusses a change to a term that must be disclosed in the account-opening summary table, or announces that a penalty rate will be imposed on the account, a table summarizing the impending change must appear on the periodic statement. The table must appear directly above the transaction list.

Miscellaneous

Finally, the proposed rule would also impact: advertisements; credit card convenience checks; and debt suspension coverage. The proposed rule would establish two new restrictions in advertising non-home secured open-end credit plans. It would: (1) require advertisements that state a minimum monthly payment for an open-end credit plan established to finance the purchase of goods or services, to state in equal prominence to the minimum payment, the time period to pay the balance and the total of payments if only minimum payments are made; and (2) permit an advertisement to refer to a rate as "fixed" if the advertisement specifies a time period the rate would be

fixed and the rate would not increase during that period, or, if a time period is not specified, the advertisement may refer to the rate as “fixed” only if the rate would not increase while the plan is open.

The proposal would require that credit card convenience checks be accompanied by information about the rates and fees that would apply if the checks are used, and whether any grace period exists. Such disclosures must be in tabular format, located on the front side of the page containing the checks.

With respect to debt suspension coverage, the existing rules for debt cancellation coverage would be applied to alert consumers that such coverage merely suspends the debt and does not cancel it.

Analysis

Account-Opening Summary

WBA commends FRB's ongoing efforts to review the effectiveness of non-home secured open-end credit disclosure formats; however, WBA does not believe the one-size-fits-all approach taken by FRB regarding credit card disclosures and all other non-home secured open-end credit is appropriate. For the following reasons, we vehemently oppose changes to disclosures for non-home secured, non-credit card open-end credit.

As discussed below, credit card products are structured differently from, and are used differently than, other open-end credit products; thus, it likewise follows that disclosures for these products can and should differ.

Non-credit card open-end credit products are very different from credit card products in numerous ways. Non-credit card open-end credit products generally have only one rate for the credit plan, do not permit balance transfers, and do not have the option to allocate payments made on the lines. For many non-credit card products, the proposed new account-opening summary table could result in a disclosure which would be primarily blank or full of boxes marked “n/a” because the required disclosure elements simply are not features of non-credit card open-end products. Therefore, to require creditors to restructure non-credit card open-end credit disclosures into the proposed tabular structure is superfluous.

Furthermore, unlike credit cards, these other open-end credit products are not typically entered into via mail solicitation. Instead, these products are generally opened directly with the bank following a discussion of which loan product would best fit the consumer's needs. The discussions between bankers and consumers provide consumers with much more detailed information and greater understanding of the terms and conditions of the non-credit card open-end credit product than would be the case with a credit card product. For these reasons, WBA believes the proposed new account-opening summary table is unnecessary for the non-credit card open-end credit product.

Imposing these new disclosures would only lead to ineffective and more confusing account disclosures and increased compliance costs for financial institutions, which, in turn, could cause financial institutions to eliminate such products.

In summary, consumers are already familiar with the current disclosure formats used for different types of open-end credit. The tabular format already established for credit cards lends itself to many of the proposed changes; however, imposing similar disclosures on other non-home secured open-end credit products represents a drastic and unnecessary departure from the current disclosure requirements for such products. WBA strongly urges FRB to exclude non-home secured, non-credit card open-end products from the proposed account-opening summary disclosures and instead retain the current initial disclosure requirements for such products.

Periodic Statements

WBA also vehemently opposes the changes to periodic statements. First, financial institutions rely heavily on third party vendors to provide systems solutions which generate accurate and compliant periodic statements. We are very concerned that vendors would either be unable to provide systems solutions that accommodate the proposed changes to periodic statements, or would be unable to do so without very substantial costs to institutions. We are concerned that if the final rule includes the proposed periodic statement requirements, institutions may not be able to comply or would find compliance costs prohibitive and would, therefore, be forced to eliminate the products covered by such requirements. We believe this would be a very real unintended consequence if the final rule adopts the proposal without change.

In addition, WBA believes that the proposed way in which information would be grouped and listed, coupled with the sheer volume of such information, would cause consumers to simply gloss over the statement rather than scrutinize it. For example, the proposed requirement to list transactions by "type" rather than the current chronological format would only make periodic statements more difficult to follow and understand. We do not believe that is the intention of FRB. Given these concerns, we urge FRB to exclude the proposed periodic statement changes from its final rule.

Change in Terms Notices

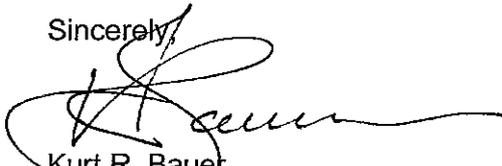
WBA urges FRB to keep the change in terms notice period at its current 15-day advance notice period rather than extend it. Regulation Z currently does not require subsequent notice if the change is one which was set forth initially in proper disclosures. WBA simply does not see the need for this requirement to be revised. Consumers are given account disclosures up-front outlining the plans features and requirements. To require further disclosure of features previously disclosed would be redundant and would increase regulatory burdens for financial institutions.

Additionally, we oppose the impact that a change in terms notice would have on the format of periodic statements. As proposed, should a change in terms notice appear in a periodic statement, a table summary would be required to appear in very specific locations within that periodic statement. WBA repeats our grave concern about vendors' abilities to provide compliant systems solutions or, if they can, the substantial costs such solutions would impose on financial institutions. As previously indicated, WBA emphatically disagrees with FRB's prescribed periodic statement format. We strongly recommend that FRB permit a change in terms notice to appear within a periodic statement, and regardless of the change, not require redisclosure of account-opening summary information.

Conclusion

WBA commends FRB's efforts to review consumer disclosures; however, WBA disagrees with FRB's one-size-fits-all approach to open-end credit disclosure requirements. We believe there are distinct differences between credit card products and other non-home secured open-end credit products which warrant different disclosure formats. Because of differences between credit card features and other non-home secured open-end credit features, WBA implores FRB to exclude all non-credit card open-end credit products from the proposed account-opening summary disclosures and instead retain the current initial disclosure requirements for such products. WBA also strongly urges FRB to exclude the proposed periodic statement changes from its final rule and recommends FRB leave the current change in terms notice period at 15-days advance notice. Once again, WBA appreciates the opportunity to comment on the proposed rule.

Sincerely,



Kurt R. Bauer
President/CEO