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VIA U.S. MAIL & FACSIMILE

Ms. Jennifer J. Johnson, Secretary
Board of Governors
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Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
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Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
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**Re: Docket No. R-1314 (Regulation AA - Unfair or Deceptive Acts or Practices)
Docket No. R-1286 (Regulation Z - Truth in Lending)
Docket No. R-1315 (Regulation DD - Truth in Savings)**

Dear Federal Financial Regulators:

INTRODUCTION

Credit cards play an increasingly large role in the lives of virtually all Americans. Most people carry between five to ten credit cards. Consumer credit card debt has ballooned from \$8 billion in 1968 to \$900 billion in 2008. Last year, credit card companies charged American consumers over \$17 billion in fees alone, such as late fees, over-the-limit fees, and the like. Moreover, credit card companies spend billions of dollars per year marketing their products to consumers in order to encourage people to take out and use their credit cards. At the same time, many consumers find that the deck is stacked against them when it comes to their credit card companies. Credit card companies often use hidden traps and "tricks of the trade" to make even more money from high fees and by raising interest rates. For example, even though interest rates



are currently relatively low from a historical perspective, many consumers find that their credit card companies look for excuses to raise the rates on their particular cards, such as when they are late with a payment or an initial “teaser rate” period expires.

It is clear that there are serious abuses in the credit card industry that take advantage of the ordinary consumer. Due to court rulings, states are limited in their ability to regulate the practices of national credit card companies. I urge federal banking regulators to use their authority to help level the playing field on behalf of the ordinary consumer. To that end, I submit these comments concerning the proposed rules amending Regulation AA (unfair deceptive acts or practices); Regulation Z (truth in lending); and Regulation DD (truth in savings).

CREDIT CARD PROTECTIONS.

Consumers often encounter unfair or deceptive practices with their credit card companies. Please accept these comments on certain provisions of the proposed rules:

First, under the proposed rules, financial institutions would be required to provide consumers with a reasonable amount of time to make payments. Given the time required for statements to be delivered by mail, and for payments to be received by mail, consumers often end up with little time to review their statements for accuracy. Given that credit card statements may be inaccurate due to fraud or mistake, consumers need enough time to thoroughly review their monthly bills. The proposed rule provides a safe harbor for financial institutions that send statements at least 21 days prior to the payment due date. This presumes that it takes seven days for the statement to reach consumers by mail, seven days for the consumer to review the statement, and seven days for the statement to reach the financial institution by mail. Requiring a minimum of 21 days is a positive start to giving consumers more rights. I suggest the adoption of a 28-day period, thus allowing consumers at least 14 days to review their statements, considering that some consumers may be unable to promptly review their statements due to travel, illness, or other reasons.

Second, financial institutions would be prohibited from allocating a consumers’ entire payment amount to a balance with the lowest interest rate. This Office has received complaints from consumers who carry balances that have different interest rates, but whose payments are allocated only to those balances with the lowest rate. Such practices are unfair to the consumer and provide an unjust windfall for financial institutions, which profit when high interest balances accumulate. Those practices should be curbed.

Third, at a time when interest rates are relatively low, it is unfair for credit card companies to charge outrageously high interest rates and look for any excuse to raise rates. Financial institutions would be prohibited from increasing the interest rate on pre-existing credit card balances, except under limited circumstances. This Office has received numerous complaints from consumers who have had their interest rate increased even on pre-existing balances, often due to circumstances beyond the consumer's control. This rule will help cut down on this problem. Consumers should get the benefit of the interest rate they contracted for when they made their purchase.

This Office urges the adoption of further rules prohibiting "universal default clauses" or similar practices, under which financial institutions raise interest rates if, for example, a consumer makes a late payment on an unrelated account with a different creditor. Such practices unfairly penalize consumers who are current on their credit card account. In addition, credit card agreements generally contain unilateral change in terms clauses, allowing the issuer to increase rates for any or no reason. It is important that these clauses not become vehicles for deceptive marketing (i.e. luring a consumer in with an initial teaser rate that is soon increased).

Fourth, financial institutions would be prohibited from imposing a fee when a credit limit is exceeded solely because a hold was placed on available credit (e.g., when a consumer checks into a hotel, a hold is placed for the expected cost of the stay). Consumers unfamiliar with credit holds may inadvertently exceed their credit limits, because they assumed that only the actual purchase price of the transaction was put on their card. This rule rightly prohibits financial institutions from imposing fees for such inadvertent overages.

Fifth, financial institutions would be prohibited from engaging in "two-cycle" or "double-cycle" billing. A financial institution using this method assesses interest not only on the balance for the current billing cycle, but also on the balance for the preceding billing cycle. This practice unfairly results in greater interest charges for consumers who pay their balance in full one month but not in the next month.

Sixth, financial institutions would be restricted in how they finance security deposits and credit availability fees (such as account-opening fees or membership fees). Subprime credit cards often have substantial fees related to the issuance or availability of credit. Consumers with these kinds of credit cards are often unaware of how little available credit they will have after the fees are assessed. The proposed rules will assist in lessening the impact these fees have on unsuspecting consumers. This Office supports the elimination of these fees. Subprime credit cards are often marketed to people with less than stellar credit as an opportunity to improve their credit rating. Unfortunately, the cards often have the opposite effect, with consumers trapped in even more debt.

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Seventh, financial institutions making firm offers of credit advertising multiple interest rates or credit limits would be required to disclose the factors that determine whether a consumer will qualify. This common-sense rule will promote consumer education about the kind of credit they are being offered and what actual interest rate will be associated with that credit.

Eighth, mailed credit card payments received by 5 p.m. on the due date must be considered timely under the proposed rules. This proposal prohibits earlier cut-off times made to game the system and further ensures a reasonable time for consumers to make payment.

CONCLUSION

The ordinary consumer has little to no bargaining clout when negotiating with a large, national credit card company. Credit card companies spend billions of dollars a year encouraging consumers to use their products but, when consumers do so, they often find that the deck is stacked against them. I strongly encourage federal banking regulators to use their authority to rein in these abuses.

Sincerely,



LORI SWANSON
Attorney General