

Subject: Regulation AA

Jun 3, 2008

Federal Reserve Board Email comments

Dear Email comments,

I support the credit card aspects of the rule, while also suggesting that protection is needed against additional unfair credit card practices beyond those covered in this proposed rule. I believe that stronger protection against unfair practices in bank overdraft programs is also needed.*

I support the following credit card provisions from the proposal.

o Restricting increases in APR

I support restricting credit card companies from increasing the interest rate on outstanding balances so that people don't get hit with much higher interest rates when they are less than 30 days late with their payment. 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.

I support the proposal's 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.

o Ensuring a reasonable time to make a payment

I support prohibiting credit card companies from treating a payment as late unless consumers have been provided a reasonable amount of time to make the payment. The 21 day time period in the proposal is an improvement, but I prefer a time period of 30 days.

o Fair application of payments

I support the proposed rule that would require credit card companies to more fairly apply the payments that cardholders make to balances with different interest rates. We also support the proposal to prohibit credit card companies from denying consumers a grace period on purchases solely because they have not paid off a balance at a promotional rate.

o Unfair overlimit fees

I support prohibiting a credit card company from assessing a fee if a consumer exceeds the credit limit solely due to a hold placed on the available credit. Individuals should not have to pay fees because of the processing methods of the credit card company.

o Two-cycle billing

I support the provision in the proposal that prohibits a credit card company from reaching back to an earlier billing cycle when calculating

the amount of interest charged in the current cycle.

o Security deposits and issuance fees on high-fee credit cards

I support the proposed restrictions on financing fees and charges for opening a credit card where the fee or charge is more than half the credit limit, but I think this part of the rule should go further. The rule should say that it is unfair to offer a credit card where the fees to open the account are more than 10% to 25% of the credit limit, whether or not those fees are financed.

o Advertising disclosure for firm offers of credit

I agree that it is an unfair practice for a credit card company to advertise low interest credit cards for which very few people qualify, but another standard form disclosure is not enough to address this problem. If a creditor uses the consumer's credit score or record to screen for an offer of a credit card, then that offer should describe only interest rates and credit limits that a consumer is in fact likely to qualify for.

I support the following provisions from the proposal but feel the rule can go further to protect consumers from unfair practices regarding overdraft loan programs.

It is a common practice for banks to automatically enroll customers in overdraft loan programs even when the customer does not request this expensive form of credit. These services result in fees (which average \$34 per transaction) when the bank covers a transaction that overdraws an account. Banks claim that these "services" benefit consumers but in reality overdraft programs are very expensive small loans.

o Opt out of overdraft loan programs

The proposal creates an opt-out right for overdraft loan programs. It requires banks to provide consumers with notice and an opportunity to opt out of the payment of overdrafts, once before an overdraft fee or charge is assessed and again during any statement period in which an overdraft fee is assessed.

I believe this provision does not go far enough. Overdraft loan programs are unfair to consumers unless the consumer opts in to the program before the first fee is charged.

o Debit holds

The proposal will prohibit banks from assessing an overdraft loan fee when the overdraft would not have occurred but for a debit hold placed on funds in the account that exceeds the actual purchase amount.

This provision is a positive step towards curbing an unfair practice, but it does not go far enough. The rule ignores the issue of overdraft

fees and bounced check (NSF) fees caused by a check hold rather than by a debit hold. A check hold is a delay in the use of deposited funds.

Consumers whose banks choose to impose long check hold times may still get stuck with overdraft fees or bounced check fees due to this practice. The rule should be strengthened to recognize that it is an unfair practice for a bank to charge an overdraft fee or bounced check fee for a problem caused by the bank's decision to place a hold on the consumer's check deposit.

I believe that the rule misses a number of unfair practices relating to credit card and consumer deposit accounts, and should go farther in the following ways:

o Limits need to be placed on how high credit card companies can make

"penalty" interest rates and how long they are permitted to keep consumers at these often extremely high interest rates.

o Fees to pay a credit card by phone or internet should be prohibited.

o Credit card companies should not be able to raise interest rates and change the terms of a credit card for future purchases at "any time for any reason."

o Young adults need protection from abusive credit card practices, on and off college campuses. While my son was away in China on a study abroad program, a Bank of America subsidiary insurance company began deducting monthly premiums from his account for policy he had never purchased or approved, all on the say so of their telemarketer to whom they granted unfettered access to his account to pass debits. It took my irate letter to the Chairman of BoA to get the spurious debits reversed and the account balance restored.

o No more than one overlimit fee should be permitted during a single billing cycle.

o Companies should be prohibited from offering credit cards where the fees to open the account are more than 10% to 25% of the credit limit.

o Consumers that have been prescreened should only receive advertisements for interest rates and credit limits for which the consumer is likely to qualify.

o Banks should not be able to charge overdraft fees or bounced check fees when the overdraft would not have occurred but for a hold placed on deposited funds.

o Banks should be required to deny a debit card transaction, rather than trigger an overdraft loan fee, if the account contains insufficient funds to cover the transaction.

o The proposal should include a provision giving consumers the protection to opt in to overdraft loan programs.

o The scope of the proposal should be expanded to incorporate a requirement that card issuers honor the National Do Not Call Registry and be prohibited from plaguing cardholders with unwanted telemarketing calls attempting prize new revenue streams from customers for such unwanted "services" as credit surveillance. The mere fact that an individual is a cardholder should not be construed as carte blanche for the card issuer to unleash upon cardholders a plague of telemarketing. Citibank is particularly egregious in this regard. In some weeks I receive five or more calls from Citibank telemarketers attempting to prize revenue out of me for advising my "credit score" or for such unwanted services such as surveillance against identity theft.

I look forward to the continuing work of the Board and its partner agencies to address problems for consumers in this area.

Sincerely,

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Sincerely,

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