Re: "Docket No. R-1314"

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th St. and Constitution Ave. N.W.
Washington, DC 20551

Dear Ms. Johnson:

I am writing about the need for oversight and regulation of abusive credit card practices. I am an attorney and make a comfortable living. I have a good credit score and pay my credit cards on time, have for over 30 years. I do have more credit card debt than I should and carry balances on several cards. Over the years I have personally experienced several of the abusive practices employed by the credit card industry. The following is a list of some of these practices.

1. On one card I noticed if I mailed the payment so that it would arrive within a day or two of the due date the credit card company would claim they did not receive it on time. I live in Wyoming and the payment was mailed to Nebraska and it should not have taken more than 2-3 days for delivery. If I mailed the payment 5 days before the due date the credit card company didn't post the payment for 5-6 days after I sent the payment. If I mailed the payment as soon as I received my bill, the payment posted 2-3 days after I mailed it. I concluded the credit card company was delaying the posting of payments just to charge me a late fee.
2. On another card that I no longer have, the credit card company would send me a notice that I had exceeded my credit limit. I would make an immediate payment to bring my balance below my credit limit. The credit card company would charge me an overdraft fee, which I paid without objection. However because of the way the credit card company calculated average daily balances I was charged overdraft fees for two months, even though I was above my credit limit only once and only for a few days.
3. I have paid my card balance in full by the due date, yet received a bill the following month for interest for the period between the statement cut-off date and the payment due date. That was bad enough, but I was charged for interest on that amount for the next billing period also.
4. I have had my interest rate raised many times over the years when there had been no late payments or other reason to raise the rate based upon that specific account. The reason given for raising the rate was always a minor change in my credit score or that I had too much unsecured debt. What was unbelievable was that the credit card company that raised my rate had just given me a new credit card or had recently raised my credit limit. When I used the new card or the increased limit the same credit card company used that as excuse to raise the interest rate. Fortunately, I was able to notify the credit card company that I did not agree to the change in interest and would no longer use the card, thereby freezing the interest rate. Many people are not able to do so and just get deeper in debt. Citi Bank is particularly bad in this area. Citi has issued me three cards over the year and the pattern is always the same. I carry a balance and within a year or so the interest rate is raised, I object to the increase and pay-off the balance. I no longer carry any cards issued by Citi.
5. The last time a credit card company tried to raise the interest rate on a card I called the company and asked why the rate was being raised. The person went through a list of reasons that it may have been raised such as missed payments on other accounts, exceeding credit limits, decrease in credit score, increase in debt, new credit applications to which I answered that none applied. My overall debt had been declining and my credit score had gone up. She looked at my credit history and could not give me any reason for the proposed increase. Her only recommendation was to wait a few months and then request a decrease in the interest rate.
6. The credit card companies offer low interest rates on balance transfers, but don't tell you that payments will be applied to the low interest rate balance while the existing balance or any new purchases will accrue interest at the higher rate. The low

interest balance does decrease, but the interest on the other balances continues to accrue and gets rolled into the principal balance. Every month the balance with the higher balance grows and therefore the balance on which interest is calculated grows. Only when the lower interest balance is paid in full will the payments be applied to the balance carrying the higher interest. Payments should be applied to all interest accrued first and then to principal, rather than capitalizing the interest on the higher balances.

7. The credit card companies have repeatedly and unilaterally raised my credit limit. The increased credit limit increases the amount I could borrower, which then has been used as an excuse to raise the interest rate on the same or other cards. The rate increase occurs 6-12 months later.

It's no coincidence that a large percentage of credit card company profits come from fees. The credit card companies have actively pursued methods to increase fees. Even when interest rates were dropping significantly in the 1990s, the credit card companies interest rates didn't drop proportionately, but their fee income increased. It is my opinion the credit card companies looked for excuses to raise rates hoping the cardholder would either accept the higher rate or stop using the card and lock in the existing rate. Either way the credit card company didn't have to reduce the rate if the card was on a variable rate.

Enough is enough. I have no problem paying fees if the reason for the charge is my fault, but I should be able to depend on the terms under which the card was issued and not have the terms changed on the whim of the credit card issuer.