

From: Paul Buddington <paul.buddington@aya.yale.edu> on 07/29/2008 09:35:04 PM

Subject: Regulation AA

Jul 29, 2008

Federal Reserve Board Email comments

Dear Email comments,

I believe that legislation such as R-1314 is long overdue. While I

generally support the idea of allowing free and open competition in the marketplace, I believe it is unrealistic to expect consumers to fully understand and appreciate all the complexities of the typical credit

card agreement. Therefore, I believe it is appropriate in this case to legislate some restrictions on how credit card companies may operate. (Side note: I would not be opposed to companies being allow to offer other similar forms of credit that aren't regulated in this way, so long as they are clearly differentiated from a "regular" credit card.)

In my opinion, the most crucial element of credit card regulation is preventing credit card companies for changing the rules (e.g. interest rates, grace period, interest calculation, etc.) for existing debt. Companies should have the right to raise a consumer's interest rate, for example, if the consumer becomes a worse credit risk, but only for new, future debt, not existing debt.

Ensuring this basic fairness may force credit card companies to do a better job assessing risk in advance, and it may even raise some rates

slightly, but I still believe it's a good idea. After all, credit card

companies wouldn't think it to be fair if I could decide after the fact that I didn't really want to pay for all my purchases because I didn't

end up making as much income as I thought I might. Also, allowing card

companies to raise interest rates on existing debt only works to ensure that anyone who starts to have financial trouble is quickly locked in an accelerating downward spiral. Anyone who has trouble paying their bills _should_ have more difficulty getting future credit, but they

shouldn't have their existing debt amplified to make it even harder for them to recover.

In short, Docket No. R-1314 is a pretty good step towards better fairness in consumer credit. And it's far better than leaving alone the situation the exists today.

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Sincerely,

Mr. Paul Buddington
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