



WORLD'S FOREMOST BANK®

October 12, 2007

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street & Constitution Ave NW  
Washington DC 20551

RE: Comments on Proposed Regulation Z Changes – Docket # R-1286

***Delivered Via Electronic Mail***

Dear Ms. Johnson,

World's Foremost Bank ("WFB") is a credit card bank chartered under the laws of the State of Nebraska and regulated by the Federal Deposit Insurance Corporation. WFB has no branches but issues credit cards to cardholders in all 50 states.

WFB appreciates the opportunity to comment with respect to the proposed rules and would like to offer the following comments on three particular areas discussed in the Notice of Proposed Rulemaking.

**§226.9 – Subsequent Disclosures – Notice of Change In Terms**

While WFB has no objection to increasing the timing of change in terms notices from 15 days to 45 days, we are strongly opposed to the application of the 45 day notice requirement for changes to a consumer's annual percentage rate due to delinquency.

WFB believes a distinction should be made between a change in terms that is controllable by the consumer (i.e. – increases in APR due to delinquency) and a decision by a bank to change a term or terms across a product or portfolio (i.e. – changing the balance computation method). In addition, we believe a further distinction should be made between a change to a consumer's account based solely on the consumer's behavior on that particular account and changes made to a consumer's account based solely on the consumer's credit behavior in general (thus, bringing in the concept of "universal default"). While we have no issue with the application of a 45 day notice requirement for changes due to "universal default" (because this is not as easily controlled by the consumer) or changes a bank may make across a product or portfolio, we do not believe the notice period should apply for changes that are based on events well within the control of the consumer.

With regards to the Board's statement that they believe the consumer is unlikely to be aware of the trigger events for an increase in pricing, we must respectfully disagree with the Board when it comes to pricing increases due to delinquency on an account, especially when those events are disclosed upfront in a clear and conspicuous manner (which is being addressed in other areas of the proposal). While it is true that a consumer may not remember the exact rates or margins used to calculate the penalty rate if the trigger event does not happen immediately after receiving the account-opening terms, it is not unreasonable to expect the consumer to understand that making late payments on an account will have an impact on the pricing on that particular account. Therefore, we feel it is unnecessary to require a 45 day notice in this particular circumstance.

In addition, as some banks allow consumers to "cure" (or move the APR back to a lower rate) after being moved into penalty pricing due to delinquency, by requiring a 45 day notice (which, in many cases, will actually end up being 60 days due to coordinating the timing with monthly billing statements) we are, in effect, delaying the consumer's ability to cure the account – which may in fact be perceived as more harmful to the consumer as they may like the features of their current credit card and may not feel the desire to "shop around" for another credit card simply because they made some late payments on that particular account and caused the APR to increase. Therefore, in a circumstance like this, it could be argued that perceived benefit of allowing a consumer time to shop around for an alternative is outweighed by the benefit of allowing the consumer a timelier cure of the APR.

While WFB strongly opposes providing advance notice of an impending rate increase due solely to the delinquency on the account, if the Board elects to impose the notice requirement under these circumstances, we respectfully ask the Board to shorten the notification time frame to allow the notification to take place on the billing statement on which the trigger event occurred and allow the change to take place on the following billing statement. By allowing this, not only is the consumer being notified prior to the change, but it will also allow those consumers with the ability to cure the APR to begin that process sooner.

### **"Effective APR" On The Periodic Statement**

With regards to the inclusion of the "effective APR" on the periodic statement, WFB has found that our cardholders do not find the information useful. In most cases, our cardholders find the inclusion of the effective APR to confusing and misleading due to the lack of understanding as to how the rate is calculated. And even when the rate is explained to the cardholders, we have found that they find little value in the information as it is backward-looking rather than forward-looking, which tends to be their main concern. Therefore, we strongly support the removal of the effective APR from the periodic statement.

### **§226.16 – Advertising – Negative Terms As Trigger Terms**

While WFB agrees that there are some "negative terms" that should trigger additional disclosure requirements, we do not believe that a phrase like "No Annual Fee" should trigger additional disclosure requirements because it is self-explanatory in and of itself. However, if the phrase includes a qualifier, such as "No Annual Fee For The First Year", then it is reasonable to require additional disclosures. Therefore we ask the Board to allow some flexibility in their rulemaking with regards to negative terms and not adopt a blanket policy for requiring additional disclosures on all negative terms.

### **Minimum Payment Disclosure**

WFB appreciate the Board's efforts in developing alternative approaches a creditor may take in order to comply with the minimum payment disclosure provisions of the Bankruptcy Act. However, we respectfully ask the Board to revisit the list of exemptions and expand the types of situations that are exempt from the disclosure requirements. Specifically, we ask that the Board limit the disclosure requirements to accounts that do only pay the minimum amount at any given time (i.e. – providing the disclosure on the statement when a consumer makes only the minimum payment from the previous statement).

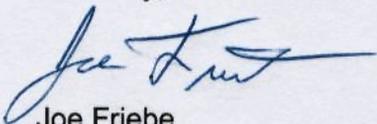
If consumer education and information about their financial situation is the primary goal behind the provision, it seems that creditors are being asked to bear a considerable burden to implement a process that ultimately has extremely limited usefulness and appears to miss the mark for the rationale of the provision. Frankly, we fail to see how stating the time it would take to pay off a particular balance while making minimum payments is truly useful information to a customer who routinely makes payments that are significantly higher than the stated minimum payment.

For example, if a consumer's stated minimum payment in any given month is approximately \$20 and they routinely make payments of \$200, how are we educating and informing them of their financial situation by providing them with the length of time it will take to pay off their balance while making minimum payments when that is not their situation? We may be providing the consumer with "gee whiz" information, but is the information truly useful? We do not believe so and do not believe our customers in this particular situation would think so because, in essence, we would be providing a hypothetical, even if we use the "actual repayment disclosure". The information bears no actual usefulness to a consumer in this situation because the customer cannot determine the time it would take for them to repay their account by making higher than minimum payments based on the information provided.

However, for consumers that do only pay the minimum payment (or an amount relatively close to the minimum payment), they may find this information useful because it actually applies to their particular account information at the time the minimum payment is made. Therefore, we respectfully ask that Board limit the requirement for disclosure to monthly billing statements that reflect the consumer only making the minimum payment from their previous billing statement.

Again, we appreciate the opportunity to comment with respect to the proposed rules. If there are any questions, I may be contacted directly at (402) 323-4322 or [Joe.Friebe@cabelas.com](mailto:Joe.Friebe@cabelas.com).

Sincerely,



Joe Friebe  
President and Chief Executive Officer  
World's Foremost Bank