



August 4, 2008

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

Re: Regulation AA - Unfair or Deceptive Acts or Practices Proposal - Docket Number R-1314

Dear Board of Governors;

We appreciate the opportunity to provide comments to the Board's Regulation AA proposal.

We have always believed that the appropriate methodology for consumer protection is appropriate disclosures standardized and easy to understand to facilitate consumer choice. Because of this, we fully support the Federal Reserve's June 2007 proposal to revise Credit Card Applications and Solicitations to make them easier to understand. However, we cannot agree with this Regulation AA proposal because it takes away consumers' rights to make their own decisions and results in "price fixing".

Pricing fixing never works without significant negative effects. The effects associated with this proposal and some of the market implications will include:

- ❖ Reduced availability of revolving credit cards: Without the ability to price products based on risk, banks simply will not offer revolving credit products to subprime consumers.
- ❖ Reduced ability to improve credit scores: Since credit scores change most dramatically when a customer has open end credit, subprime consumers' ability to build their credit scores will be significantly impacted.
- ❖ Consumers will pay higher rates and costs on secured credit: Since their credit scores will be impacted, subprime consumers will pay higher rates on cars and homes.
- ❖ Consumers will pay higher fees and rates for small dollar loans: Consumer need for credit is not going to change but the consumer options will be significantly reduced forcing consumers to use unregulated payday lenders or title loan companies at a higher cost of credit.
- ❖ The economy will be impacted: The decreased purchasing power for 20% of the population who are currently rated as subprime is only going to compound the already stressed economy.
- ❖ Consumer will lose Billing Dispute protections provided under Regulation Z: The Billing Dispute Rights provided on revolving credit cards are only a benefit to consumers with credit cards, which will only be available to consumers with good credit ratings. Consumers with low credit scores will have to pay by cash, check or debit card and will lose the assistance of a credit card issuer in resolving their disputes. Losing this benefit will be very significant for numerous consumers.

Thank you for your time and attention to this matter.

Sincerely,

Marvin Mutchler  
President  
First Savings Bank (Beresford, SD)