

The Honorable Ben S. Bernanke
Chairman of the Federal Reserve Board
Federal Reserve Board
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

June 16, 2007

07-4457

Re: Credit Card Agreement and Disclosure Readability

Dear Mr. Bernanke:

As a New York State consumer, I believe that credit card companies have severely impeded my ability to make an informed decision about credit card options and are charging interest at loan shark rates. Further, the fact that state consumer protection laws are virtually unenforceable is an issue that needs your immediate attention. Since the credit card industry and federal banking regulators have almost exclusive control over the terms of my credit card agreement, I am calling on the Federal Reserve Board and Congress to address these and other abuses within the industry. I urge you to be part of the solution for consumers and put an end to excessive interest rates along with universal default clauses. [See the attached "offer" I received in the mail, which is an example of these abuses.]

Credit card issuers entice consumers almost daily with promises of special no-interest introductory rates, low interest rates, and rewards programs. However, the fees and contract terms are confusing and often times not clearly stated in the initial agreement or in subsequent disclosure statements. It has become common practice for large credit card companies to begin changing the terms of their card shortly after issue, thus the "terms" of the loan have been changed after the "loan" has been issued, allowing the company to earn windfall profits. Consumers are then blindsided by perplexing terms and conditions pursuant to which fees are applied, causing them to fall into a cycle of debt. While better and more understandable disclosures are needed, limits on the interest rates and fees are also necessary to provide some relief to over-extended consumers fighting to get out of credit card debt. **The Default APR in the attached example is currently 31.99%!** How can you or the Federal Reserve Board justify these rates?! Who needs organized crime when the Federal Government allows the credit card industry to financially rape overextended consumers, in particular those who do not have the financial acumen to understand the credit risks involved?

Please propose and support efforts to improve the clarity and readability of credit card agreements.

~~Moreover, I urge federal regulators to amend Regulation Z to create more effective disclosure requirements so that consumers will know the true costs associated with the use of credit cards.~~

However, I believe that the underlying issue is the predatory practices of these companies towards the consumer. So while all correspondence from the credit card companies should be free from technical jargon and dense tiny print the changes that would do the most good would address excessive credit card interest and unfair penalties.

I thank you in advance for your efforts to create a more level playing field in the credit card arena and protect consumers from financial hardship and potential ruin from debt.

Sincerely,



Theodore E. Anderson

██████████
Otego, NY 13825

Terms and Conditions

The card issuer, Washington Mutual Bank ("we"/"us"/"our"), will review your credit, household income, credit relationships with us, and all other information you provide to ensure that you meet all of our requirements when you respond to our offer. If you meet these requirements, you will receive a Visa Platinum® account with a credit line as described below. If you do not meet these requirements, we may not extend credit to you.

Credit Line: Your initial credit line will be up to \$30,000 (at least \$500) and will be determined by your credit profile at the time we open your account. The median credit line received for this offer in 2006 was \$4,000.

Annual percentage rate (APR) for purchases	9.99%-23.99%*
Other APRs	Promotional Balance Transfer APR: 0% through your statement date in July 2008 ("Introductory Period"); after that: 9.99%-23.99% (see explanation below) Cash Advance APR: 23.99% Default APR: The Prime Rate [†] plus 23.74% (currently 31.99%) and may vary (see explanation below) [‡]
Variable rate information	Your APRs may vary. Purchase APR: Prime Rate plus 1.74%-15.74%, but not lower than the APR for Purchases when your account is opened* Promotional Balance Transfer APR: Prime Rate plus 1.74%-15.74%, but not lower than the non-introductory APR for Balance Transfers when your account is opened [§] Cash Advance APR: 23.99% or the Prime Rate plus 15.74%, whichever is greater
Grace period for purchases	At least 25 days if the New Balance is paid in full by the Payment Due Date
Balance calculation method	Two-Cycle Average Daily Balance (including new purchases)
Annual fee	\$0
Minimum finance charge	\$1
Transaction fee for purchases	For purchases made outside the U.S. and its territories: 1% of each purchase
Cash advance fee:	3% of the advance (\$10 minimum) [#]
Balance transfer fee:	3% of each balance transfer (\$5 min./\$75 max. per transfer) ← why not a straight fee?
Late fee:	\$39 if balance is \$200 or greater; \$19 if balance is less than \$200
Overlimit fee:	\$35 if you exceed your credit line at any time during a billing cycle

We may change the APRs, fees, and other terms of your account at any time to the extent permitted by applicable law and the Account Agreement, which we will send you when your account is opened. Factors we may consider in determining whether and how to change your terms include the frequency and severity of defaults and other indications of risk on accounts with Washington Mutual and/or other creditors.

***APR for Purchases:** Your APR for Purchases (and the margin added to the Prime Rate to determine this APR) will depend on Washington Mutual's evaluation of your application and credit history.

[†]**Default APR:** Each time you default on this or any Washington Mutual credit card account because you fail to make at least the minimum payment when due, exceed your credit line or make a payment to us that is not honored by your bank, we may increase the APRs on your account up to a maximum of the Default APR. Factors considered in determining whether and by how much to increase your APRs include the frequency and severity of defaults and other indications of account usage and risk on accounts with Washington Mutual and/or other creditors.

[‡]**Prime Rate:** The Prime Rate used to determine your APR is the highest Prime Rate published in *The Wall Street Journal* on the first business day following the 22nd day of the calendar month before the month in which the billing cycle began. Variable rates are current as of April 2007.

[§]**Balance transfer information:** Your Promotional APR for Balance Transfers (and the margin added to the Prime Rate to determine this APR) will depend on Washington Mutual's evaluation of your application and credit history. The Promotional Balance Transfer APR above applies to balance transfers requested within the first 90 days of account opening. Enter your balances in the order you would like them to be paid. Individual transfers are subject to a \$100 minimum.
Some limited credit limits may transfer all or part of the amounts you request. Generally, we will transfer as much as possible, leaving some