

American Express
Meeting at the Office of the Federal Reserve Board on September 24, November 6,
December 10, 2007
Regulation Z (Truth in Lending)
R-1286

Representatives of American Express (Am Ex) met with staff of the Board's
Consumer and Community Affairs on Monday, September 24, 2007.

American Express representatives:

- Stated that they had conducted limited consumer testing of mockups using the Board's proposed requirements for periodic statements compared to existing Am Ex periodic statements. Their testing suggests that the proposed alternative to improve the effective annual percentage rate (EAPR) is confusing to consumers. The "fee-inclusive APR" did not add value and was not understood. They indicated that their comment letter on the proposal will support the elimination of the EAPR from the periodic statement.
- Expressed concern about the proposal's format requirements for periodic statements. They stated that their testing indicated consumers preferred Am Ex's existing format to mockup statements using the proposed format requirements, and believe creditors should have more flexibility in designing forms.
- Expressed their support for the proposed 45-day advance notice requirement for changes in terms. They expressed concern about the proposed 45-day advance notice requirement for penalty rate increases. They suggested that the Board consider exceptions to the 45-day advance notice requirement for "on-us" behaviors that are within the consumer's control, where the triggers and the rate are disclosed. Such an exception, they suggested, would provide an incentive for card issuers to compete on triggers; as proposed, they note, there is no incentive for issuers to trigger rates based two late payments, for example, instead of a single act of default.
- Indicated a substantial implementation period, such as 24 months, would be needed, and suggested that the Board indicate that institutions may comply with any new rules on a voluntary basis before the mandatory effective date, which enables creditors to switch to the new requirements piecemeal as the creditors' forms and systems reach compliance with the new rules.

On November 6, 2007 representatives of Am Ex continued their discussion of the Board's proposal with staff of the Board's Consumer and Community Affairs.

- Staff was permitted to view tapes of Am Ex's consumer testing referred to in the September 24 meeting.
- Am Ex representatives suggested that the Board consider an alternative timing rule for permitting creditors to impose penalty rates closer in time to an "on-us" default. The alternative rule would permit creditors to impose a penalty rate immediately upon the triggered event if the consumer was informed of the possibility on the immediately preceding periodic statement.

On December 10, 2007 representatives of Am Ex continued their discussion with staff of the Board's Division of Consumer and Community Affairs about an alternative timing rule to impose penalty rates closer in time to an "on us" default.