

August 1, 2008

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

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 make comments to the proposed rules on Regulation AA.

My name is John McGrath. I work for First Premier Bank in Sioux Falls, South Dakota which is associated with Premier Bank Card, also located in Sioux Falls, SD. While I am not directly involved with the credit card operation, I am familiar with its services and the nature of its clients. I am very concerned with any type of regulation that limits any industry's right to set its price based on what it costs to provide its service and earn a profit commensurate with the risk and effort involved in doing so.

I understand government has a responsibility to protect its people from deceptive practices and unscrupulous operators trying to take advantage of the vulnerable. However, this is where government's efforts should be focused - on identifying and preventing these companies and individuals from conducting business. The proposal to limit fees to a predetermined percent of a consumer's credit line may have the effect of putting such operations out of business. However in the process it will also eliminate legitimate, forthright operations in that the methodology does not at all take into consideration the costs necessary to remain in business and continue to provide a NEEDED service to millions of consumers.

Our society and economy have evolved to a point where holding a credit card is necessary to access many basic services. This did not happen because credit card companies forced it on society. It happened because the free enterprise system evolved in this fashion. If this was not an efficient method it would not exist as it does today. Or if a more efficient method did exist, THAT payment method would be the most prevalent

Just as the credit card industry did not force cards on society, it also does not force individuals to make poor decisions that later lead to more expensive consequences. The clients needing the cards in question put THEMSELVES in the position they are in. The fact this type of card exists also provides them the opportunity to REMOVE themselves from this position. Placing limits on the price they pay will eliminate this option. Furthermore, any such limits also will have the effect of insulating them from bearing the costs of a situation they themselves created. How many of us would like to go out and cause damage to our own car, then have others share in the cost of the repairs!

In summary I strongly urge you to reconsider the proposal to limit, by regulation, the fees associated with credit cards. Instead, allow the free enterprise system that has served this country so well do so. Consumers will speak for themselves with the choices they make. In turn, turn the focus of regulation where it belongs: requiring full and clear disclosure up front and become diligent in ensuring all providers of credit cards operate in good faith and are in compliance with the established regulations.

Sincerely,

John M. McGrath
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