

Subject: Truth in Lending - Version 2

Date: Nov 13, 2008 Proposal: Regulation Z - Truth in Lending Document ID: R-1286 Document Version: 2
Release Date: 05/02/2008 Name: R. Ross Affiliation: Category of Affiliation: Other Address: 8000 N
Central Expy City: Dallas State: TX Country: UNITED STATES Zip: 75206 PostalCode: Comments: Ms.
Jennifer J. Johnson Secretary, Board of Governors of the Federal Reserve System 20th Street and
Constitution Avenue, Northwest Washington, D C 20551 Re: Docket No. R-1286 Dear Ms. Johnson: This
comment letter is submitted in response to the recently published letter of the American Financial
Services Association ("AFSA"). I write not only as a consumer who has had my card preferences
overridden by my credit card issuer, but also as a merchant who accepts credit cards and is now forced to
pay an additional \$150/year for security compliance. I take issue with AFSA's and many other industry
association's assertions that the sending of unsolicited credit cards is no big deal. The first statement of
AFSA which I feel compelled to respond to is "the Board claims consumers are concerned about
"potential identity theft" when they receive a general purpose card in the mail as a substitute for a private
label card. These concerns are unfounded in light of the liability limitations in Regulation Z." First, credit
card issuers are not only attempting to switch private label cards to general purpose cards, but also
general purpose cards from one type of general purpose card to another type of general purpose card.
Second, these concerns are not unfounded and TILA's capping liability for unauthorized use at \$50 is of
little comfort. In my experience a credit card can be used to open additional accounts and as a form of
identification. We also know that the credit card industry is willing to issue credit cards to illegal aliens, so
not knowing the cardholder's social security number is not a problem for someone seeking to steal the
cardholder's identity. Finally, the credit card industry requires cardholders who dispute charges or claim
fraud to fill out significant amounts of paperwork. Personally, I have better things to do with my time than
fill out paperwork related to fraudulent charges because my credit card issuer decided they wanted me to
carry a different card, and they had to send me that credit card without prior notice or consent. Also,
maybe I am missing something, but in the quick perusal of the official staff interpretation section being
amended, it states: 3. Variance of card from request. The request or application need not correspond
exactly to the card that is issued. For example: • The name of the card requested may be different when
issued. • The card may have features in addition to those reflected in the request or application. A
reasonable reading of this requirement is that while the card need not be the exact card applied for, the
card sent in response to the consumer's request must be reasonably similar. This begs the question, if the
card issuer is limited in how much the card sent in response to an application can vary from the card
applied for, why is the credit card issuer allowed to send a significantly different credit card to a portion of
its cardholders whom it wishes to switch to a different credit card at some time of its choosing? If you want
to switch me to a new card, why can't you send me the offer without the credit card? Glossy paper
containing Schumer boxes are much easier to destroy, and less harmful to the environment, than an
unsolicited credit card. The second statement of AFSA which is troublesome is "the Board states that
consumers are "frustrated" about a card issuer's unilateral decision to change fundamentally the potential
uses of the card. This would appear to be a customer service issue, not one rising to the level of
regulatory change, especially since there does not appear to be a genuine consumer protection issue
involved and the card often has greater functionality after the substitution." The reason this is a regulatory
issue is because TILA and Regulation Z place limits on when an unsolicited credit card can be sent. Even
a cursory search of the Federal Register reveals that the Federal Reserve as recently as 2002 stated:
"Proponents [in Congress] of these provisions [banning the sending of unsolicited credit cards] asserted
that unsolicited credit card mailings encouraged some consumers to spend beyond their means, were
inconvenient to dispose of, were too easily stolen in the mails, and were a source of anxiety for
consumers worried about theft and their own personal liability for unauthorized use. The legislative history
also reflects concern about the resulting inconvenience to consumers of refuting unwarranted claims of
liability." (67 Federal Register 72618.) Further, given the credit card industry's track record regarding
consumer complaints (statistically I believe they receive more complaints than used car dealers), leaving
consumers to deal with their credit card issuer's failure to honor their preferences is a bad idea. Why
should I have to call my credit card issuer to beg to keep the credit card I applied for? Why should I have

to worry about the hassle of cleaning up my credit record when an unsolicited credit card is intercepted and used? One final concern from the consumer's perspective is that the Federal Reserve's new reading of the substitution provision creates a loophole that undermines all of the other changes being proposed. The Federal Reserve is proposing to increase the amount of time before new terms can be imposed under a credit card agreement among other consumer protections. A credit card issuer could bypass these new requirements by not changing the terms of the card already held by the consumer, but by sending a new card with new terms and then transferring the balance from the account associated with the old card to the account associated with the new card. As a merchant the idea of unsolicited credit cards is also infuriating. I am now forced to pay an additional \$150/year for a credit card information security audit or get fined my processor for failing to prove compliance. The supposed reason for this compliance requirement is to ensure that consumer confidence in the security of their credit card information is not undermined. So now I am being forced to pay more money (in addition to artificially high discount rates), while the credit card industry is undermining security and confidence by sending millions of unsolicited credit cards, including to consumers whom they may not have had any contact with in over two years. Finally, when it comes to liability caps for the consumer, the brunt of disputed charges may not be felt by consumers directly, but they are certainly felt by merchants. In addition to forcing me to accept all of the cards on a particular network (e.g., Visa Business, Visa Rewards, etcetera) with their higher discounts than plain Visa cards, I am forced to absorb many of the unauthorized and disputed charges that come through my store. I urge you to not increase merchant costs (which necessarily get passed on to the consumer) so that credit card issuers can send unsolicited credit cards to subsets of their customer base. Consumers are not idiots, if they wanted a different card from the issuer, they would ask for it. If the Federal Reserve is going to remain true to the purpose of 15 U.S.C. § 1642, it must require credit card issuers to get cardholder consent before sending an unsolicited credit card where the issuer is not changing the card for all cardholders and the terms (including rewards) are also changing. For all of the foregoing reasons, the Federal Reserve should recognize that it is far easier for both regulators and consumers to maintain the status quo with some clarifying remarks added. With the exception of a few credit card issuers, everyone has understood that unsolicited credit cards cannot be included in offers, regardless of whether the offer is being sent to an existing and active cardholder, a cardholder who may think their relationship with the issuer has ended as indicated by inactivity of more than a year, or a person who has never held a card from that issuer. Sincerely, R. Ross