From: "Dick Cottrell" <dickcottrell@cds-bds.com> on 07/01/2008 04:35:01 PM

Subject: Regulation AA

Dick Cottrell
Consultant / owner
Compensation Design Services
80 West 78th street, suite 205
Chanhassen, MN 55317-8717

July 1, 2008

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

Dear Jennifer Johnson:

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

Re: Regulation AA - Unfair or Deceptive Acts or Practices [R-1314]

Dear Ms. Johnson:

Thank you for this opportunity to file comments in support of "Regulation AA - Unfair or Deceptive Acts or Practices [R-1314]," the recent proposal to address unfair and deceptive credit-card practices.

My name is Dick Cottrell - my business is Compensation Design Services. I am a sole proprietor with no other employees. I started my business in 2002.

I use credit cards for recurring monthly payments of some fees and also to pay for other purchases when they occur. I also have credit cards that are personal that are not associated with my business.

The principal business related credit card used is American Express and it has not created any unfair or deceptive situations. I have a personal credit card (Visa) that has demonstrated unfair behavior. This card has initiated a practice of charging interest on purchases made immediately after the purchase before a statement is sent. They are charging interest on purchases before I am given the option to pay the amoung due. I pay the entire amount due every month without carring over any amount to a later time. This approach of charging interest on an account before it is inoviced is unfair and has only been demonstrated by one credit card company. I have quit using this card and plan to cancel the account.

Accordingly, I support the following provisions from the proposed rule:

• Ensuring a Reasonable Time to Make Payment

Credit-card companies should be prohibited from treating payments as late unless consumers have been provided a reasonable amount of time to make their payments. To be sure, the 21 day time period in the proposal is an improvement, but a longer period (perhaps 30 days) would be an even larger improvement.

• Restricting increases in APR

I support restricting credit-card companies from increasing the interest rate on outstanding balances unless consumers are more than 30 days late with their payment. Ideally, I would like to see ALL retroactive interest rate hikes prohibited.

To this end, I support the proposed requirement that when a credit-card company raises the rate for a category of new charges, consumers who carry a balance at the old interest rate would now be protected from a fee for carrying a balance and would be given five years to pay off the balance at the old interest rate.

I also support the restriction that when a low promotional interest rate, such as a balance transfer rate, is lost, then the new rate would be only the regular interest rate instead of a much higher penalty interest rate.

• Restraining unfair over-limit fees

I support prohibiting credit-card company from assessing fees if consumers exceed their credit limits solely due to holds placed on the available credit by the card issuers. Card holders should not be liable for over-limit fees due to the manipulatable processing methods of their credit-card companies.

• Eliminating double-cycle billing

I support the proposed provision that would prohibit a credit-card company from reaching back to an earlier billing cycle when calculating the amount of interest charged in the current cycle.

• Improving firm offers of credit

I support requiring credit-card companies to describe only those interest rates and credit limits that the consumers are likely to receive and not merely the whole spectrum of only-theoretically-possible offers. If credit-card companies can use our credit scores and record to screen us as potential consumers, then it can use them to give us a realistic sense of what interest rates we might be eligible for.

As a small-business owner dependent on credit-card use, it is harmful for me to apply for a card and later learn that I will not receive the interest rate I was seemingly promised, as it affects my credit rating and impedes my ability to qualify for other cards.

Additional Reforms Needed

In addition to the aforementioned provisions, I think the following credit-card reforms should be included in the proposed rule:

• Prohibiting the practice of universal default

While many card issuers voluntarily have suspended this practice, a voluntary suspension is an insufficient response to this grossly unfair practice and its prohibition needs to be codified.

• Limiting the interest rate percentages increases that card issuers can impose on holders

It is unacceptable and grossly unfair for small-business owners to have their interest rates jump to the average default rate of 27.3 percent because of one late payment or because they slightly exceeded their credit limit; small firms reliant on credit cards already pay more than twice the interest rate that large firms pay when borrowing at the prime rate.

• Prohibiting interest charges on transaction fees

Credit-card transaction fees do not represent a line of credit. They are surcharges incurred for utilizing particular products and services offered by the credit-card companies. Why are consumers charged interest on a fee they are paying to use a service?

• Prohibiting extra interest charges on card debt that the cardholder already paid in full

I appreciate the opportunity to weigh-in on this much-needed reform proposal and urge the Federal Reserve Board and its partner agencies to refrain from weakening the proposed rule.

Sincerely,

Sincerely,

Dick Cottrell
Consultant / owner
Compensation Design Services