

Kent Payne <kentp67@yahoo.com> on 07/25/2008 11:00:05 PM

Subject: Regulation AA

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Federal Reserve Board Email comments

Dear Email comments,

Attention Federal Reserve Board of Governors

We are living in a country where the Credit Card issuing banks are abusing the trust we must put in them. Some of them routinely raise interest rates on existing customers who have either maintained a stable credit rating or in fact improved their credit rating. Some of these Credit Card Issuers are charging annual fees in excess of 1% of the charges customers make per year for all their customers when they are earning a great deal of interest from their customer base at the same time. I know as a disabled person with a low income that after losing my former regular credit cards and obtaining a secured credit

card whose issuer holds a deposit of mine in a savings account equal to my credit limit still took advantage of my inability to pay some old debts from the time before my disability and when my credit rating was lowered even further my credit card issuing bank nearly doubled my interest rate from 16.99% to 32.99%! I could understand charging that

kind of interest on an unsecured account issued to a person with a high credit risk, but it is inexcusable when the credit card issuer has a security deposit equal to my credit line. If I ever failed to pay my

current Credit Card Issuer, they would close my account and keep all or part of my security deposit depending on how much I owed. There risk

is nil and yet they have the gall to charge 32.99% interest on top of a hefty annual fee equal to 12% of my credit limit!

Furthermore, credit card issuing banks have been increasing their fees, both in number and kind of fees, and in amounts charges. The most abused fee is the Late Payment fee. Before I was disabled there was a time I had two Credit Cards (one Master and one Visa) both from one of the Most Respected (and highly rated) Banks in the Country. They used to say over the phone "We apply your payment as soon as we receive it!" They said the same exact phrase as if it were a script no matter which customer service representative I spoke to or which Customer Service Supervisor I spoke to. I am not an economist but I am a product of a fairly highly regarded Law School with a focus on Corporate and Business Law. I was thoroughly disgusted with this highly regarded bank's Credit Card operation and eventually left them, but before that payments I sent in well in advance were not applied on time to avoid a late fee. I made clear to the various people I spoke to there, including eventually the Bank's Vice President responsible for oversight of the Bank's Credit Card operations. The problem was that they were defining receipt of a payment as when one of their

payment processing employees took a check and payment stub in hand and started entering the information into the bank's computer. I made clear to these people that legally they have received my payment and the payment of every other customer when they receive the envelope in

the mail. I learned that they had hired a local courier company in the

city where they did their payment processing to collect the mail at the post office and deliver it to the payment processing facility. I had to explain to them that not only does the legal definition of the word "Receive" mean that when they obtain mail sent to them via the postal service into their possession they have "received" that mail. I further had to explain that if the Bank hires another

company (the local courier) to collect their P.O. Box mail and bring it to them they have legally hired an "Agent" of the bank and it makes no difference whether an actual "employee" of the bank or a contracted "Agent" of the bank collects the mail at the post office they have received the mail once the agent or employee collects that mail. I fought with them for nearly two years before I convinced the Vice President to change their uniform statement on payment processing policy to "We process payments in the order they are received." But that was after I sent a payment Certified Mail with a Return Receipt showing the printed name, signature, and date of the agent who collected my payment from the Post Office. My payment wasn't processed for 12 or 13 days from the time the Agent signed for it at the post office. It might be reasonable for Credit Card Issuing Banks to take 4-5 business days to process incoming payments when lots of employees are on vacation or when lots are out sick during cold or Flu season, but if they have enough payment processors on staff and fully trained they should typically have all payments processed within 2 business days from the time the postal service turns over a payment to a Credit Card Processing center or its Agent when they have 90% of their of their Payment Processing staff and within 3 days when they have 82% percent of their payment processing staff available and working.

After that I switched Credit Card issuing banks and began making all my payments as electronic funds transfer directly from my checking account at one of the country's largest most respected banks into the Credit Card Issuing bank. These payments usually take one to two business days to post.

However, after losing my Normal Credit cards when my Disability

income could not support payment of my debt at a rate acceptable to the

bank I switched to having a low credit limit Secured Credit card as you know. For two years my payments to the secured Credit card went through still as Electronic Funds transfers within one to two business days. Recently the Secured Credit Card issuing Bank had sent an updated Cardmember Agreement in which they claimed the right to hold payments up to fourteen (14) days and cause my quite early payment to

be considered late. Now you all know that when any of us mails a check as payment for any bill the Federal Reserve sets a maximum number of days that the bank into which that check is deposited may maintain a hold on the funds before releasing them into the account of the

depositor. Furthermore, that maximum number of days is not uniform for all checks sent from all places to all other places. Rather the Federal Reserve bases the maximum number of days the funds from such a check may be held is based on the location of the (regional or national) processing center for the bank on which the check is drawn and the location of the (regional or national) processing center for the bank into which the check is deposited (even when the check is deposited into the same bank that the check is written to as payment for a credit debt.) So I remember that when the Federal Reserve had fully completed and brought online its Electronic Check Clearinghouse system that the maximum number of days hold a bank could put on a

deposited check was reduced some. But the system is still based on the number of states separating the processing center for the banks at either end. If I write a check to someone locally whose bank's

processing center is in Pennsylvania and my bank's processing center is either here in New Jersey or in any other state that borders

Pennsylvania the number of days hold permitted is much smaller than if I send a check that will be processed in Florida to a bank in Seattle which would have the maximum number of days hold allowed in the 48

contiguous United States and the District of Columbia. Well it is time for the Federal Reserve to put stricter limits on Electronic Funds Transfers from one bank to another. If I send a payment from my checking account with one of the largest and most respected banks into the Secured Credit Card Issuing Bank via Electronic Funds transfer

before the Secured Credit Card issuing Banks cutoff on a given business day so that they can verify and post my electronic funds transfer in

that first business day's overnight processing session, my funds should be posted and available when the Credit Card issuing Bank first posts the information from the overnight processing upon opening right away

the next business morning. If I miss the Cut-off time in the afternoon the new regulations should allow the Credit Card issuing bank to process my payment not in that first business day's overnight processing session, but rather in the very next (or second) business day's Overnight Processing session. In that case as long as my bank

verified the funds and payment, my funds should be posted and available first thing when the credit card bank opens on the second business day after the day of my deposit.

One last thing I have seen my Secured Credit Card Issuing bank,

and another bank that issued regular (unsecured) credit cards do which should be absolutely against all banking regulations is the following.

The Credit Card bank has posted an Electronic Funds Transfer payment on the same day as the Funds transfer request rather than on the day they receive the funds, only to put in a false or fictional "Pending Charge" in the amount of exactly one dollar less than the deposit

amount. I had no pending charges and had paid off my card in full with

the payment they held for so long and no matter how many times I called about it and told them that the Major bank from which the funds came verified that the funds were sent overnight the day that I had requested the funds transfer they just kept saying they had the right under the cardmember agreement to hold the funds up to fourteen (14) days. I kept speaking to them in a lawyerly manner and explaining they

had already posted my deposit without any hold and that no bank has the right to create a fictional pending charge and then claim the right to put a hold on that fictional pending charge. I said "You don't

have to post my payments on the same day I request the electronic funds transfer if you have a right to put a hold on the funds, but once you post my funds you have no legal right to make up a new amount by subtracting one dollar from my payment amount and labeling that new fictional amount as a pending charge. I never made a charge in that amount so their can not be a pending charge in that amount!" I didn't get far with them, but on about the tenth call to the bank in a week, I finally got a supervisor who suggested that "if the Bank where I have my checking account had already verified that the funds were coming the funds would be available." I was furious. "I told her I had told every representative and supervisor I had

spoken to that the bank the funds were transferred from had verified to me the funds had been sent in the overnight processing session immediately following the transfer request and posted the same day as the transfer request." She arranged for the Credit Card Bank to call the Checking Account Bank the next morning and get my funds released after eight days. The point of Electronic Funds Transfer is certainly not for any Banking Institution to abuse their debtors or

depositors by placing lengthy holds on funds they have already received via Electronic Funds Transfer. Please put very narrow, and reasonable

limits on banks for the posting and full availability of funds received via Electronic Funds Transfer from both depositors and debtors paying their debt. Furthermore please make a clear rule that no Banking Institution may create any fictional transaction of any type on any person's account and then put a hold of any type on funds in that account based upon that fictional transaction!

If you do not believe existing enabling statutes give you all of the regulatory authority to create the regulations I have asked you to put in place, then please send your Congressional liaison to get a regulatory statute moving through the House and Senate. I don't think even the most ideologically pro-business member or Presidents could be against abuses like ignoring the Legal definition of the word "receive: meant when we get around to it, The claimed right by any bank to hold funds received via electronic funds transfer for as long as or longer than would be allowed for a check deposited, and finally for banking institutions to create a false transaction in a customer account and then put a hold on the false transaction. These are regulations required by abuses in the Banking Marketplace. I'm sure you are reading about many other types of abuse from many other people at this point. Most of them are probably worthy of regulation and enforcement.

I understand the ideology that the Marketplace will create the best result or even equal all ideas, but the fact is that is a nice

economic theory that does not exist in real life and never will because we will always have powerful interests and individuals and those with varying degrees of less power right down to the essentially powerless. So i ask you to set aside any ideology any of you may adhere to and just look at the facts of what is happening, whether it is reasonable and moral, and whether it is clearly an abuse by institutions with substantial power of people with limited or no power! As someone with a Degree in Political Science and nearly enough Sociology Courses to have earned a secon major in Sociology, I can clearly say power dynamics are as much a part of economic relationships as any economic factors might be. That is from the voice of a centrist pragmatist. You just can not rule out Power Dynamics in evaluating how are now enormous mega-merged banks interact withe their customers or how the banks create and enforce policies designed not just to keep the banks afloat plus a reasonable profit, but to maximize profit to such a

degree that the means of doing so become abusive of the public trust or worse!

Sincerely,

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