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August 4, 2008

VIA FAX (202-452-3819) AND MAIL

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. R-1314

Dear Ms. Johnson:

As the State Bank Commissioner for the State of Delaware, I am writing to offer the following comments on the proposed amendments to the rules relating to unfair or deceptive acts and practices regarding consumer credit card accounts. Although the goal of the amendments is clearly to protect consumers, in some respects the amendments are not compatible with existing Delaware law and may have the unintended consequence of restricting access to consumer credit. This is particularly the case with the proposed new rule 227.24 that would limit the ability of banks to amend revolving credit agreements with respect to the repayment of outstanding debt.

Current Delaware law governing credit card lending has improved access to credit and expanded economic activity throughout the United States. The Delaware General Assembly approved significant amendments to the law in 1981 to adopt a market based approach to lending that removed restrictions on consumer credit. For over a quarter of a century, consumers have benefited from the increased availability of credit cards. Consumers depend on credit cards for a wide range of purchases, and certain activities, such as those that are travel-related, including airline, hotel and automobile rental reservations, are greatly facilitated by consumer credit cards.

Banks that issue credit cards and extend revolving credit to consumers need to be able to manage the risk related to that credit in order to operate in a safe and sound manner. As the customers' risk profiles change over time, amendments to the credit card agreements may become appropriate. With customers whose risk profiles

have improved, the banks may offer increased credit lines, lower interest rates or other more favorable terms. With customers whose risk profiles have deteriorated, the banks may amend the credit agreements to compensate for the increased risk.

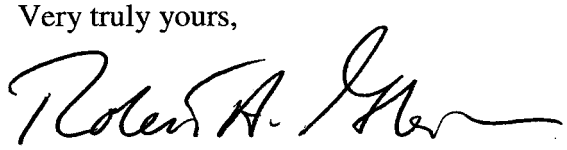
Delaware law governing amendments to revolving consumer credit agreements provides protections for consumers, balanced with opportunities to maintain the availability of credit. Pursuant to Section 952 (Amendment of agreement) of Title 5 of the Delaware Code, a bank must provide at least 15 days advance written notice of an amendment that increases the rate of periodic interest charged to the borrower, including interest on an outstanding balance. A borrower who notifies the bank of an election not to accept the amendment must be permitted to repay the outstanding unpaid indebtedness at the previous rate of interest, provided that the bank may convert the borrower's account to a closed end credit account. Moreover, the bank is only permitted to amend the agreement if the agreement governing the revolving credit plan so provides. This means, for example, that the bank may be unable to amend the interest rate applicable to certain account balances subject to special terms and conditions, such as those with interest rates that are "fixed for life."

Our experience in Delaware is that the current law regarding amendments to revolving consumer credit agreements is working. We do not recall ever receiving a complaint that a bank refused to permit the consumer to repay the outstanding debt at the previous rate of interest. Accordingly, we have no reason to conclude that the 15 day advance notice requirement is inadequate. Although no borrower may want to pay a higher rate of interest, the continued availability of credit appears to be more important.

The proposed new federal rules, however, might lead to reduced access to credit. Banks might be reluctant to offer revolving consumer credit at fixed interest rates without the current ability to amend the rates to account for increased risk. Banks also might reduce customer credit lines to control the risk. These changes may not be in the best interests of consumers.

Accordingly, I would encourage the Board of Governors and other federal banking agencies to revise the proposed rule amendments to align with existing Delaware law governing amendments to credit card agreements. Thank you for the opportunity to comment on this proposal.

Very truly yours,



Robert A. Glen
State Bank Commissioner