

D R E W B A K K E N E

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

July 31, 2008

RE: Docket No. R-1314, Proposal to amend Regulation AA, Unfair and Deceptive Acts or Practices

Dear Ms Johnson and the Federal Reserve Board of Governors:

Thank you for providing me with the opportunity to offer comments to the proposed rules on Regulation AA.

I must say, as I review the proposed items, I am greatly concerned with what could be the long term impact of the proposed changes. I have been employed in the area of consumer credit, specifically the credit card segment, for over 18 years in both the prime and non-prime space. My present position is Director of Risk Management.

Consumer credit continues to play an increasingly greater and vital role in our society as we move through the twenty-first century. As Mr. Bernanke recently referenced, 'the amount of consumers with credit cards has grown significantly from where it was just 25 years ago.' He went on to say 'the development of credit scoring and implementation of risk-based pricing have made credit cards available to more people. In addition to serving as a source of needed credit, consumers benefit from the convenience credit cards offer as a payment mechanism.'

The credit card has become an invaluable staple in the commerce arena, especially in the areas of travel (car rental, airline/hotel reservations) and Internet/cyber commerce. In addition to providing convenience and utility, credit cards can be utilized to improve a consumers credit profile score which can impact their borrowing costs - mortgage and installment loans, along with ones potential employment opportunities. Over rough economic times of the past and present (2008), economists have said 'consumers are being forced to make greater use of their credit cards during difficult economic times when they are being battered by job losses, soaring gasoline prices and higher food costs. This represents distressed borrowing. Consumers need cash and they turn to their credit cards to fill the void left by lost jobs and weaker incomes.' One can clearly see that the functionality, power and value of a credit card is paramount. However, with a credit card comes the need for consumer awareness and responsibility.

My foremost concern with the regulation's proposed rules, centers around the move away from the risk based pricing of a free market driven consumer credit space, towards a government price regulated consumer credit space. Supply and demand forces are constantly at work in a free market. This will not be the case in a price regulated consumer credit space. I would view that the pricing controls/restrictions that are being considered in the proposal will decrease the availability of credit cards for many Americans. This decrease will result from card issuers not being allowed to appropriately price for the risk levels they are experiencing. Hence, credit card approval requirements will increase and make the accessibility to credit difficult for a lot of consumers (prime) and seemingly impossible for those with low credit scores (non-prime). Rather than see the government head down what I would view and foresee as a "slippery slope" where price controls are concerned, I would advocate for striving to develop and implement more meaningful, clear and effective disclosures around the cost of credit and important account terms. Promote consumer awareness, education and responsibility/accountability.

Lastly I view that credit cards work well for many, many Americans as they exist today. I would hope we are not seeking to solve for the few exceptions by impacting the overall majority.

Thank you again for allowing me to share my thoughts.

Respectfully submitted,

Drew Bakkene