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August 8, 2008

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

Attention: Docket No. R-1314

Dear Ms Johnson and the Federal Reserve Board of Governors:

I am writing to comment on the proposed changes to Regulation AA regarding "Unfair and Deceptive Practices" in the credit card market. There are several provisions within the proposed rule that are reasonable and appropriate. However, I have concerns about the impact (intended of otherwise) of the provision in the specific area of pricing. Credit Card companies need to have the flexibility to price products on a risk basis. Thus, higher risk consumers can and should pay more for access to credit than consumers who pay their bills on time.

The credit card has become a way of life in the Unites States, paving the way Internet and remote transactions while offering consumers protections from fraud and faulty goods. In many ways a credit card is a requirement in today's economy. For example, in the Midwest, many gas stations are unmanned, requiring a credit card to purchase gas after hours or in rural areas.

A second function of credit cards is helping consumers build a credit history, or in some cases, re-build their credit history. A consumer's credit score impacts their ability to finance a car and their insurance rates to mention a few. More importantly, a consumer cannot build a credit file without having reported credit activity or trade lines, the most common being credit cards.

However, the proposed rule capping credit card fees charged to the account at 50% of a credit line in the first and 25% in subsequent years will potentially remove the option of a credit card from millions of Americans. There are over 70 million Americans who are below a 660 FICO score. Without the ability to apply risk based pricing, the vast majority of that population will no longer be offered credit cards. Thus, they will not be able to participate in some segments of the economy, further hindering their ability to get back on their feet financially. Banks and Credit Card issuers must be able to cover losses by applying risk-based pricing to appropriately cover potential losses of non-paying consumers.

As an employee in the bankcard industry, I do have a vested interest in this pending rule. However, the price capping proposal will have a very detrimental effect on the very people this is targeted to help. By pushing non-prime consumers out of the mainstream, they will be forced to into higher cost alternatives like pay-day lending and pawn shops for loans, to their detriment. Those consumers will be unable to rent a car or a hotel room and they will lose the safety net having a readily accessible credit line. All of that, in addition to no longer having a "ladder" to climb out of non-prime status by building/re-building their credit score with a credit product that reports to credit bureaus.

It is also my personal belief that this provision will disproportionally impact the ability of minorities to obtain mainstream credit opportunities. As with any economic downturn, minority groups seem to be impacted more severely than average. Current economic conditions are no different. Yet, without having access to credit as consequence of the proposed Regualtion AA, people of color will have few if any tools to improve credit scores.

Last but not least, I am highly concerned about the Fed, OTS and NCUA engaging in price caps under the banner of UDAP. While there is opportunity to improve credit card disclosures from the existing mandated disclosures, the free market principle (an underpinning of US economic success) should prevail. The slippery slope of price controls has the potential to impact from Wall Street to Main Street as the revenue stream of the banking industry could be impacted or investor confidence shaken by well intentioned but detrimental price controls. Impacts can range from further restriction of credit to loss of jobs in the finance sector.

I would urge the Board of Governors to consider the negative impacts as outlined above in addition to the precedent of capping prices as proposed in Regulation AA. Further I would ask the Board to remove the pricing provision from the regulation (specifically, the capping of fees posted to the account at 50% total in year one and 25% total in subsequent years). I also thank you for the opportunity to comment on the proposed regulation.

Sincerely,

David G. Reznicek

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