

Docket No. R-1314 (Regulation AA)
Meeting at the Federal Reserve Board on September 11, 2008

On September 11, 2008, Federal Reserve Board Governor Randall Kroszner met with South Dakota Governor Michael Rounds to discuss the proposed rules under the Federal Trade Commission Act (Regulation AA). Accompanying Governor Rounds were South Dakota Director of Banking Roger Novotny, L. Richard Fischer of Morrison & Foerster, and David Bockorny of the Bockorny Group. Board staff attending the meeting included Leonard Chanin, Associate Director, Division of Consumer and Community Affairs, and Stephanie Martin, Associate General Counsel, Legal Division.

Governor Rounds expressed concern about the proposed limitations on the amount of fees for the issuance or availability of credit that can be financed during the first year following account opening. He stated that, based on conversations with credit issuers based in South Dakota, the proposed fee restrictions would severely impact the ability of issuers to lend to subprime consumers. He further stated that such a result would not only deny the benefits of credit to subprime consumers in South Dakota and elsewhere but could also adversely affect the economy of South Dakota because many issuers who lend to subprime consumers are based in the state. In light of these concerns, Governor Rounds urged the Board to consider alternatives to the proposal that would protect consumers without limiting the availability of credit.