

Thomas Deutsch <thomas_deutsch@nbps.k12.nj.us> on 07/25/2008 10:50:02 AM

Subject: Regulation AA

Jul 25, 2008

Federal Reserve Board Email comments

Dear Email comments,

1. Instead of charging a late fee for everytime a payment is received, forgive the consumer for their first late payment. If the late payments continue after that, then begin assessing the late fees.

2. If a consumer wants to pay off a credit card balance in full at any given time, no additional finance charges should be assessed. Consumers receive statements containing their most recent balance on their credit card accounts every month. Consumers will pay that balance in full, then receive another statement the following month

showing additional finance charges that have been added to the account. Banks should always allow that grace period to give the consumer the opportunity to pay off their balances in full if they choose to do so without having to pay additional finance charges the following month.

3. If banks have to raise the APR on credit card accounts, all banks should give the consumer a 90-day notice ahead of time of the increase and specific reasons as to why the increase is necessary. Consumers should have the choice of accepting the changes or closing out the account and paying off the balance under the old terms of the agreement.

4. The method of applying payments to the credit card account should

be allocated towards higher-interest debt first, then to lower-interest debt. I believe that it is very important to give the consumer a fair opportunity to pay off their credit card balances. Sometimes, consumers may have no choice but to take out a cash advance on their credit card account for emergencies, since cash advances usually carry a high interest rate. Consumers should not have to be penalized for this.

5. Banks should not automatically increase interest rates on credit card accounts simply because a late payment was made. This only sets the consumer up for failure. If a consumer makes a late payment, raising the interest rate will not help them. I also believe that consumers need to take responsibility for their own credit. Maybe banks could review a customers account every 12-months. If three late payments were made during a 12-month period, then an increase in the interest rate may be understandable. The rate should be lowered back

to the original agreement if 12 consecutive payments were made on time. However, the increase has to be a reasonable one. It is not

reasonable to raise a consumer's interest rate on a credit card account

from 9.9% to 28.99% simply because of one late payment. Increasing the interest rate from 9.9% to 12.9% may be more appropriate.

6. If a consumer makes a late payment on a credit card account and that consumer also has credit card accounts from other banks, there

should be no notification to other banks to raise their interest rates.

The consumer did not default on those accounts. Why should they be

penalized for paying additional finance charges on accounts that are in

good standings? This does not make sense. This also sets the consumer up for failure. Every account should be handled differently.

Sincerely,

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