Subject:	Regulation AA

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Comments:

Comment on Regulation AA - Unfair or Deceptive Acts or Practices [R-1314]. Reading recent news articles quoting the financial institutions that issue credit cards, I see their biggest objection to this proposed Regulation AA is that they claim it will curtail their ability to assess risk, thus force them to offer even less "affordable" interest rates to credit-worthy individuals and perhaps no credit at all to those whose credit scores point to high risk. It is time these financial institutions take a look at their own business models and see just how much overhead they are trying to support that causes them to dangle "intro" rates that entrap, then cite reasons without merit to raise interest rates often times to the point of what used to be known as loan-sharking which I believe to be a federal offense. Credit card issuer practices today are little better than organized-crime loan-sharking. I remember when "Presto-Charge" first came into existence in my city. It had a fixed, realistic interest rate and no late-fees, nor penalties. It soon morphed into Master Charge, then Master Card, then Visa caem along and so on which as we all have seen evolve into the trillion dollar credit card industry today. Most credit card issuers are larger, broad based financial institutions that offer consumer credit cards as just another revenue stream for their overall bottom-line. And that is ok, what is not ok, is for the issuers to try to lay the blame on users as not being fiscally responsible when it is issuers who change the "pay-back" rules in the middle of the pay-back period. And to add salt to the wound, issuers now state that they must have the ability to change the rules as "they" see the credit landscape whenever they wish in order to be able to offer reasonable lines of credit to anyone at all. Again, this is such a groundless excuse, they might as well be claiming, "the devil made me do it." No, what the financial issuers are trying to mask is the groundless excuses they use to manipulate their customers for the issuers' profit. There is no excuse for their practices, but there is a name for it, greed. No one knows better than financial institutional directors and management that the rule of thumb in assessing risk is that risk should equal reward. Theoretically, the higher the risk, the higher the reward, but that is based on the risk being attached to an "achievable" reward. One well-known practice of issuers misaligning risk with an "unachievable" reward is by offering low to 0% interest rates on lines of credit to unemployed high school and college-aged kids. This is blatant entrapment. If a financial institution truly does not or can not assess risk effectively, then they need to get out of the credit industry, not bait and switch their customers, then accuse and punish their customers when the issuer's own practices have created an impossible repayment environment for the customer they spent a small fortune to attract in the first place. It is blatant and obvious, however ingenious and elaborate, entrapment. For me personally I most abhor the use of a 30-day or less late payment on some other loan listed in my credit report as grounds for any and all of my credit card issuers to raise my interest rate and/or lower my available credit-line. And of course, they don't normally raise the interest rate one point, they raise it as much as 10 to 20 points! The worst thing about this practice, is that the less than 30-day posting of a late payment on your credit report, may be no more than a mix-up in communication. In my case it was between my loan officer and his staff on a payment deadline dealing with a car loan re-financing. It has been over 4 months now and the 30-day late payment is still reflected on my credit report even though all is paid and the lending institution considers all payments as "never late." The credit reporting institutions also contribute to the problems that originate with the credit card issuers. Because the credit reporting systems are so far removed from the actual debt-paying situations in each credit customer's financial picture all customers are thrown into one big black and white picture. The issuers leverage this flawed, overwhelmed reporting system to their advantage by extending their risk-avoidance decisions to encompass every single entry in a customer's credit report, regardless of how good and reliable that customer has been as the card issuer's customer. This is an abomination! These engorged credit reporting agencies have no way of reporting a truly accurate compilation of the facts of each and every lending situation in each and every individual customer's report. Because this is a fact, a consumer's credit report should be a tool to assess risk at the beginning of offering a customer an interest rate and line of credit, but no more than that. After a credit card company and its customer have entered into an agreement at that specified interest rate, line of credit and time of re-payment, the credit card issuers should no longer be allowed to access credit reporting agency information until either the initial credit line has been paid off, or additional credit is requested, or if the customer is a minimum of 30-days past due in a payment to that card issuer with no acceptable explanation. The issuers' use of credit reporting agencies in grabbing at any chance to raise interest rates and/or lower available credit lines is no more than a ploy for more profit. In fact, it appears the credit reporting agencies and the card issuers are in collaboration on this practice. It would be interesting to investigate to see just how intertwined the two are. Surely, this is market manipulation and a federal offense. Please help us credit customers out here in everyday America. Most of us are trying to keep up our end of the "credit-deal." But we keep being pushed back to the starting line at every turn with no recourse. We need a voice and some "muscle". We need federal support in the form of regulation and oversight of not only the credit card issuers but credit reporting agencies as well. The ripple effect is showing us today that the two combined are taking us all down.