

## Docket No. R-1314

Jim Steitz  
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Ashland, OR 97520

August 2, 2008

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

Dear Ms. Johnson,

I write to urge the Board of Governors to adopt the strongest rules in reform of the retail credit card consumer lending industry. These new rules will be critically important to prevent millions of Americans from suffering unnecessarily deep financial strains, usurious interest and fees, and ***an overall transfer of wealth far beyond what is necessary to support a robust consumer lending system.***

The practices of the credit card industry have reached such an egregious level, and the ***power imbalance between the lender and consumer has become so lopsided, that the industry represents a gross violation of the basic assumptions that underlie a minimally regulated free-market system.*** Instead, in its structure and power dynamics, the industry more closely resembles the federally regulated banking system, or even a public utility such as an electricity company, and should be regulated as such.

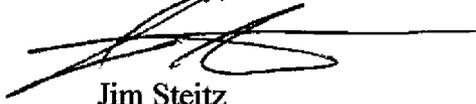
I strongly urge that the Federal Reserve Board adopt a rule that ***requires credit card issuers to provide a reasonable period of time for payment.*** The bill must be sent to the consumer, either electronically or by mail, at least 3 weeks prior to the due date. The credit card issuers have engaged in a deliberate practice of shrinking the available time for payment in each billing cycle by sitting on statements before they are sent. This practice has no legitimate business purpose but to increase the incidence of late payments, and it must be stopped.

Credit card issuers must also ***be barred from the practice of allocating payments to the lowest-interest portion of a customer's balance.*** It is illogical that a customer cannot control how he or she wants a payment allocated. Customers should be able to take full advantage of promised low-APR offers by directing their payments toward other, higher-interest portions of their balance. In lieu of this rule, credit card companies often offer a low APR to customers that already have a high-APR balance. By adding this "buffer" to the existing high-APR balance, the company effectively prevents the customer from paying off that high-APR balance without having to repay the entire low-APR balance first, which would result in a substantial waste of customer effort and time.

Credit card companies must also be prohibited from increasing the APR on the existing balance. This is a common industry practice that runs counter to basic principles of free enterprise. A company should not be able to retroactively rewrite the terms of a contract it entered into in the past. This violates the basic assumption of clarity and reliability of contracts that our economy depends upon. The new rule *only should allow rate increases in case of substantial new information about a person's relationship with that company*, such as several missed payments. The practice of "universal default," whereby a rate is increased if a customer misses a payment to some other creditor or has some other blemish on their credit score, should be prohibited.

Thank you for your attention to this critical issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Steitz", with a long horizontal line extending to the right.

Jim Steitz