



October 15, 2007

Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Ave., NW  
Washington, DC 20551

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Re: Docket No. R-1286; Comments on Proposed Rules to Amend Regulation Z, Which Implements the Truth in Lending Act.

Ladies and Gentleman:

World Financial Capital Bank (WFCB) is pleased to submit the following comments in response to the agency's request published in the June 14, 2007 Federal Register.

WFCB commends the Federal Reserve Board (Board) in proposing amendments to Regulation Z, the goal of which is to "make sure that consumers get key information about credit card terms in a clear and conspicuous format and at a time when it would be most useful to them." Despite this goal, we believe that instead of making credit card terms clearer for the consumer, many of the revisions would actually overload them with too much information and potentially cause confusion.

There are three areas in the proposed rules on which WFCB would like to comment:

- 1. The Board requests comment on whether a shorter time period, such as 30 days' advance notice, would be adequate notice for consumers whose interest rates are being increased due to default or delinquency, or as a penalty.**

WFCB will not increase a consumer's interest rate due to a default or delinquency on unrelated obligations or because of a decrease in their credit bureau score. The Bank will, however, increase a consumer's interest rate due to default or delinquency on the account in which the rate is being increased.

This “penalty rate”, similar to variable interest rate programs (in which the rate can be changed under Regulation Z without advance consumer notice), is disclosed to the consumer in both the Bank’s Schumer Box and the credit card agreement.

WFCB does not believe that any advanced notice should be required for consumers whose interest rates are being increased due to a default or delinquency on the account in which the rate is to be increased. Section 226.9(c) of Regulation Z currently exempts from the written notice requirement, changes that have been agreed to by the consumer. We believe that this is the correct approach. It is required, under applicable law, that consumers be provided their credit card agreement prior to the first transaction. If the credit card agreement contains a “default, delinquency or penalty rate”, and the circumstances which would trigger the rate, (making it a contractual term agreed to by the parties) we do not believe any additional notice should be mandated by the Board. Especially if the interest rate increase is caused by a default on the account itself.

A 45 day advance notice requirement, prior to imposition of a penalty rate, places an undue burden on creditors. Requiring creditors provide a 45 day notice to consumers, after they have triggered a default or penalty rate, but before they can apply this rate, in essence, places an additional two (2) cycles on top of any “default” period. For example, if a credit card agreement provides that a customer may be placed in a penalty rate when they miss two consecutive payments, by adding an additional 45 days for the notice provision, it will be four (4) cycles before the penalty rate can be applied to the account. This not only places an undue burden on creditors, but alters the contractual agreement between the parties. The customer controls whether or not they pay their account on time. Bank believes it is reasonable to apply, without additional notice, a default or delinquency rate to a consumer’s account, when the increase is due to a default on the account in which the rate is being increased.

Finally, we believe it will confuse consumers if the application of a default or penalty rate is delayed from the action that caused the rate to increase. Consumers may not remember why their interest rate is being increased if, because of the proposed notice period, it will take up to two (2) billing cycles after the cardholder default or delinquency, before the consumer sees the increase on his or her billing statement.

2. **The Board requests comment on (1) whether it should recommend to Congress that the 14-day period (to mail or deliver a periodic statement) be increased to a longer time period, so that consumer will have additional time to receive their statements and mail their payments to**

**ensure that payments will be received by the due date, and (2) if so, what time period the Board should recommend to Congress.**

WFCB does not believe the Board should recommend to Congress that the 14-day period to which a statement must be sent prior to the due date be increased. The bank believes that 14 days is ample time for the consumer to receive their statement and remit payment. The United States Postal Service states on their website that the delivery standard for first class mail is between one to three days. <http://pe.usps.gov/text/dmm300/133.htm>. This means that the customer, excluding mail time, currently has between 8 to 12 “in home” days (taking into consideration first class mail turnaround) to make their payment prior to the account due date. Additionally, there are alternative payment methods available to consumers should they have to make a last minute payment. These methods include making a payment directly at the retailer (in the case of co-branded and private label programs), telephone or internet payments.

Balancing the benefit to the consumer, if a longer time period for statement delivery is required, is the increased detriment to credit card issuers. Because credit card programs have many billing cycles with tight processing time frames, requiring an increase in the 14-day period to which a statement must be sent prior to the account due date, could cause operational issues and may lead to potential non-compliance with the statute. This is significant since under section 225.5(b)(2)(ii) of Regulation Z, a creditor that fails to meet this requirement shall not collect any finance or other charge as a result failing to timely provide the periodic statement. Because unforeseen statement processing issues do occur, we believe that increasing the 14-day time period will only increase the instances of non-compliance with the statute throughout the industry.

**3. The Board contemplates providing creditors sufficient time to implement any revisions that may be adopted. The Board seeks comment on an appropriate implementation period.**

Many of the revisions contemplated by the Board will involve significant system development and testing, particularly those related to periodic statements. Because of the development involved, we believe the Board should allow at least an eighteen (18) month implementation period. Alternatively, we believe it would assist the credit card industry to develop a rolling implementation period wherein those revisions that will involve significant operational resources will be allowed longer implementation periods.

Thank you for allowing WFCB the opportunity to comment on the proposed amendments to Regulation Z. As mentioned above, we applaud the main goal of the Board, which is to make sure that consumers get key information about credit card terms in a clear and conspicuous format and at a time when it would be most useful to them. However, we believe that instead of making credit card terms clearer for the consumer, many of the revisions would actually overload them with too much information and potentially cause confusion.

Sincerely,

Marvin H. Corne  
President & CEO