From: Karen Lund <k5lund@gmail.com> on 07/25/2008 01:25:04 PM

Subject: Regulation AA

Jul 25, 2008

Federal Reserve Board Email comments

Dear Email comments,

I am writing in support of Docket no. R-1314, which would enact rules regarding consumer credit cards, including the following:
Restricting increases in the annual percentage interest rate on existing balances

for consumers who haven't been more than 30 days late. Penalty interest

rates are unfair when applied retroactively. The restriction on penalty

rates as applied to existing balances is the heart of the proposed rule and will do more than any other to return some balance and fairness to the credit card
marketplace. The time to repay rule in the event of a customer-base wide change is an important element of this protection. Without it, it would be much too easy for credit card issuers to circumvent the new rule.
Ensuring at least 21 days from the billing date to the due date prior to any adverse consequences from a late payment. Thirty days would be more appropriate, particularly since the mail counts against the consumer in both
directions.
Improving payment allocation. The rule allows issuers to select a payment allocation method, while eliminating the most unfair of the current practices, in which consumers cannot begin to pay down high interest balances until they have paid off lower interest balances.
Preserving the grace period after a balance transfer or other promotional rate balance.

Ending unfair over limit fees caused by a credit hold. This element of the proposed rule implicates the larger principle that a consumer shouldn't have to pay a fee or suffer other adverse consequences because of the financial institution's practices--in this case the practice of permitting a credit hold.
Ending two-cycle billing. It is long past time to end this unfair practice in which a
finance charge is calculated based in part on balances that have already been repaid.

Restricting the financing of large security deposits and issuance fees on credit
cards. The proposed rule contains a good first step by limiting the amount of fees and charges that can be financed to less than half of the credit limit. The rule should reduce the financing threshold well

below 50%, and should also make it an unfair practice to assess fees for a consumer credit account in excess of 10% of the credit limit, whether or not those fees are financed.

Recent events in the mortgage lending market demonstrate the problems that can ensue when borrowers are encouraged to borrow beyond their ability to repay because they do not understand the terms of their credit or because the information is buried in legalese and small print. Many consumers face similar problems with their credit card balances, realizing too late that the terms of their credit make it almost impossible to pay off existing balances, while changes in terms make it increasingly expensive to carry a balance.

These changes will make it possible for consumers to actually pay off credit card debt and to understand the real cost of future borrowing.

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Sincerely,

Miss Karen Lund
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