**Subject:** Regulation AA

Date: Jul 14, 2008

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Proposal: Regulation AA - Unfair or Deceptive Acts or Practices
Document ID: R-1314
Document Version: 1
Release Date: 05/02/2008
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Comments:
1. As per this website, "B. Standards for Unfairness Under the FTC Act Congress has codified standards developed by the Federal Trade Commission (FTC) for the FTC to use in determining whether acts or practices are unfair under section 5(a) of the FTC Act.\10\ Specifically, the FTC Act provides that the FTC has no authority to declare an act or practice is unfair unless: (1) It causes or is likely to cause substantial injury to consumers; (2) the injury is not reasonably avoidable by consumers themselves; and (3) the injury is not outweighed by countervailing benefits to consumers or to competition." In reference to number three above, perhaps the costs of current industry fees may already be offset by the existing competition by the large number of credit card companies. Enacting more legislation, especially restrictive legislation, may harm both the industry and consumers by encouraging some companies to exit the industry, thereby reducing competition. Enacting legislation that would hurt industry and consumers contrasts the idea of a practice being called unfair if, "(3) the injury is not outweighed by countervailing benefits to consumers or to competition." 2a. Altering methods for principal application may require many credit card companies to

re-tool their software. Software changes can be costly and time consuming. These extra fees will eventually be born by consumers in additional fees or interest. This result would not benefit consumers. 2b. Current practice for credit card companies is to use principal payments to reduce the oldest-balance(s) first, thereby reducing the number of days outstanding for a given account. The current U.S. economy has a historically low interest rate. It is foreseeable that interest rates will eventually rise. In a situation of rising interest rates, a typical credit account will have the oldest balance(s) with a lower interest rate than the newer balance(s). In this situation, the proposed legislation may encourage companies to attribute excess principal payments to the new balances, thereby increasing a given account's days-outstanding rating. The industry may struggle with these changes and, if rates remain high, may push consumers to collection serves or, in extreme cases, bankruptcy. This would harm, not help consumers. 2c. One industry method to avoide the situation in 2b above is to raise the monthly payment requirement to more quickly pay off older debt. While it is wise to reduce individual debt, credit issuers that take this route during a depressed economy may strain people's ability to avoid bankruptcy. 2d. If interest rates rise, the credit card companies will have higher costs associated with maintaining existing credit balances. To stay in business, the costs must be passed to consumers in some manner. Requiring that credit companies not raise rates on existing balances will have a multiplying effect on the interest rate increases passed on to consumers for new debt. 2e. The proposed legislation not only affects credit card companies but also banks and credit unions. In other words, this is not simply a method to require credit card companies to be more fair. It is an industry requirement reaching to simple checking and savings accounts. Enacting legislation affecting the entire credit industry means that banks and credit unions will likely have the same effects and take similar (restrictive) measures as credit card companies. The path to economic growth is to have available credit for credit-worthy consumers, not tighter credit. Prudence is required at junctures such as this. Please do not pass this proposal.