



July 30, 2009

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

Re: Comments on issues related to the Credit CARD Act of 2009
Regulation Z; Docket No.R-1364

Dear Ms. Johnson:

Bill Me Later, Inc. (BMLI), a wholly-owned subsidiary of PayPal, Inc., respectfully submits these comments to the Board of Governors of the Federal Reserve System (Board) in response to the Credit Card Accountability, Responsibility and Disclosure Act of 2009 (CARD Act), which instructs the Board to issue rules to implement the legislation.

BMLI operates the Bill Me Later ("BML") payment and line of credit system. The BML payment and line of credit system enables consumers to make purchases of goods and services online, using an open-end line of credit (not home-secured), provided by the issuer. A BML account may be opened by the consumer online in "real time" and may be used by the consumer to make a purchase at the time of account opening.

With the understanding that the Board is currently drafting additional rules to implement the CARD Act, we submit this letter to ask the Board to clarify that the six-month minimum term for promotional rates does not apply to deferred interest arrangements.

It appears that Congress added the section on six-month term for promotional rates to prevent credit card companies from misleading customers with short-term "teaser rates." We do not believe, however, that Congress intended this limitation to be applied to short-term, deferred interest arrangements that many consumers find to be extremely beneficial.

Section 101(d) of the Act directs the Board to define the term "promotional rate" and allows the Board to establish reasonable exceptions. Accordingly, we ask the Board to adopt the same definition for promotional rate as it adopted in the January 2009 Regulation Z Rule in section 12 CFR 226.16(g)(2)(i), which states:

Promotional rate means any annual percentage rate applicable to one or more balances of transactions on an open-end (not home-secured) plan for a specified

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period of time that is lower than the annual percentage rate that will be in effect at the end of that period on such balances or transaction.

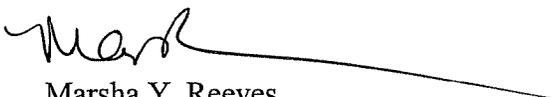
The Board should clarify that the definition above does not cover deferred interest plans (with or without payments) because these promotions involve the deferral or waiver of interest, rather than the reduction of the interest rate applicable to a promotional balance or an increase of the interest rate at the end of a promotional period. In other words, at the time a consumer enters into a deferred interest plan, the interest rate is the same as it would be the end of the promotional period.

The deferred interest financing programs offered through the BML system have allowed over 200 retailers operating over 1,300 websites to offer consumers attractive financing options on the purchase of their products and services. These programs are beneficial to consumers because they allow consumers to purchase goods without finance charges if paid in full by the end of the promotional period. These programs also are beneficial to merchants. Traditionally, only large retailers able to attract private label card programs have been able to offer their customers financing programs of this type. The BML system is unique in that it allows any merchant accepting BML as a payment option to offer competitive deferred interest financing programs to their customers.

One of the primary deferred interest plans that BMLI offers to consumers is "No Payments for 90 Days." The shorter duration of this plan allows us to make the plan generally available for purchases as low as \$250. Customers can use this option to purchase items immediately and pay for them over time without interest, so long as the balance is paid before the end of 90 days. On average, approximately 58% of BML transactional balances that are made under the "No Payments for 90 Days" deferred interest plan are paid in full prior to the due date, thus the accountholder pays no interest on these balances. Having the ability to offer deferred interest arrangements of less than six months is critical not only to our business but also fundamental to our retail merchant partners. It also empowers consumers to make financing choices that suit their needs.

Thank you for allowing us to share our comments regarding the implementation of the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act of 2009. We are confident that the Board will adopt a reasonable set of rules in the next stages of rulemaking, which will allow creditors and companies such as ours to continue to offer low-cost financing options to our customers. As the Board works through this process, we would be pleased to provide any additional information and insight deemed relevant to assisting your work.

Sincerely,



Marsha Y. Reeves
General Counsel
Bill Me Later, Inc.