



October 10, 2007

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

Re: Docket No. R-1286

Dear Ms. Johnson:

Fiserv, Inc. (“Fiserv”) appreciates the opportunity to comment to the Board of Governors of the Federal Reserve System (the “Board”) on its proposal to amend a number of the provisions of Regulation Z relating to open-end credit. Fiserv provides information management systems and services to the financial and insurance industries, including transaction processing, business process outsourcing, and software and systems solutions. The company serves more than 18,000 clients worldwide, including banks, credit unions, financial planners, investment advisers, insurance companies and agents, lenders, and savings institutions. Approximately one-third of all of the banks, thrifts, and credit unions in the United States use one of Fiserv’s core account processing or software solutions.

#### Overview

Fiserv supports the Board’s general goal of making the disclosures required by Regulation Z more meaningful to consumers. However, we think it is critical that the Board strike an appropriate balance between this goal and the costs that would be incurred by software and service providers like Fiserv, and our financial institution clients, to implement any required changes to the regulation. Our greatest concern is with the large number of significant changes involving periodic statements for open-end credit plans that are not home secured. Specifically, it is our opinion that:

1. The changes regarding periodic statements should be applied only to credit card accounts.
2. Some of the specific proposed changes should be eliminated or modified, whether they are applied to just credit card accounts or to all non-home secured open end plans.
3. The requirement to disclose the “historical” or “effective” APR on periodic statements should be eliminated for all types of open-end credit plans.
4. The Board must allow lenders and their service providers a sufficient amount of time, but in no event less than one year, to implement any required changes to Regulation Z.

Following is a more complete explanation of these recommendations.

#### Periodic Statement Changes

Fiserv’s greatest concern with this proposal is with the large number of significant changes involving periodic statements for open-end credit plans that are not home secured. These changes include (1) grouping of transactions by type, (2) providing current statement period and year-to-date totals for both interest and other types of charges, (3) disclosing the payment cut-off time if it is before 5:00 PM, (4) placing certain disclosures in close proximity to the due date and on the first page of the statement, and (5) disclosing information about the impact of making only the minimum payment.

If implemented, these changes would obviously require major programming changes for service providers like Fiserv. The formats used for periodic statements would have to be completely redesigned to accommodate the additional required disclosures and the requirements relating to placement of certain disclosures. Also, programming would be required to calculate the period and year-to-date totals for interest and other fees.

One Fiserv business unit that offers software and processing services for credit unions estimated that it would require approximately 28,000 hours to do all of the programming and testing required to implement the proposed changes. This estimate is based on actual hours spent by the business unit on recent projects that were mandated by changes in federal regulations. At a cost of \$125 per hour, this would result in a total cost of approximately \$3.5 million for just this one business unit. Because several other Fiserv business units also support consumer open-end credit plans offered by their financial institution clients, the total amount of time that would have to be spent by the entire Fiserv organization would be several times greater than this.

In addition to the substantial programming changes, the significant additional disclosures are likely to increase the number of pages required for a periodic statement to accommodate all of the requirements. This would result in increased material, printing, and postage expenses for lenders. Of course, these increased costs would be funded by or passed on to Fiserv’s financial institution clients who would, in turn, most likely pass them on to their customers.

It is our opinion that the amount of additional disclosures required for periodic statements will result in an “information overload” for consumers that will undermine the Board’s stated goal of making the information on the statements more meaningful to them. Fiserv strongly encourages the Board to take a careful second look at the proposals relating to periodic statements and simplify them in a way that would reduce the costs to lenders and service providers while still making statements easy for consumers to understand.

Specifically, Fiserv recommends that the Board only apply the proposed changes relating to periodic statements to credit card accounts. From reading the Board’s discussion of the consumer testing it conducted as part of this review, it appears that most, if not all, of this testing focused on credit card accounts. It is our opinion that many of the concerns identified by the Board with respect to the current periodic statement requirements of Regulation Z are not applicable to other types of consumer open-end credit plans that are not home secured. These plans, which may take the form of overdraft protection plans, or “personal lines of credit”, generally do not involve anything close to the volume or variety of transactions that a consumer is likely to make under a typical credit card account. These lines of credit are designed to accommodate a consumer’s occasional needs for an extension of credit and are not used for everyday purchases. They also are not likely to involve the same types of fees that are often part of a credit card plan.

Because these lines of credit involve a significantly lower volume of transactions, the customer’s periodic statement is generally very simple and easy to understand. Periodic statements for these accounts typically start with an opening balance, and then list any activity on the account (such as advances, payments, and interest charges) in chronological order. The statements also often disclose the principal balance for the account after each item of activity. It is our opinion that applying the proposed rules to these types of open-end plans would produce substantial additional costs for lenders (costs that will be passed on to consumers) and will result in a periodic statement that will be no more meaningful (and, in fact, may be more confusing) to consumers. For example, requiring the creditor to group transactions by type would eliminate the chronological listing of activity and resulting balances that consumers have come to expect for this type of account.

If the Board does not adopt Fiserv’s recommendation to apply the new periodic statement rules only to credit card accounts, we recommend the following changes to some of the specific requirements:

1. The requirement to provide year to date totals for interest and other fees should be eliminated. It is our opinion that very few consumers would focus on the year to date totals, and that the cost of making the programming changes to produce them outweighs the value to consumers. Consumers who want those totals can obtain them easily enough by referring back to their previous statements.
2. The requirement to disclose the “historical” or “effective” APR on periodic statements should be eliminated for all types of open-end credit plans. The Board recognizes that the manner in which this rate is calculated produces results that are more confusing than meaningful to consumers.

3. The requirement to disclose a payment cut off time should be eliminated. Because a high percentage of payments are sent by mail, consumers usually have very little control over the exact day, much less the exact time, that a payment is received by the creditor. Because of this, many creditors provide consumers with an undisclosed “grace period” before imposing a late payment fee to give consumers a cushion against unexpected delays in delivery. This disclosure is also meaningless for consumers who have arranged to make payments automatically from a deposit account.
4. The requirement regarding changes to the terms of a consumer’s account that are disclosed in the summary disclosure at account opening should be removed. The proposal requires these changes to be presented in a tabular form and, if disclosed on or with the periodic statement, to be placed at the beginning of the front of the first page of the statement, directly above the grouping of transactions, credits, fees, and interest. This requirement would cause substantial practical problems with the production of periodic statements. Creditors generally develop a standard template for their periodic statements and the data for a particular statement period is produced so that it appears in the appropriate place in the blank template when the statement is printed. The Board’s proposal would essentially require (a) the development of a second, special template to be used in any statement period in which a change in terms notice is included, and (b) special programming to produce statements using that template. It is our opinion that the costs involved greatly outweigh the potential benefits to consumers.
5. We recommend that the regulation not refer to the increased APR that may be imposed if a payment is late as a “penalty APR”. As a general matter of contract law, penalties in contracts are unenforceable. It is our opinion that use of the term “penalty APR” will inspire consumer class action attorneys to bring lawsuits challenging the enforceability of the increased APR. A different term, such as “default APR”, could be used instead.
6. We support the Board’s proposal to exempt open-end credit plans other than credit card accounts from the minimum payment disclosure requirement. It is our opinion that the minimum payment disclosure will have very little meaning, and may actually be misleading, for many other types of accounts.

#### Effective Date of Changes

Whatever final changes the Board decides to adopt, we request that the mandatory compliance date be **at least one year** from the publication of the final rule. As described above, these

Ms. Jennifer J. Johnson  
October 10, 2007  
Page 5

changes will require extensive programming changes and testing to ensure that statements comply with the regulation.

Thank you for your consideration of these comments.

Sincerely,

FISERV, INC.

A handwritten signature in black ink that reads "John C. Mezzanotte". The signature is written in a cursive style with a large, prominent initial "J".

John C. Mezzanotte  
Vice President  
Assistant General Counsel