



WORLD'S FOREMOST BANK®

August 4, 2008

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

RE: Comments on Proposed Regulation AA Changes – Docket # R-1314

Delivered Via Electronic Mail

Dear Ms. Johnson,

World's Foremost Bank ("WFB") is a credit card bank chartered under the laws of the State of Nebraska and regulated by the Federal Deposit Insurance Corporation. WFB has no branches but issues credit cards to cardholders in all 50 states.

As WFB does not offer traditional banking products, our comments will be limited to the portions of the proposal regarding credit card accounts. While we appreciate the opportunity to offer our comments on this proposal, we strongly believe that each of the topics addressed in the credit card section of this proposal should have been addressed in the Regulation Z proposal(s) introduced in June 2007 and May 2008. The purpose of Regulation Z is to protect consumers by requiring meaningful disclosures and require creditors to engage in accurate and fair credit practices. Thus, we feel that these topics should have been addressed in the recent Regulation Z proposals rather than in a separate regulation.

Time To Make Payment

WFB does not object to the concept of requiring a reasonable amount of time for a consumer to make a payment before the consumer is considered "late". However, we are strongly opposed to having differing safe harbors under Regulation Z and Regulation AA. If anything, we believe having inconsistent safe harbors will just add another layer of complexity to already complex disclosures on billing statements and will ultimately lead to confusion for the consumers.

Under Regulation Z, the creditor is allowed to have a due date that is at a minimum 14 days after the consumer's billing statement is mailed or delivered before the expiration of the grace period for finance charges on purchases. However, under Regulation AA, the creditor would be required to have a due date that allows at least 21 days (plus

additional days to cover the statement generation process) before the payment can be considered late for other purposes. Therefore, it seems that if a creditor chooses to exercise their rights under Regulation Z to have the expiration of the grace period for finance charges on purchases be at least 14 days but is less than approximately 23-25 days after the consumer's billing statement is mailed or delivered will either be required to disclose multiple due dates on the billing statement or be in violation of Regulation AA. We fail to see how multiple due dates would be beneficial to the consumer.

In addition, while those in the credit card industry may understand the distinction between the safe harbor for the expiration of the grace period under Regulation Z and the safe harbor for "other purposes" under Regulation AA, trying to explain the distinction efficiently and effectively to those not involved in the industry may prove to be very difficult due to the potential complexity of the distinction and the limited amount of space on monthly billing statements.

Therefore, we strongly believe that it would ultimately be in the consumer's best interest to have consistent safe harbors for due dates under Regulation Z and Regulation AA.

Payment Allocation

The Board has requested comments on whether consumers should be permitted to instruct the institution regarding allocation of amounts in excess of the required minimum payment. While WFB does not object per se to the proposed rules regarding payment allocation methods, we are strongly opposed to allowing consumers to dictate where payments made in excess of the minimum payment are allocated due to the operational issues and potential compliance issues that may be caused by this process.

In order to process the vast number of payments that we receive every day, there is no feasible way for us to review every payment received for special payment posting request. While allowing this type of request may be viewed as consumer-friendly process, ultimately it would end up causing an overall delay in the processing of consumer payments. Granted, if the payment is not credited the day it is received, under Regulation Z would require the creditor to backdate the payment. However, it seems that the benefit of having the consumer's payment posted as quickly and efficiently as possible outweighs the benefit of allowing the consumer to dictate the allocation of their payment.

In addition, the consumer's request may actually be contrary to the requirements of this rule. While this situation may be rare, there may be times that a consumer makes a request for a payment allocation that is not deemed to be as beneficial as one of the methods outlined in the proposal. If the purpose of this section of the proposal is to require a creditor to select a payment allocation method that is deemed to be beneficial to the consumer, it seems to make little sense to allow a consumer that may not fully understand that their requested allocation may not ultimately be in their best interest or that there may be longer-term consequences of their actions to be able to dictate the allocation of the payment.

Finally, under the current proposal, there is not a safe harbor that would allow a creditor to allocate a consumer's payment (in excess of the minimum payment) based on the consumer's request even if the request is not as beneficial to the consumer as one of the methods outlined in the proposal. While we strongly believe the consumers should not be given the option of dictating the allocation of their payments, if the Board feels this is

beneficial option, we ask that a safe harbor be included in the final rule that will protect creditors from being held liable for violations of this section based on consumer requests for specific payment allocations.

Application of Rate Increases To Existing Balances

WFB is strongly opposed to this entire section of the proposed rule due to customer service, operational and risk management issues. While we are opposed to this section as a whole, if this section remains in the final rule, we strongly believe that due to the complexity of the reality of rate increases, the proposed rule needs additional "fleshing out" before the final rule is issued.

While there are creditors that re-price accounts based on reasons other than risk management or delinquencies, if a creditor is re-pricing an account based on risk management principles, it seems contrary to safe and sound business practices to allow consumers upwards of two weeks to use their credit cards to make additional transactions when there is an increased risk that the consumer will default on their account. While we understand the purpose of the proposed rule, we strongly believe the creditor's interests should not be completely disregarded in the final rule. Therefore, we respectfully ask that this section be re-worked to decrease the number of days that must be added to the notice date in order to calculate the outstanding balance when the rate increase is due to risk management.

In addition, we believe that in order for this provision, as currently written, to operate in a way that is beneficial to the consumer, it seems multiple notices will be required. However, if that is indeed the case, we fail to see how inundating consumers with multiple notices for one event is beneficial or consumer-friendly. We ask that the proposed rules be clarified to address whether multiple notices are required for one event and if so, any additional timing issues that may arise due to multiple notices.

While we appreciate that an exception has been made to this section of the proposed rules for accounts that have gone 30 days past the due date without a payment, we ask that this exception be expanded to include any delinquency situation(s) that may cause a consumer's rates to increase and that have been disclosed by the creditor in their application/solicitation disclosures and initial disclosures.

Effective Date

We respectfully ask that the effective date be no earlier than 24 months after the publication of the final rules. While we understand the desire to protect consumers, due to the number of changes proposed under both the Regulation Z and Regulation AA notices and the complexity of the changes that we and our processor may be required to make, it would not be feasible to make the necessary changes in the 12 month period the Board is suggesting. Ultimately, allowing sufficient time for credit card issuers to make the necessary changes will benefit consumers because it will allow issuers time to develop systems and processes and make the necessary changes to their communication pieces (for example, monthly billing statements and letters) that will allow the issuer to convey the required information in a manner that is most useful to the consumer.

Conclusion

In conclusion, we again reiterate our strong belief that each of the proposed changes regarding credit card accounts should be addressed under Regulation Z, not Regulation

AA. However, we again appreciate the opportunity to comment with respect to the proposed rules. If there are any questions, I may be contacted directly at (402) 323-4322 or Joe.Friebe@cabelas.com.

Sincerely,

A handwritten signature in cursive script that reads "Joe Friebe". The signature is written in black ink and includes a long horizontal flourish extending to the right.

Joe Friebe
President and Chief Executive Officer
World's Foremost Bank