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July 18, 2008

Via e-mail: regs.comments@federalreserve.gov

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

Attn: Docket Number R-1286

Re: Proposed Rule Under Regulation Z

Dear Ms. Johnson:

This letter is submitted on behalf of The Home Depot, Inc. in response to the above referenced rules proposed by the Board of Governors of the Federal Reserve System (the "Board") under Regulation Z with respect to certain rules related to deferred interest offers. The Home Depot is specifically concerned with the Board's proposal to add "§ 226.16(h) Deferred Interest Offers" to existing code.

The Home Depot is dedicated to providing excellent service and value to its customers. Deferred interest programs are an integral part of that value because they provide payment options over and above standard bank cards. Deferred interest programs are essential to The Home Depot because we are the ONLY home improvement retailer to offer our customers deferred interest EVERYDAY without customers having to ask for it. Our customers have come to expect this as part of our product offerings, as evidenced by the take-up rate of such programs on larger purchases. Further, these programs offer customers flexibility for both planned projects and unexpected repairs, especially in times of emergency and natural disasters. Whether a heating system goes out in Minnesota in the winter, an air conditioning unit breaks down in Arizona in the summer or customers in the Gulf Region need emergency supplies to recover from hurricane damage, Home Depot offers those customers six months of deferred interest on purchases greater than \$299 to ease the financial burden of those unanticipated expenses.

In addition to our commitment to delivering significant value to our customers, The Home Depot has always been committed to clearly communicating the terms and conditions of our financing offers. In fact, we have already implemented many of the Board's proposed rule changes into our policies as best practices. However, with regard to § 226.16(h), The Home Depot does not believe that this proposed change would enhance meaningful disclosure of credit terms, and would in fact lead to more confusion to customers and make it impractical to advertise credit offers in many cases. Both of these unintended consequences will result in financial hardship for our customers.



Jennifer J. Johnson

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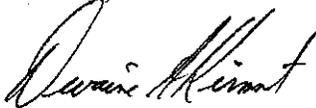
To illustrate how disclosures under the proposed amendment would lead to customer confusion, we have attached as Exhibit A an example of an actual advertisement as it would appear if the new rules become effective as proposed. Exhibit A demonstrates that instead of presenting our customers with a simple and clear financing offer and indication of where to find all applicable terms, we would be presenting them with a confusing block of text that obscures the basic credit offer and that, practically speaking, will not alert customers to this additional opportunity for credit. Customers simply will not take the time to read this text unless they are immediately alerted to the fact that it is an offer for financing. Exhibits B and C demonstrate how impractical the revised disclosure would be, leaving virtually no space for product placement if disclosures that are readily available to customers today must be disclosed within the proximity of the credit offer that is proposed in the new rules. Not only would this preclude effective product advertising, it would significantly increase the costs of advertising, as space purchased in all media would have to be increased to accommodate both the product descriptions and the larger disclosures.

With increased advertising costs and lower customer response, Home Depot would likely be forced to discontinue offering deferred interest programs. We estimate that the elimination of deferred interest programs would cost our customers approximately \$1.5 billion per year in interest expense that today they are not paying. This would be another unintended result of the proposed amendments.

For the above reasons, it is The Home Depot's strong view that the addition of § 226.16(h) will not benefit our customers. To the contrary, it will cause confusion, reduce customer financing options, and ultimately cost our customers more in interest expense as these offers disappear from the marketplace. This would be particularly unfortunate in emergency situations. We strongly discourage the Board from implementing § 226.16(h).

Thank you for the opportunity to provide these comments.

Sincerely,



Dwaine Kimmet
Vice President, Home Depot Financial Services

Enclosure (3)

Exhibit B: Television Commercial Comparison (30 seconds)

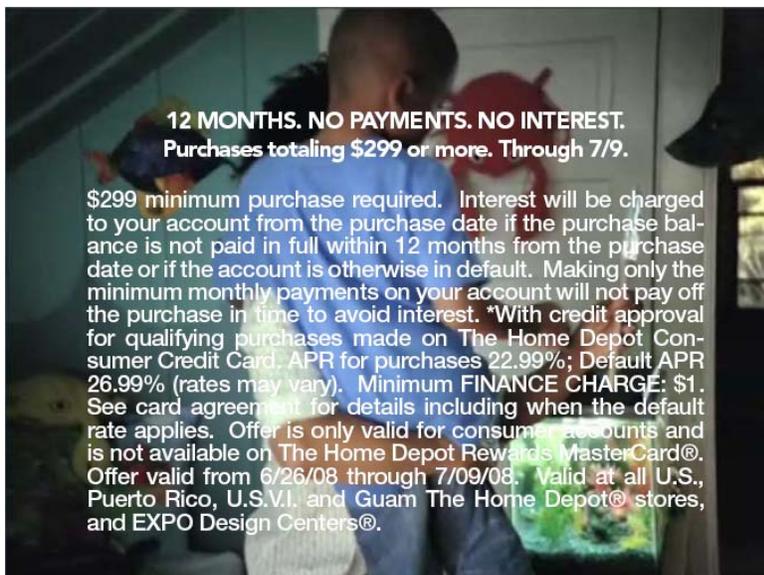
- In compliance with Network Clearance guidelines overseen by the FTC, disclosures must be on screen for 3 seconds for the first line and 1 seconds for each additional line
- The new disclosure language, combined with the increased font size would require The Home Depot to display the entire credit offer on screen for a total of 17 seconds
- Disclosures completely obscure the images running behind them for over half of the commercial
- Advertising estimates 75% lower response rates to the new commercials

CURRENT COMMERCIAL



Per FTC guidelines image is on screen for 8 seconds (of total 30 seconds)

COMMERCIAL WITH PROPOSED CHANGES



Per FTC guidelines image is on screen for 17 seconds (of total 30 seconds)

Exhibit C: Store Circular (Keeping the trigger term font size)

- The disclosures' font size is increased to match the font size of the initial trigger term
- The entire circular becomes a credit offer with no room for product placement

CURRENT STORE CIRCULAR

INCREDIBLE APPLIANCES. INCREDIBLE VALUES.
you'll find guaranteed low prices* on an wide selection of washers, dryers and dishwashers

BUY NOW, PAY LATER
12 months
NO PAYMENTS, NO INTEREST

free DELIVERY & HAUL AWAY™

WASHER \$999
AS LOW AS \$83 PER MONTH*

DRYER \$899
AS LOW AS \$75 PER MONTH*

CP 4.0 Q.U. FT. WASHES AND 7.3 Q.U. FT. DRYERS
Lighter Electronic Controls with Quick-Cycle™

\$1099 AS LOW AS \$91 PER MONTH* CP DISHWASHER

\$399 AS LOW AS \$33 PER MONTH* DISHWASHER

\$379 AS LOW AS \$31 PER MONTH* DISHWASHER

\$199 AS LOW AS \$16 PER MONTH* CP DISHWASHER

NOBODY BEAT OUR PRICES

QUICKLY CONNECT THE WIRING FOR YOUR NEW LIGHTING

SHOP FOR MORE THAN 1,000 PARTS AND LIGHTING FIXTURES

FINANCE HERE.
dryers and dishwashers

qualifying
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for
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STORE CIRCULAR WITH PROPOSED CHANGES

INCREDIBLE APPLIANCES. INCREDIBLE VALUES.
you'll find guaranteed low prices* on an wide selection of washers, dryers and dishwashers

BUY NOW, PAY LATER
12 months
NO PAYMENTS, NO INTEREST

free DELIVERY & HAUL AWAY™

\$299 minimum purchase required. Interest will be charged to your account from the purchase date if the purchase balance is not paid in full within 12 months from the purchase date or if the account is otherwise in default. Making only the minimum monthly payments on your account will not pay off the purchase in time to avoid

NOBODY BEAT OUR PRICES

QUICKLY CONNECT THE WIRING FOR YOUR NEW LIGHTING

SHOP FOR MORE THAN 1,000 PARTS AND LIGHTING FIXTURES

FINANCE HERE.
dryers and dishwashers

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