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SECURIAN™

July 18, 2008

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: **Regulation Z; Docket No. R-1286**
Additional Limited Request for Comments

Dear Ms. Johnson:

This letter is submitted in response to the Board of Governors' limited request for comment on additional revisions to the open-end credit rules set forth in Regulation Z. Securian Financial Group is a provider of credit insurance programs to the bank and credit union industry, and administers debt cancellation contracts and debt suspension agreements to our clients. We are also a loan forms provider to our credit union clients, and as such, provide closed-end and open-end consumer and home equity loan forms to approximately 300 credit unions nationwide. It is with this background and knowledge that this letter is submitted. We appreciate the opportunity to provide this information.

The following will provide specific comments to each of the Board's proposed revisions.

APPLICATIONS & SOLICITATIONS

GRACE PERIOD

The Board proposes to eliminate the use of the term, "grace period" in the Tabular Disclosures as well as in contract documents. Instead, the terms, "How to Avoid Paying Interest" and "Paying Interest" would be used. We have no objection to this change.

We do, however, have one comment regarding the proposed language for explaining the grace period:

> Your due date is _____ days after the close of each billing cycle. We will not charge you interest on purchases if you pay your entire account balance (excluding promotional balances) by the due date each month.

We find the parenthetical confusing, as it creates a double-negative. We would suggest:

> Your due date is _____ days after the close of each billing cycle. We will not charge you interest on purchases if you pay your entire account balance ~~(excluding promotional balances)~~ by the due date each month. However, you do not need to pay any promotional balances in full prior to the due date in order to avoid paying interest.

Finally, we make the same comments for the grace period provisions of the account opening disclosures.

MINIMUM INTEREST CHARGE

The Board's May 2008 Proposal would add a *de minimis* dollar amount trigger of $1.00 for disclosing minimum interest or finance charges. Currently, card issuers must disclose in the summary table at application and account opening any minimum interest or finance charge. Under the latest proposal, creditors with minimum interest charges of less than $1.00 would not have to disclose the charge. The $1.00 trigger would be adjusted when cumulative percentage changes to the Consumer Price Index added to the $1.00 trigger equals or exceeds the next whole dollar.

The Board seemed to agree with the industry view that the minimum finance charge disclosure is of virtually no value to the consumer and simply adds minutia to the Tabular Disclosures. However, the Board was reluctant to eliminate this disclosure because of some credit card plans that impose a fixed monthly charge rather than a periodic rate and APR.

We do not believe, however, that the Board's proposed rule, as currently drafted, would alleviate its concerns. This is because the Minimum Finance Charge rule would not cover those card issuers who charge a monthly dollar amount per loan balance in lieu of an APR (e.g., $6 per $1000 of loan balance per billing cycle). As currently drafted, proposed 226.5a(b)(3) and (226.6(b)(4)(iii)(D) state:

> *Minimum finance charge.* Any minimum or fixed finance charge if it exceeds $1.00 that could be imposed during a billing cycle, and a brief description of the charge.

If a card issuer is charging $6 per $1000 of outstanding loan balance, the minimum finance charge that could be imposed during a billing cycle is $0, if there is no outstanding balance. If there is an outstanding balance, a card issuer that is charging $6 per $1000 outstanding loan balance would not be able to make such a disclosure at or before account opening, because it will never know what that dollar amount is (unless it is zero, in which case the disclosure does not apply). This is because in order to calculate the charge, the card issuer must know the outstanding balance. This is not known at time of application or account opening, and it will change per each billing cycle. In other words, the only time this disclosure will apply to a card issuer charging $6 per $1000 outstanding loan balance is if it *also* imposes a minimum finance charge, say $1.50, in billing cycles in which there is a zero balance. This does not help a consumer understand that the real cost of credit for such a card is $6 per $1000 outstanding loan balance per each billing cycle. So, if the Board is trying to help consumers understand this, we would suggest an alternate approach.

We would suggest that Reg Z could be revised to simply state that, if a card issuer charges such a fee per outstanding balance ***in lieu of an APR***, then it must disclose this charge. This could be added to 226.5a and 226.6(b). If the card issuer charges a periodic rate and APR, then this requirement would not apply. For example, proposed 226.6(b)(4)(ii) could be revised as follows:

(ii) Annual Percentage Rate or Charge in Lieu of Annual Percentage Rate. (A) Each periodic rate that may be used to compute the finance charge on an outstanding balance . . . (B) If the creditor charges a fee per outstanding balance in lieu of a periodic rate and Annual Percentage Rate, this fact must be stated, and the charge disclosed.

This section, or its Commentary, can go on to state an example and/or provide model language, and it could be required to be disclosed in the APR box of the Application & Solicitation Table and the Account Opening Table. It could even have the same formatting requirements as an APR. For example, the APR box on the Table could read as follows:

Annual Percentage Rate for Purchases:	We do not charge an Annual Percentage Rate based on a periodic rate. Instead, we charge **$6 per $1,000** outstanding balance per each billing cycle. For example, if your outstanding balance at the end of a billing cycle is $2,000, you will be charged $12.00 in that billing cycle.

Similar revisions to 226.5a and the Model Forms could be made accordingly.

This would seem to clearly and directly inform a consumer that a non-periodic fee is being charged in lieu of an APR, and would address the Board's concerns. It is, however, an entirely different disclosure separate from the Minimum Finance Charge disclosure.

Therefore, we would once again suggest eliminating the Minimum Finance Charge disclosure as it currently stands, and adding a disclosure for cards that charge a monthly fee in lieu of the APR.

FOREIGN TRANSACTION FEES

We have no objection to making the Application & Solicitation Table and Account Opening Table consistent, and in fact, we encourage it. We do, however, once again question whether a significant number of consumers really shop for cards based on the foreign transaction fee. We do not believe this is an important enough disclosure to add to an already-crowded Tabular disclosure. We believe it is more appropriate, and helpful, to place this disclosure below the Tables.

PENALTY RATES WHEN CREDIT PRIVILEGES ARE TERMINATED

We have no objection to including this penalty rate in the Table.

ACCOUNT OPENING DISCLOSURES

CONSUMER'S RIGHT TO REJECT PLAN

The May 2008 proposal would require creditors assessing fees at account opening that are 25% or more of the minimum credit limit to provide a notice of the consumer's right to reject the plan after receiving disclosures if the consumer has not used the account or paid a fee (other than certain application fees).

The Board proposes model language in Comment 6(b)(4)(vii). We would suggest deletion of the word, “still”, as it is unnecessary and potentially confusing, since this would be the first time the consumer has the right to reject the card. We also suggest adding language that tells the consumer how he may reject the plan, e.g., “You may reject the plan by contacting us at [insert toll-free telephone number, e-mail or U.S. mail address].

It also appears that the Board is requiring this disclosure in the Account Opening Table, but not the Application & Solicitations Table. As noted previously, these two tables should be consistent. Additionally, it would be helpful for the consumers to know of their right to reject the account at the time they apply. We would suggest:

> **Right to Reject Plan:** You may ~~still~~ reject this plan until the time you use the account or pay a fee after receiving a billing statement. If you ~~do~~ reject the plan, you are not responsible for any fees or charges (other than [name of fee that is excludable from the finance charge under 226.4(c)(1)]. You may reject the plan by contacting us at [insert toll-free telephone number, e-mail or U.S. mail address].

Finally, we would ask the Board to include this new model language in the Model Forms and Samples for both Tables, so that all model language required in the Tables can be found in the same location.

SIMPLIFIED ACCOUNT-OPENING TABLE FOR OPEN-END LINES OF CREDIT

Under the June 2007 proposal, open-end lines of credit (“LOC”) would have used the same Tabular Disclosures as credit cards. The Board now proposes to simplify the Table since many of the credit card disclosures simply do not apply to open-end lines of credit and credit plans. We appreciate this revision and believe a simplified Table is very appropriate. We do, however, have some concerns with consistency between the LOC Table and the credit card Table. In order to ease compliance, consistency would be helpful, and we would suggest that the Board has omitted a few disclosures that would apply to LOCs. These are:

1. The variable rate disclosure within the APR box;
2. The “Penalty Rate and When it Applies” section
3. The Returned Payment fee disclosure in the Penalty Fees box;
4. The “How We Will Calculate Your Balance” provision under the Table; and
5. The “Billing Rights” section under the Table.

These are all items that are currently required by, and disclosed under, Reg Z and would (or could) apply under a LOC, and we would suggest adding them to the LOC Table Model Form. It will be easier for financial institutions to comply with the various Table requirements if they are consistent. At the same time, we believe that this will still keep the LOC Table simple enough, and meaningful, so that creditors offering LOCs can comply easily.

PROMPT CREDITING OF PAYMENTS

Section 226.10(b), Specific Requirements for Payments. The Board’s May 2008 proposal would allow creditors to “set” reasonable cut-off times for various methods of payments (as is currently the case under 226.10). The proposed language would also state that it would not be reasonable to set a cut-off time earlier than 5 pm local time for mailed payments. We provide the following comments.

We agree that the Board should not propose particular cut-off times, other than 5 pm local time for mailed payments, nor should it adopt a postmark rule.

We also believe that disclosing cut-off times is beneficial to customers, and that if a creditor has different cut-off times for different payment methods, that should be made clear. However, disclosing them on the Periodic Statement with very specific placement and formatting requirements is very expensive to creditors initially, as well as whenever those cut-off times may change, necessitating re-programming of the periodic statement by the lender's data processor. This is especially so because, with the Board's provisions, it is necessarily a lengthier disclosure than what the Board proposed in 2007. For example, instead of simply stating:

> Payment Due Date: 4/20/07 (before 2:00 pm)

It would have to say something like:

> Payment Due Date: 4/20/07 (if by mail, before 5:00 pm; if by telephone, before 2:00 pm; if by internet, before 10:00 pm)

This does not lend itself well to the formatting requirements of the proposed new Periodic Statement, and will make it that much harder for a consumer to read.

We believe that the original (current) section 226.10 is sufficient when it states that the cut-off time may be "on or with the periodic statement". This ensures that the consumer receives this information, but provides the creditor with some flexibility to comply with the regulation while controlling its costs and operations. For example, the creditor can place a notation in a text box on the periodic statement, that is easier and less expensive to program, or a statement stuffer can be used so that no programming changes need to be made to the statement itself. As such, the proximity requirement in proposed 226.7(b)(11) should be eliminated.

If the Board determines to keep the proximity requirement, however, we would suggest revising the Model Forms and adding language accordingly, such as:

Payment Information

New Balance:	$1,784.53
Minimum Payment Due:	$ 48.00
Due Date:	4/20/07

Payments Received. To be credited on the same day, payments must be received on a business day as follows: if by mail, by 5 pm; if by internet, by _ pm; if by telephone, by __ pm. Payments received after these times or on Sundays or holidays will be credited on the next business day.

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a $35 late fee and your APRs may be increased up to the Penalty APR of 28.99%.

Notice about Minimum Payments: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example, if you had a balance of $1,000 at an interest rate of 17% and always paid only the minimum required, it would take over 7 years to repay this balance. For an estimate of the time it would take to repay your actual balance making only minimum payments, call 1-800-XXX-XXXX.

Section 226.10(d), Crediting of payments when creditor does not receive or accept payments on due date. The Board proposes for the first time that lenders will need to allow an extra day for payment, in the case of mailed payments, if the due date falls on a Sunday, holiday, or other day on which the lender is not open for business. We object to this proposal, as it is overly burdensome and unfeasible for lenders who provide no grace period. This will require processing systems to know when the due date falls on such a non-business day, and most systems currently cannot do so. It also requires an inconsistent application of the programming rule that payments be credited the next business day. For example, say the due date is Sunday, June 22. If payments are received on Sunday, June 15, they are credited the next business day, i.e., Monday, June 16. However, if the payment is received on Sunday, June 22, by law the system would not be allowed to credit it the next business day. However, systems cannot make this distinction in order to treat the two payments differently. The expense and time to reprogram, even if it were possible to do so, would be enormous, and the chance of error is high.

We would also suggest that this is an unnecessary requirement. This is especially so if the Board finalizes its proposed revision to Regulation AA to require at least 21 days for a consumer to make payments. This is more than enough time for a consumer to make her payment when it is most convenient to her, while still meeting the due date. It is not unreasonable to expect a responsible consumer to make sure a payment is mailed in time to meet the due date. For example, if the due date falls on July 4th, responsible consumers will make sure to mail the payment in time to arrive by July 3rd. We respectfully request that the Board eliminate this proposal.

Alternatively, if the Board determines to finalize these rules as proposed, we would suggest that cut-off times and business days could be a disclosure contained on the account-opening disclosures, and be subject to the change-in-terms notice. The account-opening documents are documents that the consumer will keep, and are easier for the creditor to maintain. This also provides more flexibility for a lengthier disclosure that makes the different cut-off times clear, and could also address the Board's concerns regarding due dates falling on non-business days. Depository institutions are also already accustomed to providing business day disclosures in their Truth-in-Savings and Reg CC disclosures. We would suggest placing a disclosure below the Account Opening Table, as follows:

> **Payments Received.** Our business days are Monday through [Saturday][Sunday], excluding legal holidays. To be credited on the same day, payments must be received on a business day as follows: if by mail, by 5 pm; if by internet, by _ pm; if by telephone, by __ pm. Payments received after these times or on Sundays or holidays will be credited on the next business day. *However, if your due date falls on a day that is not a business day, payments received the next business day will not be considered late.*

(Note: The last sentence would be included only if the Board finalizes the rule with the requirement that late payments could not be credited as such).

ADVERTISING

INTRODUCTORY RATES

Intro v. Promo Rates. In the Board's June 2007 proposal, it proposed to implement the Bankruptcy Act amendments by requiring the use of the term, "Intro" when advertising introductory rates. Commenters stated that this term is not all-inclusive, as intro rates are used when a consumer first opens an account, while “promotional” rates are used when offering special rates to existing account holders.

We agree with use of both terms. However, based on how the new proposed 226.16(e) is drafted, it appears that there are different disclosure requirements for intro rates and promo rates. According to 226.16(e)(3), the term “Intro” must be used in immediate proximity to each listing of the intro rate. There does not seem to be a corresponding requirement to use the term “Promo” or “promotional” with each listing of the promo rate. We ask the Board to clarify whether it is its intent to have two different standards or requirements. We believe the requirements should be consistent.

We also note that there is not always a “bright line” between Intro rates and Promo rates as the Board seems to suggest. For example, sometimes a promotional rate is offered to both new and existing accounts. We ask the Board to provide flexibility in the use of the terms. Namely, that, if a special rate is offered to both new and existing accounts, that the term “promo” can be used to describe both situations. This will allow creditors to prepare, and consumers to receive, consistent disclosures and advertising materials, which will ease compliance burden and provide more meaningful information to the consumer.

Rates Based on Creditworthiness. In proposed 226.16(e)(4)(ii), we suggest clarifying that the advertisement must state that the rates are based on creditworthiness. We believe this to be the Board’s intent, and adding such statement would be consistent with 226.5a(b)(1)(v), as follows:

> If such rate cannot be determined at the time disclosures are given because the rate depends on a later determination of the consumer’s creditworthiness, the card issuer must disclose the specific rates or the range of rates that ~~might~~ could apply and a statement that the rate for which the consumer may qualify will depend on the consumer’s creditworthiness at the time the promotional period ends.

Promotional Rate Disclosures for telephone, radio, or television

The Board solicits comment on whether any of the promotional rate disclosures required under 226.16(e) for written and electronic advertisements should be required for telephone, radio, or television advertisements. Such a requirement would be consistent with the triggering term disclosure requirements for radio and television advertisements under proposed 226.16(f). We would suggest that the use of a toll-free phone number for disclosing promotional rate information would be consistent with proposed 226.16(f). For telephone advertisements, it would also be consistent with application & solicitation disclosure requirements under 226.5a(d) to require the disclosures to be provided to the consumer orally.

We suggest that providing disclosures beyond that stated above is unnecessary. Consumers will receive additional information before they apply for the credit offered, either when they call for more information or when they receive an application. If the Board does require disclosures during the advertisement, we would suggest that the terms “intro” or “promo” be used when the term APR is used, and that the remaining disclosures need be given only at some point during the advertisement.

CONCLUSION

Generally, the Board’s additional proposal is satisfactory with some minor clarifications or revisions as noted above. One major exception, however, is the restrictions regarding due dates falling on Sundays or holidays. The data processing and reprogramming ramifications for institutions would be staggering, just to “buy consumers one more day”. We submit that responsible consumers can, and do, mail their payments a day earlier when they know that a holiday falls in the billing cycle or interferes with the due date. Imposing such a harsh requirements on creditors is both unnecessary and overly burdensome.

We also believe that the Minimum Finance Charge disclosure should be eliminated in favor of a new disclosure for creditors who charge a fee per outstanding balance in lieu of a periodic rate and APR. Such a disclosure would serve the dual purpose of eliminating a current disclosure that does not provide consumers a benefit, while addressing the Board’s chief concern that consumers understand the cost of credit when a creditor charges a fee in lieu of an Annual Percentage Rate.

Thank you for your consideration.

Sincerely,

/s/
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