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November 19, 2009

VIA FEDERAL EXPRESS

Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
Twentieth Street and
Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Docket No. R-1370, Truth in Lending Act, Regulation Z

Dear Ms. Johnson:

We are writing to express our concern with certain aspects of the revised version of Regulation Z proposed to take effect on February 22 (with some provisions taking effect in July). As discussed more fully below, we request that the Board of Governors of the Federal Reserve System ("Board") modify these regulations so that they provide sensible consumer protections, do not unnecessarily limit the availability of credit consumers want (which would in turn reduce our sales), and do not impose an unreasonable compliance burden on our business.

Belk is a fashion department store retailer with 306 locations in 16 states with approximately 20,000 employees, which is headquartered in Charlotte, NC. Like many other retailers, we have arranged for a bank to provide "private label" credit cards that can be used at our stores to purchase goods or services. Our comments address three areas:

- Suggested ways to make collection and use of income or asset information as a component of ability to pay less intrusive and awkward in a point of sale environment
- A permanent, workable solution to the up front disclosure of the key terms of financing promotions
- A number of transition rules that would be helpful in easing the compliance burden of the changes

Ability to Pay - Collection and Use of Income or Asset Information

Our credit provider has advised us that under the proposed regulations, we will need to ask customers for information about their income and pass that information to our credit provider along with the customer's name, address and other information. We have two concerns with this proposal as it relates to new applicants for credit.

The first is that the exchange of income information at the point of sale will be awkward for both customers and employees. We are worried that this new requirement will have a chilling effect on the willingness of our customers to apply for credit and the willingness of our store associates to offer credit. The ability of customers to purchase on credit is critical to our retail sales. In these tough economic times, we simply cannot afford for credit to become less attractive or more cumbersome to obtain, and we expect this income requirement to have a direct impact on our sales.

Our second concern involves timing and logistics. In order for us to collect and pass income to our credit provider, both their and our systems must change. Changing our point of sale system to capture and pass income to our credit provider will take several months to program and test. The work cannot start until Jan 2010, due to the demands of the holiday season. Therefore, if the Board is determined to make income information a requirement, we request that the Board expressly allow credit providers to obtain and rely on estimated income information from a reliable third party sources in approving customers for credit. We believe this is fair treatment for customers and workable for us.

Our credit provider advises us that the regulation would require it to obtain income or asset information before increasing customer credit lines. We have found that credit line increases are critical to our marketing efforts. Good credit customers who have earned credit line increases do come back to the store to shop (thus increasing our sales). If our provider has to mail customers a proposed credit line increase and wait for the customer to provide income information in response, we expect the impact of this marketing and its corresponding contribution to sales growth to be thwarted. Moreover, we see no reason why an existing customer who has demonstrated his or her ability to pay through performance should be subjected to questions before obtaining a credit line increase that our credit provider believes is appropriate. We therefore ask that credit providers not be required to obtain income or asset information on customers who have been on the credit provider's books for a certain period of time (we suggest six months).

POS Disclosures of Promotional Rates

We offer very attractive promotional financing options that are very popular with our customers. These offers provide interest free or deferred interest financing and are extremely helpful in generating incremental sales which are especially critical to our business during these challenging times.

Under the proposed regulations, the customer must receive, prior to the beginning of the promotional period, disclosure of the promotional term and "go to" rate after a reduced rate promotion expires. Not all customers have the same "go to" interest rate (because terms differ depending on when they applied, whether their account is subject to the standard rate or penalty rates, etc.), and we simply do not have the operational capability to provide an individualized disclosure of a customer's actual interest rate in the middle of a sales transaction.

Customers' interest rates are disclosed to them at account opening and on monthly statements as required by Regulation Z. There is not a requirement to disclose to consumers their interest rate again when they use their credit card, and we do not believe the disclosure requirement should be any different when a promotional offer is involved - where consumers are receiving a more favorable (or if they do not pay off the promotion by expiration, the same) interest rate than if they did not obtain a promotional offer.

Several changes would be helpful in addressing the workability of this requirement. First, we should be allowed to provide a point-of-sale disclosure with an "up to" rate on an ongoing basis, not just for a brief transition period. Such a disclosure is fair to the customer and puts the customer on notice of the worst case scenario of the rate that will apply after the promotion expires.

Second, creditors or retailers should be expressly allowed to provide advance notice, either in the credit terms or by mail or billing statement insert, stating the required disclosures of the various promotional offerings that may be available to our customers from time to time. If such a disclosure is given via statement insert, it should be allowed to cross-reference the interest rate provided on the statement into which it is inserted (otherwise it would be impossible to print a standard insert to provide to customers with different rates).

In addition, we offer promotions to our customers who make credit purchases from our website. In order to continue to provide that benefit, we request the following two changes. First, online disclosure of the required information should be deemed to be "in writing," regardless of whether or not the cardholder has previously consented to electronic communications. This will allow for the checkout process to remain streamlined. Second, we reiterate our request that "up to" disclosures be permanently permitted, especially for online transactions, given the difficulties in having the online disclosures, which are provided before the transaction commences, reflect each cardholder's actual APR.

Transition Rules

In addition to our comments above, we have two suggested transition rules involving program marketing. First, since the timetable between final regulations and the compliance deadline is so short, we would appreciate a transition rule allowing marketing materials printed before the effective date, such as catalogs that may span a season, to be used until a specified date after the effective date. This is particularly true for any July 1, 2010 items that may be pulled forward.

Second, we would like to see a transition rule for credit promotions outstanding on February 22 to allow us to provide any additional disclosure that the final rules deem necessary, even if the promotion has already commenced. Our specific suggestion on this point is that the notice and opt out prior to expiration be permitted to continue for credit promotions commencing before February 22. This is similar to the transition rule allowed for promotions spanning the August 20 effective date for the first tranche of regulations.

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We appreciate the opportunity to comment on these issues important to our customers and our business.

Sincerely,

A handwritten signature in black ink, appearing to read "James A. Ward". The signature is fluid and cursive, with a prominent initial "J" and "W".

James A. Ward
Vice President of Credit

JAW/