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16th Legislative District  
Montgomery County

Ways and Means Committee  
Education Subcommittee  
Revenues Subcommittee



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THE MARYLAND HOUSE OF DELEGATES  
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The Federal Reserve Board of Governors  
The Office of Thift Supervision, U.S. Treasury  
The National Credit Union Administration  
c/o Jennifer Johnson  
Secretary  
The Federal Reserve Board of Governors  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

**VIA EMAIL**

August 4, 2008

Re: Comments on Proposed Regulations for 12 CFR Parts 227, 535, and 706  
Docket No. R-1314

Ladies and Gentlemen:

I am pleased to submit this brief written comment on your joint proposed rulemaking regarding certain business practices used in consumer lending. As a member of the Maryland General Assembly, I have a strong interest in these issues and have received many reports from constituents that have been adversely affected by the lending practices at issue. I applaud you for taking steps to curb these practices, but respectfully suggest that the rule is incomplete without providing for a greater role for state law.

Like our fellow citizens, Marylanders suffer from the arbitrary and abusive rate changes commonly levied on holders of unsecured consumer debt. Unrestrained by state or federal regulators, banks have utilized fine-print contract provisions to raise rates on consumers any time their credit scores change, in what is euphemistically called "universal default." In many instances, creditors have raised interest rates on existing debt even on consumers whose credit has remained strong or even improved. These changes can be justified by "any-time, any-reason" provisions in contracts, provisions that are most certainly unenforceable according to common law doctrines.

When challenged by myself and other legislators in Maryland, the banking industry has responded with what they consider to be the ultimate trump card: **you**. Federal pre-emption. My House Bill 1178, which would have outlawed universal default and any-time, any-reason contract provisions, failed because lawyers were convinced that the nebulous and sweeping scope of federal preemption prevented Maryland from taking any action to protect consumers.

Although the Proposed Rule contemplates a state role in Subpart B, the Proposed Rule is silent as to whether a state may legislate and enforce limits on abusive "Credit Card Account Practices" along the lines of those delineated in Subpart C. I urge you to permit states to legislate and enforce similar or more stringent consumer protection laws in this area.

State law plays a major role in protecting consumers from abusive business practices in nearly every other industry, without detriment to interstate commerce. We are best suited to define and enforce the basic rules under which businesses may engage consumers, and we are ready and eager to perform that role for consumer lending. Without modification to the Proposed Rule, consumers in every state will be forced to turn to the Fed, OTS, and NCUA for nation-wide relief, instead of to their state legislatures and regulators for more immediate solutions. A reasonable change to the proposed rule would be to clarify that federal law will not prohibit states from articulating and enforcing stricter standards than the standards adopted in the Final Rule. Such a change would not create a dual-oversight system, and would not subject federally-chartered banks to state supervision and substantive regulation. It would merely allow the states to set some core boundaries for consumer fairness in lending that have been so long overdue.

Please do not hesitate to contact me if you have any questions or if I may be of any additional assistance.

Sincere regards,



C. William Frick  
Maryland House of Delegates