

"Michael E. Ojaste" <dragon@dragonmac.com> on 08/02/2008 01:50:05 AM

**Subject:** Regulation AA

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

RE: Docket Number R-1314 Proposed Rules to Overdraft Practices

I'll start out by saying that all lending Mortgages, Secured Debt or Unsecured Debt should be done with K.I.S.S. (Keep It Simple Stupid) in mind. Unfortunately in todays world misdirection, doubt as well as misinformation constantly get us into trouble. With lending rules, they should be simply spelled out with options of course but these options must always be in addition to a standard set of simple rules. Financial institutions made money for hundreds of years with simple practical rules of lending, without creative math or fees to make more.

There should also be practices that are clearly banned because they are either overly confusing to consumers or plainly unfair practices. It is not brain surgery to look at some practices currently used and see how insanely unfair they can be to the consumer. It only takes a common sense approach which is severely lacking in todays financial and political world. In both those worlds in most cases it appears that Greed, while not always bad supersedes consumers protection.

Now to the issue at hand, here is a list of lending practices that are proposed for reform and others that may need reform.

1. So happy you agree with the insanely unfair practice of the "two-cycle" billing method. Banks should be prohibited from imposing interest charges using the "two-cycle" method.

2. I would rather have my debit purchase denied than pay any fee for overdraft protection. Overdraft protection should be an Opt-in only if the consumer asks for it.

3. The overdraft issue brings up over-limit on Credit Cards as well. Not to say that under some limited circumstances an over-limit should be applied but only that once again there should be an Opt-in option on how a purchase is handled. If the purchase would directly bring a persons current credit card balance over their limit, the charge should be denied unless the consumer has signed up to allow over-limit charges. All lenders of course have limits but they do allow minor over-limit charging to occur which immediately incurs a penalty to the consumer even though the lender allowed a charge to go over the limit they themselves set. I think this is clear. I also feel that the insane over-limit fee cycle that can occur month after month as a person makes payments but can not keep the balance below the limit because of fees and interest compounded is extremely unfair. I think you can see this Seesaw effect.

e.g. A persons limit is \$500. They make a charge that puts them at a balance of \$505.00 and approved by the lender. An over limit fee is immediately added of \$25. Now on there statement they had to pay a minimum of lets say \$30 and they pay \$35. The Balance would drop to lets say \$495 until interest pushes it over again incurring another \$25 over limit fee. It goes on and on.

4. Another area I feel you overlooked is what I call "dead-zone dates" in the billing cycle. What this is simply is days in the billing cycle in which if a payment is received it is either too late for the last months billing cycle or too early for the current months billing cycle. These "dead-zone dates" occur immediately after a billing due date and I've seen them be as many as 5 days.

I paid a bill one day late on the 21st of the month and I saw it several days later online that the payment

was received after the due date. I also saw that a late fee was added, and my new minimum monthly payment was listed. The payment that was 1 day late was over the current minimum monthly payment due, so you would think I was covered for the current billing cycle. NO, I was not to my surprise, the credit card company said only payments received after the 25th of the month till the 20th of the following months due date apply to the current month billing cycle. So basically any payment made on the 21st to the 25th of the month could not count as a "payment" to the current billing cycle minimum payment due. The payment is applied to the balance but can not count as a payment in any billing cycle. Call me crazy but there are "dead-zone dates" in the billing cycles of some credit cards.

5. I agree that banks should be prohibited from increasing the rate on a pre-existing credit card balance and must allow the consumer to pay off that balance over a reasonable period of time.

6. I agree that banks should be prohibited from applying payments in excess of the minimum in a manner that maximizes interest charges. Also, banks should be required to give consumers the full benefit of discounted promotional rates on credit cards by applying payments in excess of the minimum to any higher-rate balances first, and by providing a grace period for purchases where the consumer is otherwise eligible.

7. I agree that banks should be required to provide consumers a reasonable amount of time to make payments.

In closing, all rules for any kind of lending should be simple and easy to understand how they work, by the consumer. When the consumer is forced to comprehend complex mathematics, convoluted fine print, and massive legal loopholes written in to insure the banks protection but no oversight is applied to protect the consumer we all lose. The job of any government should be to protect it's people, even from themselves and other members of it's own society sometime. Stop banking people from writing rules that we the people can not understand easily.

Thank you for this opportunity to comment on R-1314.

Sincerely,

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