

**From:** Matthew Hinton - 08/03/2008 07:49:31 PM

**Subject:** Regulation AA

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

Dear Sir or Madam:

I'm writing to support the Federal Reserve Board's proposed rules on unfair and deceptive credit card practices. I agree with the suggested rules. I would like to comment where I have something relevant to add. Furthermore, I would like to see consequences for those institutions that break the rules.

*Banks would be prohibited from increasing the rate on a pre-existing credit card balance (except under limited circumstances) and must allow the consumer to pay off that balance over a reasonable period of time.* To put this into practice, two things must be done. Universal default should be outlawed. There's a practice now among credit card companies called universal default. Basically, if you get behind in payments to one creditor, other will use it as justification to raise one's interest rate. This leads to a vicious cycle where the debtor cannot escape. The second is the arbitrary raising of interest rates. In January of this year, I, like many other Bank Of America customers, were shocked to get letters stating that the interest rates on existing account balances would be increasing for no reason. I would think a credit card agreement is a contract between a bank and myself. For the bank to breach the contract in such a manner without any repercussions amazes me.

*Banks would be prohibited from applying payments in excess of the minimum in a manner that maximizes interest charges. Banks would 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.* I strongly agree. In the above mentioned Bank of America example, they would not apply payments toward the higher interest rate balances. I don't recall a method in which when one paid more than the minimum one could instruct them how you wanted it applied.

*Banks would be prohibited from imposing interest charges using the "two-cycle" method, which computes interest on balances on days in billing cycles preceding the most recent billing cycle.* This practice was precisely why I left Discover. It makes for unnecessarily complex interest charges.

In closing, I support these rule changes. I look forward to seeing them put into practice. Thank you.

Sincerely,  
Matthew J. Hinton  
Mobile, AL