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Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551.

Re: Docket No. R-1286

Greetings:

Chase Bank USA, N.A., the consumer credit bank subsidiary of JPMorgan Chase & Co., appreciates the opportunity to comment on the proposed rule to amend Regulation Z, which implements the Truth in Lending Act ("TILA") and the Staff commentary ("Commentary") to the Regulation (the "Proposal") published in the Federal Register on June 14, 2007 by the Board of Governors of the Federal Reserve (the "Board").

GENERAL COMMENTS

We generally support the Proposal, which is the Board's first extensive revision to the open-end credit provisions of Regulation Z in over 20 years. We also applaud the approach used by the Board to seek consumer input (the "Board Focus Groups") in developing revisions that may help consumer understanding of the broad set of disclosures required by the Regulation. However, we believe certain parts of the Proposal might be modified in a way that can enhance consumer understanding and minimize consumer confusion. We describe those parts of the Proposal below, and suggest alternatives based on our own experience with millions of consumers. We also have comments about other parts of the Proposal that we believe require clarification by the Board. We also respond below regarding various requests for comment by the Board on particular matters contained throughout the Proposal. Our specific comments are organized by topic, with citations to appropriate sections of the Proposal where appropriate.

The technology and operational effort to comply with the new requirements of the Final Rule will be significant. We estimate full compliance will require a team in excess of 50 persons working full time for one year. We will need to conduct a comprehensive testing effort before the changes can be implemented. There will also be significant staffing and prioritization challenges to implement these changes on top of normal work volumes. Therefore, we urge the Board to allow creditors at least 18 months from the effective date to comply with the Final Rule, particularly with respect to all the changes required for periodic billing statements.

We also point out that creditors will likely phase in the new requirements in the Proposal throughout the transitional period from the date when the Final Rule is enacted until the mandatory compliance date. This phase-in approach will be necessary for various reasons, such as varying implementation times for particular changes based on the required level of testing, systems development and operational support. As a result of this phased-in compliance, combined with the changes in terminology proposed by the Board (*e.g.* the term "penalty APR" and "grace period" will required in the model tables, and "Finance Charge" will be replaced in part by "Interest Charge" on billing statements), creditors will not be able to align terminology in all its disclosures to consumers (*e.g.* solicitation and account-opening tables, credit terms for account access checks, and periodic billing statements) during the transitional period on an account-level basis. The resulting inconsistent terminology could be considered to violate the expanded rule in the Proposal to use required terminology consistently in all Regulation Z disclosures. See Section 226.5(a)(2)(i). Therefore, we urge the Board to make clear that there is a safe harbor from Regulation Z violations during the transitional period if creditors provide disclosures using either the existing Regulation Z terminology or the new terminology required by the Proposal, or a combination of both.

SPECIFIC COMMENTS

Applications and Solicitations

<u>Solicitation and Account Opening Tables.</u> The Proposal at Section 226.5a(b) outlines revisions to the tables required for solicitations and applications, with new font and format requirements. The Board requests comment whether this guidance should be aligned with the new guidance at Section 226.6(b)(4) for similar tables required as part of the account opening disclosures. We believe the Board should retain the option for creditors to use the different proposed solicitations and applications table and the account-opening table, and also retain the option for creditors to use the account-opening table in lieu of the solicitations and application table. The tables are very similar in content so consumer will receive generally consistent disclosures before and at account opening.

<u>Related Information in Close Proximity to Tables.</u> Particularly for the account opening tables which will be part of the contractual terms that creditors provide their customers, we believe it will be important to disclose to consumers information that is supplemental to the disclosures within the tables (*e.g.* information regarding periodic rates, variable rate indexes and margins, and APR ceilings and floors). Further, many creditors will find it easier operationally to disclose such variable text closer to the tables rather than in various places within an account agreement. Therefore, we urge the Board to retain in the Final Rule the flexibility for creditors to disclose such supplemental information either in the tables, or in close proximity to the tables.

<u>Variable Rate Disclosure within Tables.</u> The suggested example language used within the model tables to describe a particular variable rate index ("This APR will vary with the market based on the Prime Rate") is potentially misleading to consumers who often do not understand the concept

of financial markets or the many types of commercial or consumer prime rates that can serve as an index. Further, such general descriptions of a "prime rate" index has been a lightning rod for lawsuits against banks over the past 2 decades, where plaintiffs have sued banks using such descriptions on the basis that banks thereby promise consumers their "best" rate available to any borrower. We suggest modifying the example language as follows: "This APR will vary with the prime rate listed in [publication source for creditor]."

More Flexibility with Formats of Tables. The Proposal also outlines in Appendix G numerous format requirements that will substantially lengthen both the solicitation and account opening tables. In an effort to be able to provide the disclosures together in a manner that will be understandable to consumers, we urge the Board to relax these format requirements. This is particularly important in light of the many advertising channels used by creditors, such a print ads in magazines, which entail strict space and location restraints. The horizontal portrayal of segments within the tables, as an example, should be permitted to enhance flexibility. We also believe that the Proposal should not suggest any particular font type, as there are many fonts that are as legible and easy to read as Arial font. Alternatively, if Arial font is retained in the Final Rule as a model, we ask for clarification that creditors have the flexibility to use similar san-serif fonts such as Helvetica or Univers. We also believe font flexibility, including the type and color of font, is important to many creditors that use particular font types and colors to portray a brand image.

Risk-based Rates. The Proposal provides that where the actual interest rate for an open-end credit plan will depend on a later determination of the consumer's creditworthiness after the solicitation or application is offered, the creditor must disclose the possible rates that might apply as either specific rates or a range of rates and a statement that the actual rate for which the consumer may qualify depends on the consumer's creditworthiness. Section 226.5a(b)(1)(v) and Comment 5a(b)(1)-5. The Board seeks comment about whether creditors should only be allowed to disclose the highest rate instead of a range of rates. We support the options in the Proposal because either option is a more accurate disclosure of the possible rates that may apply to a customer account. Applicants often qualify for rates that are lower than the maximum possible rate. Therefore, it would be inaccurate to describe that only the highest rate may apply. Since Regulation Z is intended to give consumers accurate information about credit terms, and also because significant percentages of applicants may qualify for rates lower than the highest rate, consumers should be provided either specific rates or a range of rates that could apply upon account approval.

We also point out that some creditors, particularly in the private label market, may advertise to a consumer in the same offer multiple products with different credit terms, such as a private label card and a creditor's own general purpose credit card. The actual card for which a consumer may be approved may be determined by the creditor using multiple factors, including whether the consumer is contemplating a purchase at the retailer named on the private label card, the consumer's creditworthiness, and other factors. In this situation, it would be inaccurate to provide a statement that implies the actual terms (including APR) for an approved account will be determined solely based on creditworthiness. We urge the Board to clarify that in this situation either a creditor does not need to make such a statement, or alternatively that it can make an accurate statement such as "the actual rate or product for which you may qualify depends on various factors including your creditworthiness."

Payment Allocation. The Board proposes that creditors provide a payment allocation disclosure in the solicitation tables. We point out that at least for creditors which are national banks, their federal regulator, the Office of the Comptroller of the Currency (the "OCC"), has required for several years that creditors disclose payment allocation terms on the front page of cover letters for direct mail solicitations offering promotional rates. We believe that payment allocation disclosure is more concise and easily understood by consumers than the disclosure proposed by the Board. Further, payment allocation terms are contained in many creditors' contracts with their customers. We urge the Board to consider a revised proposed payment allocation disclosure that indicates the issuer may apply payments to the balance with the lowest interest rate, and that interest may accrue on unpaid balances. Such a disclosure is simpler to understand and is more broadly applicable than the language used in the Proposal because it applies to all APRs on an open-end plan - not only to a promotional APR on a balance transfer at account opening. For example, this disclosure also informs consumers that a balance at a standard APR will be satisfied before a balance at a penalty APR. This suggested revision is also appropriate with respect to the account-opening tables. Many consumers are familiar with this more all-encompassing disclosure, and to change it to a more narrowly focused disclosure may confuse them.

"Intro" Rates. We fully support the Board's slight relaxation of the 2005 Bankruptcy law amendment to Regulation Z to permit a creditor to disclose an introductory rate in the solicitation table using either the term "introductory" or "intro" in immediate proximity to the listing of the initial discounted rate. Section 226.5a(b)(1)(ii). The use of the abbreviation "intro" was not provided for in the Bankruptcy law, but we believe the abbreviation is commonly understood by consumers and therefore appropriate**.** However, as noted below in the discussion of advertising, neither the term "introductory" nor "intro" is appropriate to describe an interest rate or fee in advertising to consumers with existing open-end accounts.

Available Credit Disclosure. The Proposal would require a new disclosure in the solicitation table of an example of the available credit after certain identified fees are charged to the account, if those fees equal 25% or more of the minimum credit line applicable to the card. See Section 226.5a(b)(16). The Board seeks comment whether the 25% threshold is appropriate, and if other fees should count towards the threshold. We believe that the fees described that count towards the threshold are appropriate. We also believe that the 25% threshold should be lowered to 10% or 15%, to better protect consumers from potentially misleading offers of credit where large portions of the available credit on a new account are taken up by fees before the consumer has the opportunity to use the account. We believe this new requirement will provide important disclosures to those consumers who will be entitled to them.

Board Website. The Board solicited comments regarding the content of the proposed website to be maintained by the Federal Reserve Board and referenced by creditors in solicitation and account opening tables under Section 226.5a(b)(17). General information about how credit cards work, the types of disclosures consumers should expect to receive, and an explanation of common credit card terminology would be useful. Further, we believe it would be helpful if the site contained explanations and examples of how various balance calculation methods work. See related comments below in the Account Opening Disclosures section and the Periodic Statements section about eliminating completely a full description of the balance calculation method as part of any disclosures required by Regulation Z. Also, if the fee-inclusive APR requirement were retained in the Final Rule (which we oppose as described below), explanations and examples about how those APR calculations are done would also be useful to consumers.

Account Opening Disclosures

Table Format. Many of our comments about the account opening tables are discussed above with our comments about the solicitation tables. We also add that we fully support the Proposal's requirement to extend a table format to key terms that are part of the account opening disclosures. We have provided such terms in a table format for years, and agree it is a format that is easily understood by consumers.

Interest and Fee Charges in lieu of Finance Charges and Other Charges. We generally support the creation of a single category of "charges" imposed as part of an open-end plan, which replaces the current requirement to categorize charges as either "finance charges" and "other charges." The current method has lead to uncertainty on the part of creditors about how to categorize certain fees, litigation over whether creditors disclosed certain fees correctly, and confusion by consumers particularly about the concept of "finance charges". We also support the change in the Proposal providing that the terms "Finance Charge" and "Annual Percentage Rate" do not need to be more conspicuous than other terms when such terms are included in one of the tables identified in the Proposal. Section 226.5(a)(2)(ii). The Board seeks comment about whether there are other situations where these terms should not be more conspicuous. Since the Board has removed the term "Finance Charge" from many of the proposed model forms and is proposing instead to use the terms "Interest Charges" or "Fees", and further because consumers are often confused by the term "Finance Charge", we believe that the term should no longer be required to be more conspicuous in any of the required Regulation Z disclosures. Further, we believe that this term may not be appropriate to use in any required Regulation Z disclosures, because it causes confusion and other terms like "Interest Charge" are more understandable. We urge the Board to amend Regulation Z so that this term is no longer required for any Regulation Z disclosure. Alternatively, if the term is required at all, we ask that the Board clarify exactly where the term "Finance Charge" must still be disclosed. Further, we suggest that the Board also permit the option to use alternate terms such as "Interest Charge" and "Transaction Fee" in lieu of "Finance Charge", to better align the terms required in other Regulation Z disclosures such as the model forms and to reduce consumer confusion.

Charges Disclosed Orally. We fully support the new option in the Proposal that permits a creditor to disclose orally charges not specifically identified in Section 226.6(b)(4) (*i.e.*, those required in the account opening disclosures) prior to the consumer agreeing to pay or becoming obligated to pay the charge. Section 226.5(a)(1)(ii)(A) and (b)(1)(ii). We believe this new option is an effective way to communicate to consumers certain fees such as service fees that may not be charged until months or even years after the account is opened.

Clarification of Certain Charges. We believe that the list of "charges" provided in the Proposal that are to be disclosed as part of an open-end plan is still subject to some interpretation notwithstanding the Board's helpful examples and, thus, there is remaining uncertainty whether certain fees should be disclosed under the Regulation. One category of charges that would be useful to further clarify is charges resulting from the consumer's failure to use the plan as agreed except amounts payable for certain post-default activities. Another category is charges for which the payment or nonpayment affect the consumer's access to the plan, the duration of the plan, the amount of credit extended, the period for which credit is extended, or the timing or method of billing or payment. We urge the Board to provide within the Regulation or the Commentary a list of the specific fees that must be disclosed for each category. Any other fees can be disclosed prior to the consumer agreeing to pay or becoming obligated to pay for the charge, under the new option disclosed above. This approach will ensure that consumers will be provided adequate disclosures on a timely basis. Also, creditors will have a clear understanding of their obligation under the Regulation, thus avoiding possible litigation as occurred a few years ago when the Regulation did not provide adequate guidance regarding certain specific fees.

Balance transfers. The Proposal provides that when a creditor offers the transfer of outstanding balances from an existing account to a new open-end credit plan and the APR that will apply to that transfer is disclosed as a range of possible APRs, the consumer must have the opportunity after the creditor furnishes the account opening disclosures to contact the creditor before the balance is transferred and to opt out of the transfer. Comment 5(b)(1)(i)-5. We believe that a majority of consumers want to complete their balance transfers quickly in order to pay off higher APR balances. Further, the Proposal is operationally difficult for creditors to implement since transfers cannot be undone once released to the recipient either through the NACHA system for ACH transfers or through the Federal Reserve system for check transfers. Adequate mechanisms within the payment systems today do not exist to unwind such transactions after they are completed. We also note that under existing Regulation Z requirements creditors must provide account-opening disclosures before any balance transfer transaction is completed. Therefore, we urge the Board to consider the alternative of requiring a disclosure in such offers of the time period that creditors will hold the transaction before it is posted to their new account, with a warning to contact the creditor before the end of that time period if they want to cancel the balance transfer authorization. A reasonable time period would be 10 days from the date the account is opened, recognizing that most consumers will want their transfers completed quickly. Under this alternative, we believe consumers will be given ample time to learn the actual applicable APR, and creditors will not have to unwind such transactions.

Balance Calculation Method. As discussed more fully below in the Statements section, we believe that consumers do not read or understand the complicated description of the method used to calculate the balance on which finance charges are calculated. Further, the Board has made great strides in the Proposal to eliminate certain information that, quite simply, is not useful to consumers. For example, the Board has proposed that for any model balance calculation method, creditors will be permitted to eliminate from periodic billing statements a detailed description of the balance method. Similarly, we believe the Board should also permit creditors the option to eliminate a full disclosure of the balance calculation method from the account opening disclosures. Consumers can be prompted to call a toll-free number for a personal explanation of their balance method if they desire. Or, as suggested below for billing statements, an optional reference to the Board website as an additional information resource may be useful. We believe this would further focus consumers on information they truly want and need to see, by eliminating unnecessary information that is confusing to them and detracts from their understanding of key account terms.

Account Opening Disclosures for Telephone Transactions. We fully support the Proposal's extension of time to provide account-opening disclosures when a merchant opens a new open-end credit account for a consumer in conjunction with a telephone transaction with that merchant. We also fully support the conditions proposed that limit this extension of time (*e.g.* to return financed purchases and reject the open-end plan after receiving the written disclosures). However, we believe the Board should allow any creditor, including creditors that offer private label programs in partnership with retailers, the same flexibility. The consumer is in the same position whether the telephone transaction is made on a merchant's retail plan or a creditor's open-end plan, and therefore both retailers and creditors should be extended the same rights. We believe these rights should also extend to a creditor's telephone sales of its own products or services related to the plan that would be charged to the open-end plan.

Periodic Statements

Effective APR. This disclosure should be eliminated because it greatly distorts the APR, inaccurately reflects the cost of credit, and confuses customers. Banks constantly get calls from consumers who generally do not understand it, nor can they accurately explain how the effective APR is calculated or what it represents. Some consumers confuse the effective APR with the corresponding APR, and believe the effective APR represents a new corresponding APR on their account. The effective APR serves no useful consumer benefit and, in fact, has the harmful effect of consumer confusion. The confusion will be worse under the Proposal, as the distortion of the effective APR will be even greater with the addition of "foreign currency" transaction fees to the calculation.

If the effective APR requirement is retained, the Proposal needs to better clarify the fees that must be added to the calculation. In particular, the category of fees that are based on an account balance, account activity/inactivity or the amount of credit available, needs to be clarified. One clarification is to make clear that late fees (or any other default fee) that may be based on an account balance or activity are not included. Late fees and other default fees have never been considered finance charges and should not factor into an effective APR since they are fees charged as a result of a consumer default. Also, similar to the rule today, this category of fees should be clarified to exclude from the calculation annual membership fees that are charged for access to the credit plan even if such fees are based on account activity or inactivity.

Further, if the effective APR requirement is retained, more flexibility should be allowed in displaying the related information on periodic statements. In particular, the requirement that the disclosures be in a "table" should be relaxed, as a creditor's statement production may experience operational issues such as printing problems with the use of shading and other techniques shown in the model forms. Further, creditors should be permitted to combine the Interest Charge Calculation table with the Fee-Inclusive APR table to enhance consumer understanding. Many issuers combine such disclosures today, and we believe this is an effective format.

Format issues: Location of Certain Information that is related to Required Disclosures. The Proposal would no longer require periodic rates to be disclosed on periodic statements. However, many creditors will want to continue to disclose periodic rates because they are important account information that consumers use to understand and confirm personally their interest charge calculation. We urge the Board to permit creditors the needed flexibility to retain such disclosures on periodic statements in close proximity to related information such as the corresponding APRs and balances to which the periodic rates are applied.

The Proposal also retains the basic rules for disclosing APRs, balances, interest charged, and grace periods for deferred payment/deferred interest programs – both during the deferral period and after. See proposed Comment 226.7(b)-1. For example, creditors must continue to disclose the APRs on deferred balances each month during the deferral period, but must delay the disclosure of deferred balances as balances on which interest is calculated until the deferred interest amount on such balances is debited to the account after the deferral period ends. However, many creditors disclose each month during the deferral period supplemental information together with the required disclosures about such promotional balances, so consumers have ongoing information about how much interest is accruing on such balances, when payment is required to avoid imposition of deferred interest, and similar information. Under the Proposal, it does not appear that creditors can continue to provide such supplemental information in proximity to the required disclosures. We urge that the Final Rule permit such flexibility.

Finally, it should be clarified in the Final Rule that creditors have the option when showing debits and credits on a periodic statement that debit and credit columns are permitted to identify debits and credits, as well as the use of pluses and minuses as shown in the model statement forms contained in the Proposal.

Other Non-Required but Important Information. The Proposal does not address other items such as (i) reward program information which is of high importance to many consumers, (ii) special messages regarding important account benefits or statement inserts (such as change in terms notices), and (iii) warning messages for consumers who may be experiencing payment problems (also know as dunning messages). Such information should be permitted on the front of the first page of a statement, provided it is appropriately segregated from required disclosures. It also should be clarified in the Final Rule that a payment remit form can be attached to the top, bottom or side of a statement page, to accommodate creditors' production limitations.

Font Requirements. The requirements for the summary change in terms disclosure and notice of a rate increase due to delinquency or default (when they appear on statements) be in 10-point font and also appear on the front of the first page of the periodic statement, should be eliminated as it may distract from other required statement disclosures. These disclosures should be in equally conspicuous format and font as other required statement disclosures. We agree that the 10-point font is appropriate when such disclosures are provided other than on a statement, however.

Due Date. The Board interprets that the proper due date to disclose on a statement is a date that is required by the legal obligation and not a date that encompasses informal courtesy periods.

Comment 7(b)(11)-1. We agree with the Board's interpretation, and urge that it be retained in the Final Rule.

Late Payment Warning. Under the Proposal, creditors must disclose the amount of any late fee and any increased APRs that may be imposed as a result of the late payment. Section 226.7(b)(11). If a range of fees may be assessed, the creditor must disclose the highest fee. If the APR may be increased for more than one feature or balance, the creditor must state the highest rate that could apply. We urge the Board to permit more flexibility for these disclosures to make them more accurate and less misleading to consumers. For each of these disclosures, we urge the Board to permit disclosure of the range of late fees or increased APRs that may apply, or alternatively to disclose the maximum late fee or APR but permit it to be preceded by the words "up to". This will make the disclosures more accurate, and give consumers a better understanding of the possible outcome of any late payment. For example, many creditors charge a late fee that is tiered based on the amount of the outstanding balance, and it is simply not accurate to disclose the maximum late fee to a customer who has a lower balance. Also, if a creditor's late fee is tied to the balance in effect at the time of the late payment, it is impossible to identify in advance the specific late fee that would be assessed. Similarly, many creditors adjust the level of any penalty APR based on the risk assessment of a particular customer's risk profile, and again it is not accurate to disclose the maximum APR to consumers with a better risk profile who are charged a lower APR. We urge the Board to permit this flexibility in the Final Rule.

Payment Cutoff Disclosure. The requirement to display next to the payment due date a payment cutoff hour if it is before 5 p.m. will misrepresent payment options available for consumers, will be confusing to consumers, and will place undue emphasis on just one factor for making conforming payments. In particular, many creditors offer a different cutoff hour by payment channel, and to disclose only the earliest cutoff hour is inaccurate and misleading. By way of example, online payments are already the most common payment method by our consumers, and that volume will likely grow even more as indicated by the fact that online payments have increased rapidly over each of the last five years. To disclose to the majority of our consumers a cutoff hour for mailed payments (assuming that cut off hour is earlier than for online payments) will be confusing to them. Further, other factors are equally or more important, such as the days payments are processed and posted by creditors for same day credit (*e.g.* business days vs. weekends), how creditors define conforming and non-conforming payments, and when creditors post payments received through the various payment channels that are technically non-conforming under the creditor's definition. These factors also vary significantly within the credit industry. Another consideration is that creditors can often identify the particular payment channel at an account level, such as for those customers who use an online "automatic payment" feature, and in such instances creditors should be allowed to disclose the cutoff hour specific to the applicable payment channel. For these reasons, we believe the requirement to disclose the earliest cutoff hour on the front of the first page of the statement should be eliminated from the Final Rule.

If the Board retains a requirement to disclose this cutoff hour on the front of the first page of the statement, creditors should be permitted to identify which payment channel the disclosed cutoff hour relates to, disclose the payment cutoff hours for all major payment channels (disclosed as a range to ensure there is sufficient room), or to disclose the cutoff hour for the payment channel used by the individual consumer if known to the creditor. We also urge the Board to relax the location requirement so creditors are permitted to disclose the payment cutoff hour information with other payment requirements that appear elsewhere on the statement. Consumers can then continue to receive complete payment information in one place on the statement. It should also be clarified there is no requirement to disclose payment cutoff hour information on a remit slip, as shown in the model forms.

Minimum Payment Disclosures. We generally support the various options in the Proposal to disclose on billing statements a minimum payment warning and either an estimated or actual repayment period, or instead provide a toll-free number that consumers can call to obtain the actual repayment period. The Proposal provides creditors with appropriate options and permits a choice that will enable creditors to choose an option that will be most meaningful and helpful to consumers. We urge the Board to retain all three options, as each may have its advantages for consumers. For example, the option encouraging consumers to call for an estimated repayment period will be useful to those consumers who want additional assistance and information to structure higher or additional payments to meet their payoff objectives. However, we urge the Board to clarify that creditors be permitted to reference, within the "Notice about Minimum Payments" message, a toll-free customer service number that already appears on the first page of a statement rather than having to repeat that number again in the warning message. Also, the Proposal provides that creditors may ignore "promotional terms" like special payment arrangements (e.g. deferred payments) and promotional APRs (*e.g.* introductory APRs and deferred interest) in the calculation of an actual repayment period, and use instead the standard minimum payment and standard APR that would otherwise apply. However, in Appendix M2, "promotional terms" is defined as terms that expire in a fixed period of time. This definition does not cover some promotional offers like offers that reduce the APR until the particular transaction balance from the offer is repaid (also known as "life of loan" offers). We ask that the definition of "promotional terms" be expanded to cover such promotional offers, and any other offers that involve a special payment arrangement or an APR that is below the contractual payment or APR.

Grouping of Transaction Detail. Creditors should have the option to display transaction detail in chronological order, and not solely by transaction type (*e.g.* Purchases, Cash Advances) as required by the Proposal. We believe that many consumers find the chronological presentation of transactions desirable because that format facilitates the reconciliation of their transactions for the billing period. This is particularly important for those consumers who charge a large number of transactions every month.

Fee Labels. The Proposal requires creditors to label certain fees - those referred to in 226.14(e) that factor into an effective APR calculation - as a "transaction fee" or a "fixed fee." This is in addition to the new requirement to disclose all fees from the account opening disclosures on the periodic statement grouped together at the end of the transaction detail. As proposed, this requirement is overly technical and not useful to consumers, and we urge that it be removed. A creditor must refer to Section 226.14 (e) to determine how to label each of the fees, but generally a fee related to a specific transaction (*e.g.* balance transfer, cash advance or "foreign currency" fee) is a transaction fee and other fees are "fixed" fees. However, this labeling exercise only applies to those fees listed in Section 226.14(e). Thus, the fees on the statement that must be labeled in this fashion is a subcategory of all the "account opening" fees that must be grouped together on the statement close to the transaction detail. As a result, it appears there are actually 3 categories of fees that creditors would have to categorize and label: transaction fees, fixed fees (if covered on the Section 226.14(e) list) and "other" fees (if the fee is an "account opening fee" but not covered on the Section 226.14(e) list). To categorize and label such fees is an onerous task, which is of little value to consumers.

Repeated Fee and Interest Totals. Disclosures such as Fee and Interest Charged totals should not have to be repeated, as proposed, in both the transaction detail and in the Fee-Inclusive APR table. Creditors should be allowed flexibility to provide these totals on periodic statements only one time. Similarly, we support the Board's position that the fee and interest totals that appear in the "Summary of Account Activity" in the model statement forms are optional. Creditors should also be permitted to continue to disclose fees next to the specific transactions to which they relate. This is particularly important for "foreign currency" transaction fees that are disclosed with the related transactions in order to provide important currency conversion information and show separately the transaction amount and fee for any particular transaction. This information is much more meaningful to consumers if provided with the transaction, rather than at the end of the transaction detail in a summary. We believe that consumers want transaction fees disclosed next to the specific transactions to which they relate, especially for billing cycles with multiple transactions that carry a transaction fee, because reconciliation of charges becomes nearly impossible when the fees and transactions to which they apply are separated. We urge the Board to permit creditors continued flexibility to present transactions on the monthly statement in an order that is helpful to consumers. Further, with respect to the fee summary that reflects both current month and year to date fees, we also urge the Board to modify the Proposal to permit any refunded fees to be reflected in the year-to-date totals. This will improve the accuracy of the fee summary.

Model Balance Methods. The Board requests comments about whether the 4 model "balance methods" currently in the Regulation should be retained, modified, or – for account opening disclosures – whether the model language for these methods in Appendix G should be removed if issuers do not use them. We believe that the model methods in the Regulation should be expanded. A prevalent balance method in use today to calculate finance charges is the "daily balance" method whereby a daily periodic rate is applied to a daily balance each day of a billing cycle, and the sum of daily finance charges are totaled together. We believe this method should be adopted as a model balance method in Regulation Z, model language should be provided for it as with the other model methods, and the "daily balance" method should be afforded equal treatment as other model balance methods. Alternatively, the Board should permit the "daily balance" method to be a subcategory of the "average daily balance" method with equal treatment within the Regulation. Currently, and under the Proposal, creditors have the option to disclose in the solicitation and account opening tables the name of the "average daily balance" method in lieu of a description of the "daily balance" method (See Section 226.5a(g) that sets out the rules for describing balance methods), but there is an important difference in treatment for statement disclosures. Since the "daily balance" method is not one of the model balance methods listed at Section 226.5a(g), creditors would not be allowed the new option under the Proposal to exclude a complete description of the balance method on billing statements, and instead merely identify the name of the balance computation method and provide a toll-free telephone number where consumers can obtain more information about the computation method. See Section 226.7(b)(5).

As both the Board Focus Groups and our experience with consumers have shown, consumers do not read the complicated description of the balance method. We find that consumers are unable to articulate the meaning of the balance method disclosure and typically ignore these disclosures. Consumers reviewing statements are interested primarily in their APR, minimum payment amount, the due date, and the transaction detail to ensure that transactions have not been posted in error. As the Board strives to create greater clarity around the cost of borrowing via credit cards, the elimination of complex balance method disclosures will permit the proper focus on the more relevant terms that consumers want to know about to help them understand their account terms. For all these reasons, it would be more beneficial for consumers to be prompted to call a toll-free number for a personal explanation of their balance method if they desire. Further, an optional reference to the Board website as an additional information resource may be useful. We urge the Board to make the "daily balance" method a model method under Regulation Z so there is consistent treatment for all major balance methods in use today.

Sending Statements. The Board requests comment on whether it should recommend to Congress that the 14-day period be increased and, if so, what time period the Board should recommend. Creditors should be allowed to continue to send periodic statements at least 14 days before the grace period ends. This is ample time for customers to receive statements and make payments. With improved means to both provide statements to consumers and receive payments electronically, customers in effect have more time to get their statements and make payments than ever before. Thus, the current 14-day time period continues to be adequate and reasonable. Most delays in receipt of a statement, such as a disruption caused by the postal service, are beyond the control of creditors. Even in such cases, however, we believe many creditors already make accommodations so consumers are not penalized. While we firmly believe the current 14-day period is adequate, we would not be opposed to a period as long as 17 days. Any longer time period is not feasible since creditors need time to prepare statements after a billing cycle ends and then arrange for their delivery to consumers by mail or other means.

Clarification when Statements can cease. The Board seeks to clarify when accounts are deemed "uncollectible" after which statements are no longer required to be sent. We agree with the clarification that statements are not required if "delinquency collection proceedings have been instituted", which is described to mean filing a court action or other adjudicatory process with a third party. We also generally agree with the clarification that assigning a debt to a debt collector or other third party is not the institution of collection proceeding that warrants stopping statements. See proposed Comment 226.5(b)(2)(i)-3. Further, we also agree generally with proposed Comment 226.5(b)(2)(i)-2 that provides a creditor must continue to provide periodic statements when a consumer's ability to draw on an open-end account is terminated without being converted to closed-end credit under a written agreement (e.g. workout arrangements). However, we urge the Board to clarify that statements are not required to be sent once an account has charged off in accordance with the Federal Financial Institutions Examination Council's Uniform Retail Credit Classification and Account Management Policy. After a creditor charges off a debt in accordance with that Policy, it should not be required to send statements despite the existence of a workout arrangement or an assignment of a debt to a debt collector or other third party.

Changes in Rates and Terms; 45-day Notice Requirements

The Board has proposed revisions to the change in terms ("CIT") rules to increase the current 15-day prior notice to 45 days. The Board also proposes to extend the CIT notification requirement to the imposition of a previously disclosed penalty APR, as well as to changes in late-payment fees and over-limit fees. An alternative method of notification is provided for changes in fees that are not required to be part of the account-opening table. It is also proposed to require 45-day notice of a credit line decrease before an over limit fee or penalty APR can be imposed for exceeding the new lower line.

As a preliminary comment, the Board indicates that the 45-day advance notice period will enable consumers to find other and better financing. Consumers do not need such a long period to seek alternative financing, as evidenced by the myriad of offers that consumers receive from creditors promoting their products. With regard to credit card products, a simple financing alternative is to accept a product that includes a balance transfer offer at a promotional APR. The Internet is another vehicle that consumers can use to easily find suitable financing alternatives. The competitive marketplace today is replete with financing offers, which does not support the Board's underlying premise for this extended notice period.

<u>No Prior Notice where Penalty APR Previously Disclosed.</u> We believe an additional prior notice should not be required where the penalty APR has already been disclosed to the consumer and is part of their account terms. Consumers will have already been informed many times of the penalty APR before it is imposed: in ads before the account is open; within the account agreement; and as part of promotional offers. Consumers will not forget about the penalty APR even if it is months or years before it is imposed, because consumers will be reminded of it each month as part of the new "late payment" warning on billing statements. The penalty APR, which is already subject to enhanced disclosures under Regulation Z, will be even more clearly disclosed under the revised solicitation table and new account opening table in the Proposal. Also, if creditors are prevented from automatically adjusting an APR based on a consumer's breach of the contract governing the account, they may be forced to consider other means to price for risk such as setting a higher penalty APR, raising regular APRs for lower risk customers to compensate for the delayed ability to offset increased losses from higher risk customers, or imposing tighter credit standards.

If creditors must provide a 45-day prior notice to enforce a contractual penalty APR, there is no advantage to retaining such a rate in the contract with the consumers. Creditors will have an incentive to remove penalty APR disclosures from advertising, account opening disclosures and billing statement disclosures since it will, in effect, need to treat any such APR changes as a CIT anyway. Rather, creditors will instead use risk-based pricing implemented with CITs as a substitute for contractual penalty APRs since both forms of pricing will be economically similar. For these reasons, we urge that the 45-day prior notice rule not be imposed with respect to previously disclosed APRs that are part of an existing contract, so creditors retain the ability to price according to risk in a manner that is fair to all consumers.

Further, with respect to balances at promotional APRs, promotional offers are not economically justified for creditors. Delaying the APR increase by 45 days means such offers will make even less economic sense, and will likely cause a reduction in, or shorter duration of, promotional APRs offers or the elimination of such offers altogether. The net effect of the proposed rule, therefore, is likely a loss of consumer benefits.

Notice in Prior Cycle for Increased APRs and Fees. Where an APR or fee is raised to a level above what has been previously disclosed to consumers as part of their account terms, then clearly prior notice is appropriate. However, we believe a 45-day notice is too long in this situation. We urge the Board to adopt in the Final Rule that such notices must be mailed or delivered only one billing cycle before the change in APR takes effect (*i.e.,* on or with the billing statement the month before the billing statement that shows the increased APR or fee, or an equivalent advance notice period for a CIT that is sent to consumers separate from their billing statement). We believe that a notice will be more effective if it is provided closer in time to the actual imposition of the penalty APR. The notice (whether sent with the prior month's statement or separately) could be followed within several days by a separate written reminder that emphasizes the action the creditor will take. We believe the immediacy of these two advance notices is much more likely to gain the consumer's attention. Consumers are then able to open a new account and move balances quickly if they choose to do so.

With regard to increases in APRs or fees, creditors do not force on such consumers an automatic APR increase and, in fact, are typically not permitted to do so under applicable state law. Rather, the consumers are sent a CIT notice of the proposed APR increase, which they are free to reject it if they so desire, close their accounts and pay off their balances under their existing APR. These "opt out" rights, typical under state law in many states where creditors are located, preclude the need to give consumers as long as 45 days prior notice because they can reject the proposed APR completely.

Balances in Collections. A final situation that should not be covered by a 45-day notice requirement involves special collection payment programs. When an account has been referred to collections, consumers may be offered special programs that provide for payment relief and/or a temporary reduction in APR, but with the understanding they must make timely payments or return to standard contract terms if they do not. If the consumer defaults under the special program, their pre-existing APR is reinstated rather than raising their APR to a new, higher APR. Further, the 45-day prior notice does not serve the goal stated by the Board, because consumers in this situation are normally so delinquent that they will be unable to find other or better financing. Under the Proposal, consumers in such a program who do not make the required payments will get a 45-day notice just like consumers who do make the required payments before their APR is raised after completion of the program, which is a disincentive for the consumers to make required payments under the program. Finally, if the 45-day notice were extended to collection programs, creditors may well reduce or eliminate their availability. The net effect of the proposed rule, therefore, is likely a loss of consumer options at a point in their account relationship with creditors when they need special assistance. We urge that the Board not extend this rule, if it is retained, to such collection programs.

Format Issues. See also the discussion above under Statements regarding our concerns with the format requirements for the CIT summary notices, if a CIT is provided with periodic billing statements.

Advertising

Radio/TV Ads. We fully support the Board's proposal to permit in radio and TV advertising a disclosure of an APR and substitute a call-in number to be used to obtain information about additional costs. The ephemeral nature of the additional cost disclosures in these media makes them ineffective.

Checks that Access Credit Card Accounts. The Proposal contains a new rule at Section 226.9(b)(3) for checks that access a credit card account provided more than 30 days after account-opening disclosures have elapsed, or that have finance charge terms that differ from the disclosures previously given. Such checks must disclose certain terms, including any discounted rate and the time period such rate will remain in effect as well as the "go to" rate. The terms must be disclosed "on the front of the page containing the checks" in the form of a table. The Proposal does not permit an exception to this location requirement, nor permit a cross-reference to similar disclosures, when such checks are included with statements. We urge that the Board provide flexibility regarding the table location by providing in the Final Rule that such a table may appear in a clear and conspicuous location in an ad. For example, if checks are provided on the second page of an advertising offer, it should be acceptable to provide the table on the first page before the checks on the second page. We also urge the Board to clarify that redundant disclosure of multiple tables is not required for offers that contain checks on multiple pages. The Board should clarify that a creditor is permitted to disclose the required terms within the same table with respect to multiple promotional APRs applying to different checks within the same offer. For example, an offer that gives consumers a choice of checks with either a lower promotional APR for a limited time or a higher promotional APR until the check balance is repaid, should be able to include the required disclosures for both checks in a single table.

The Proposal also requires that if there is a temporary discounted APR, the creditor must disclose the discounted APR and the time period during which such rate is effective. The creditor must use the word "introductory" or "intro" in immediate proximity to the listing of the discounted APR. This will be problematic and confusing to consumers since many creditors historically have marketed discounted APRs using the terms "introductory" or "intro" only for new account offers, not offers made to customers on their existing accounts. This problem is exacerbated under the Proposal because all creditors will be required to use those terms for discounted APRs contained in solicitations and applications. We strongly urge the Board to amend this rule, and permit instead that for offers containing such checks a temporary discounted APR can be described as "discounted", "promotional" or a similar term that implies it is less than the APR that will apply after the promotional period expires.

The Board seeks input (i) whether there is an operational burden to customize check offers with the new required disclosures, and (ii) whether an alternative should be allowed to reference the type of APR that would apply and a toll-free number a customer can call to get the additional information required by the new rule. We appreciate the Board's request for input, as supplying the necessary data in the format and at the location required under the Proposal will cause operational issues for creditors. Further, there is a likelihood for significant numbers of consumers that the "go to" rate information disclosed in the check offers may be inaccurate by the time the promotional offer expires. Creditors must pull the data from their databases to populate offers several weeks in advance of mailing the offer, and then the promotional period itself can be a substantial period of time (e.g. 3 to 15 months long) so, for example, it could be 8-18 months before the "go to" APR actually applies. In this time period, many consumers may have had their APRs changed due to a change in terms, a default event, a collection program, or upon a customer request for a different APR or product. We believe disclosing the "go to" APRs in such check offers is problematic and will result in inaccurate information being provided to consumers. We completely agree with and support the Board's suggestion to permit the additional information from the table to be provided by having consumers call a toll-free number. This is particularly critical for the disclosure of "go to" APRs, which can vary from account to account, may be incorrect when such APRs take effect after a promotional offers expire, and will be operationally difficult to populate into marketing offers.

<u>"Fixed" APRs.</u> The Board has proposed that in an advertisement (as well as in solicitation and account opening tables) creditors may not refer to a "fixed" APR, or similar term, unless the ad discloses the amount of time the APR will be fixed and the rate will not increase in that time period, or if no time period is provided the APR will not increase "while the plan is open". If the Board is concerned that it is misleading for a creditor to describe an APR as "fixed" when it is subject to conditions such as a consumer default, we believe such a disclosure is not misleading if the conditions on the APR are clearly disclosed. Further, describing an APR as "fixed" also distinguishes it from a "variable" APR tied to an index. However, if the Board retains this requirement in the Final Rule, we believe it is imperative to change the language at Section 226.16(g) that indicates if an ad refers to a "fixed APR" without specifying the time period it is fixed, such an APR cannot increase "while the plan is open". This language, literally read, means a creditor cannot amend an APR under the amendment terms of the account agreement or applicable law. We believe that such a rule would be an inappropriate restriction on a creditor's rights under its contract with the consumer, and would unfairly limit a creditor's ability to amend pricing on a long-term open-end credit plan that can last for years. Therefore, we urge that an appropriate modification be made in the Final Rule.

<u>"Go to" Rates.</u> The Board proposes to require that a "go to" (*i.e.* post promotional) APR and end date of an introductory APR be disclosed in close proximity to the introductory APR and with equal prominence. We urge the Board to permit creditors to disclose a range of "go to" APRs in ads that are subject to these new rules to support risk-based pricing, where the APRs are determined later based on an evaluation of a consumer's creditworthiness. We suggest that it is sufficient to disclose the "go to" APRs and promotional period end date in the text of the offer. Further, we urge that, similar to the flexibility afforded for envelopes used in direct mail marketing channels and banner or "pop-up" ads used in internet marketing channels, similar flexibility should be allowed in other marketing channels where an initial summary ad is used to merely alert a consumer about an offer or to prompt a further inquiry about the details of an offer. Examples of such other media include, but are not limited to, transportation and terminal posters, roadside and merchant billboards or signs, and take-one application display stands.

<u>Financing Certain Purchases with Open-End Credit.</u> The Board outlines certain changes in the Proposal to address the purchase of "big ticket" items. It proposes enhanced disclosure when a minimum payment is advertised, and clarifies certain financing that does not qualify as "open-

end" credit. We believe these changes should be limited to sellers of goods or services, or those under common control with those sellers. Further, we believe the guidance with respect to these changes is not clear, and there are practical problems if in fact creditors must implement these changes as drafted.

In support of these changes, the Supplementary Information to the Proposal uses the example of making automobile purchases on open-end plans. However, legitimate private label credit card programs that are truly open-end credit should be exempt even if customers use them to buy expensive items. Also, creditors offer a number of products that are used to finance items that are not frequently repeated such as plastic surgery or dental procedures. We believe the current standard to distinguish open-end credit (*i.e.* when a creditor "reasonably contemplates repeated transactions" by the consumer), continues to be appropriate for such products and they should still be deemed to be open-end credit when that standard it met.

Practically, there are interpretation and implementation issues as well with these changes. One such issue is with the new rule in Section 226.16(b)(2). It requires that in an ad for financing the purchase of specific goods or services that states a minimum payment, a creditor must also disclose in equal prominence the total of payments and time period to repay the obligation. This rule may be practically difficult to implement. Certain private label programs, for instance, advertise a unique minimum payment for a particular purchase on a revolving credit plan at a promotional APR. However, the total payment and time to repay cannot always be determined because the minimum payment for the purchase, while often larger than the minimum payment required for the overall revolving credit plan, may not be designed to fully amortize the purchase over the time period while the promotional APR is in effect. Further, such disclosures can be affected by the APR in effect on the outstanding balance after the promotional APR period expires. Also, if an APR changes, say because of the application of a penalty APR, then the balance will be higher and total payments and time to repay will be increased. In this scenario, the creditor would have to either make certain assumptions about the applicable APR and other factors, or disclose a variety of possible repayment scenarios based on variations of APRs and other factors. In essence, this is the same issue the Proposal will address with the minimum payment estimates for entire account balances that will be required to be disclosed on periodic billing statements as discussed above. We believe the Board should not adopt this part of the Proposal requiring special repayment disclosures for particular types of transactions, and instead only require the minimum payment estimates that provide similar information for an entire open-end account balance.

Similarly, we urge the Board to provide certain clarification of its proposed Commentary on the definition of "open end" credit. First, we believe it should be clarified that financing certain purchases that follow pre-established credit criteria before the transaction occurs should not be considered closed-end credit, even if the transaction uses up a substantial portion of available credit on the credit line or even exceeds the credit line. Creditors may have over limit buffers or strategies in place that contemplate such purchases, and they should not therefore be considered a separate underwriting. Second, any legitimate authorization procedure or any consideration of a credit line increase with respect to a specific purchase should not exclude a transaction from open-end credit treatment. Finally, the proposed revisions to the Commentary to Section 226.2(a)(20), Comment 2(a)(20)-2, indicate that repayments allocated to a "sub-account" of an account must "replenish" the line of credit made available in that sub-account. The Board suggests that an open-end credit account may have different sub-accounts, and that "advances and payments may be allocated to different sub-accounts for the purpose of prescribing different terms (such as different periodic rates or other payment options) for those advances." We ask that it be clarified that this Commentary provision is not applicable to an account simply because it may have features with varying APRs. For example, a card issuer may offer a promotional APR on a cash advance transaction. As payments are made, the card issuer may not "replenish" the cash advance portion of the line of credit due to the fact that different balances on the account are satisfied pursuant to a payment allocation hierarchy that is based on the level of APRs. Similarly, a creditor may make a balance transfer offer at a promotional APR. As the balance is repaid, the available credit on the account will be replenished even though the available credit from the original balance transfer offer itself is not replenished. These circumstances should not determine whether the underlying account is an open-end account.

Reclassifying certain extensions of credit under a credit card account as closed-end credit also has negative implications for the securitization of creditors' credit card receivables. Securitization documentation for credit cards typically provides that an account must be a revolving credit card account for the receivables arising in that account to be eligible for inclusion in the securitization. Also, Regulation AB (17 C.F.R. Sections 229.1100-229.1123), which sets forth the disclosure requirements for asset-backed securities transactions, contains different disclosure requirements for revolving asset master trusts as opposed to amortizing asset pools and different limitations for certain features of deal structures, such as revolving periods, for securities backed by receivables arising under revolving accounts as opposed to non-revolving accounts. The potential reclassification of a portion of the securitization accounts as closed-end accounts could require restructuring of existing transactions, and affect future transactions such as by restricting credit card accounts that would be eligible. Therefore, we urge that the Final Rule not redefine open-end credit in a way that would upset the asset-backed securitization market for credit cards.

Other comments

Electronic Disclosures. We fully support the approach that the Board has taken in the Proposal with respect to providing disclosures electronically. We also support the new rule under Section 226.5(a)(1)(iii) that the disclosures required under Sections 226.5a, 226.5b and 226.16 might be provided electronically without regard to the Electronic Signatures in Global and National Commerce Act. The Board seeks comment about the circumstances creditors should be permitted to provide cost disclosures in electronic form without "E-sign" consent by the consumer, such as online payment fees. We fully support that creditors should be allowed to disclose online payment fees and other service fees for services provided electronically without consumer "E-sign" consent. In these situations, consumers are requesting online that creditors perform services online on their behalf, so they clearly will be able to receive cost disclosures provided online. It will be to the consumer's benefit to receive requested services promptly without an "E-sign" consent process. However, creditors should provide the related cost information online before providing the service. This proposal is consistent with the Board's view that service fees which are not part of account opening disclosures can be disclosed orally to consumers before they are obligated to pay the fee.

Debt Cancellation and Debt Suspension Products. We join in and support the views that are expressed in the comments of the Debt Protection Coalition and the American Bankers Insurance Association regarding debt suspension and debt cancellation products.

Billing Errors. Section 161(b) of TILA and Section 226.13(a)(3) of Regulation Z provide that a billing error includes, in effect, a periodic statement that reflects a transaction for goods or services not accepted by, or delivered to, the consumer. The Proposal adds a new Comment 226.13(a)(3)-2 that purports to "clarify" the reach of the Regulation Z billing error provisions to those situations in which a consumer uses a credit card to provide funds to a separate account with a third party (*e.g.*, PayPal). The Board proposes that the billing error provisions in Regulation Z apply when the consumer uses a third party account to purchase goods or services that are not accepted by, or are not delivered to, the consumer. We believe that the Board's proposed interpretation of 226.13(a)(3) of Regulation Z is not consistent with TILA or Regulation Z, nor should banks be interjected into third party transactions. When a consumer funds a separate account with a credit card, the transaction shown on the credit card periodic statement is the transfer of funds from the card issuer to the holder of the third party account, such as PayPal, not any subsequent transaction using that account such as the purchase of goods or services with which the creditor has no connection. TILA and Regulation Z provide consumers with protections if the holder of the third party account does not deliver those funds to the consumer or if the consumer does not accept those funds, but the protections should not also cover any subsequent transactions involving that third party account. Any such transactions are not reflected on a consumer's credit card statement, and credit card issuers do not have typical charge-back rights through the credit card associations or similar recourse against the holder of the third party account.

Billing Error Resolution Procedure. Under the Proposal, a creditor would have to complete an investigation of a billing error dispute and determine whether an error occurred within the permitted billing error resolution period. Comment 226.13(c)(2)-2 provides that after the billing error resolution period has expired, a creditor may not reverse any corrections it has made related to the asserted billing error, including any credits, even if the creditor subsequently learns that the billing error did not occur as asserted. We believe that the Proposal is inconsistent with the statutory forfeiture penalty provision under section 161(e) of TILA. That section provides that a creditor who does not investigate and correct any billing error following the billing error resolution procedures cannot collect from the consumer the amount indicated, subject to a maximum forfeiture of $50. We urge that the Final Rule be made consistent with TILA.

Prompt Crediting of Payments. We support the Board's change to the "prompt crediting of payments" rules at Section 226.10(a) with respect to payments that can be made on that creditor's website. We believe these crediting rules for such online payments are both within the expectation of consumers, and also consistent with the reason that consumers use the web to make payments which is to facilitate faster crediting and more control than a mailed payment that is subject to delivery by the postal service. The Board does not extend this new requirement to electronic payments received by other means (such as a payment authorized at the consumer's deposit account-holding bank's website), which we believe is appropriate. The Board solicits comment about delays that may prevent creditors or their third party processors from receiving electronic payments on the date the creditor is authorized to effect payment. There may be a delay of one or two days because certain creditors may not process payments on certain weekend days (e.g. Saturday) or holidays.

Checks. We support the Board's view not to expand the definition of "credit card" to cover account access checks, nor to apply merchant dispute provisions under Section 226.12 to such checks, nor to require issuers to provide consumers a right to opt out of receiving such checks. The Board will continue to require billing error claims under 226.13 for access check transactions, which we believe is adequate protection for consumers.

Business Credit. The Board proposes that whether a card is a business or consumer card is best determined at account opening, rather than by each transaction, so a business transaction on a consumer-purpose card should be covered by TILA, and a consumer transaction on a business-purpose card should not. We fully support this interpretation, and believe it should be retained in the Final Rule.

Preemption. A final comment is that we urge the Board to consider a broad preemption standard for the many changes and new requirements contained in the Proposal. Similar to the Fair Credit and Charge Card Disclosure Act of 1988, many of the requirements involve disclosures that should be uniform throughout the credit industry. Further, there are many new requirements for statement disclosures that are clearly designed to improve consumer understanding of the costs of credit. State laws affecting such disclosures should be preempted to preserve the integrity of the Board's work and to promote uniform disclosures of key credit terms that will benefit consumers. The other preemption standard in Regulation Z for disclosures other than credit or charge card applications or solicitations, that only "inconsistent" state disclosures are preempted, is not appropriate for the disclosure requirements set forth in the Proposal.

In conclusion, Chase appreciates the opportunity to comment on the Proposal. Please contact me with any questions about our comments using the contact information at the top of the first page.

Sincerely,

Andrew T. Semmelman