

Docket No. R-1314 (Regulation AA)
Docket No. R-1286 (Regulation Z)
Meeting at the Federal Reserve Board on June 17, 2008

On June 17, 2008, representatives from US Bank met with Governor Randall Kroszner and members of the Board's staff to discuss the Board's proposed rules under the Federal Trade Commission Act (Regulation AA) and the Truth in Lending Act (Regulation Z).

The meeting was attended by Patrick Coll, Patricia Ryan, and Deborah Burke, Steve Whitaker, and Kevin Borland on behalf of US Bank. Also in attendance were Sandra Braunstein, Director of the Board's Division of Consumer and Community Affairs, and several members of her staff.

US Bank's representatives made the following points during the meeting:

Credit Card Rate Increases

- The Regulation AA proposal would prevent US Bank from increasing the rate on existing balances to reflect an increased risk that the account will go into default and be charged-off. Furthermore, the requirement in Regulation Z of 45 days' advance notice prior to a rate increase would delay US Bank's ability to increase rates on future transactions.
- Because US Bank is less likely to collect from consumers who actually default on their accounts, it needs to increase rates on consumers who have an increased likelihood of default.
- If implemented, the proposals would significantly reduce US Bank's interest revenue, which would lead it to raise the annual percentage rates on its accounts and to tighten its underwriting standards.

Allocation of Credit Card Payments

- US Bank has fewer revolving accounts than other major issuers. Recently, however, it has increased the number of revolving accounts by offering discounted promotional rates on balance transfers.
- The Regulation AA proposal would significantly reduce the interest revenue US Bank receives from allocating payments first to the balance with the lowest interest rate (which is usually the promotional rate). As a result, US Bank would offer promotional rates to fewer consumers and could increase its balance transfer fee.
- The Regulation AA proposal would also create implementation difficulties for US Bank, which operates an in-house servicing platform for its own bank-branded cards, cards offered through retail partners, cards offered through small

community banks and credit unions, and accounts acquired from small retailers. It would be very difficult for US Bank to allow consumers to choose how payments are allocated. In addition, because of the difficulty of programming its system to isolate the minimum payment, US Bank might choose to allocate the entire payment according to one of the specified methods.

Reasonable Amount of Time to Make Credit Card Payments

- US Bank currently provides non-revolving accounts with a 20-day grace period. The Regulation AA proposal would require them to switch to a 25-day grace period.

Opt-Out for Overdraft Services on Deposit Accounts

- US Bank provides processing services for many small community banks and credit unions. It is concerned that allowing consumers to opt-out of the payment of overdrafts will result in more checks being returned, which could lead merchants to be less willing to accept checks.