



June 4, 2009

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

Submitted via email: [reg.comments@federalreserve.gov](mailto:reg.comments@federalreserve.gov)

**RE: Clarifications of Proposed Changes to Regulations AA and Z; Docket No. R-1314**

Dear Ms. Johnson:

On behalf of Best Buy Co., Inc., enclosed please find our comments on the Board, OTS and NCUA's proposed clarification to the Regulation Z and Regulation AA regulations published in December 2008.

On behalf of millions of our customers who have used deferred interest financing offers within our stores to purchase products that are important to their families, we greatly appreciate the Board, OTS and NCUA's publication of this clarification. The availability of these financing options has made the products we sell more affordable to our customers, and we believe these options should be maintained. We strongly support the Board, OTS and NCUA's regulations to ensure consumers have enhanced disclosures of the terms and conditions of financing options like deferred interest. Our business relies on providing value and maintaining positive ongoing relationships with our customers and these clarifications will enable both to continue.

We are proud -- in partnership with our providing banks -- that our customers for almost twenty years have been able to purchase products from Best Buy by using deferred interest financing. We are pleased that our customers have been able to choose deferred interest financing options ranging from three to thirty-six months to support often essential purchases for educational, entertainment and home needs.

We are in substantial agreement with the Board, OTS and NCUA's proposed clarifications to help ensure consumers completely understand the terms and conditions of financing options like deferred interest. Over time, we have always sought insights, perspectives and opinions from our customers and others to ensure we are transparent as to the terms and conditions of these financing options used by customers to meet their needs. From these insights we have worked with our providers to adapt these programs to make them simple, clear, and more understandable for our customers. We believe a vast majority of customers understand and value these programs as is evidenced by the fact that over 80% of our financed transactions come from repeat customer use.

In addition, while our banks maintain the data of the customer accounts they service, we know that for those who are current on their accounts, at least 75% of shorter-term (less than eighteen months) and at least 85% of longer-term (eighteen months and over) deferred interest customers comply with the plan terms, pay the principal balance in full by the expiration date, and thereby avoid any interest charge.

Despite the positive experience of customers with our programs, we do agree with the Fed, OTS and NCUA's assertion in the clarification that, if not done correctly, there could be some confusion among consumers concerning the disclosures of deferred financing. Therefore, we fully support the goal of the clarifications to improve the disclosures of no interest financing to consumers. As such we agree and strongly support the proposed clarifications the agency has put forth and would limit our comments to only the following sections in which we feel some additional, albeit modest, clarification would be helpful.



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Regulation AA § 23 Unfair Acts or Practices Regarding Allocation of Payments

Best Buy supports the proposed amendments regarding application of payments but respectfully submits the need for one additional clarification. The current language could be interpreted as not allowing a creditor to comply with a specific consumer request to apply payments to a specific balance. This potential issue would be particularly relevant to consumers who are attempting to pay off a promotional purchase under a deferred interest offer without having to time their payments to coincide with the last two billing cycle rule. It is Best Buy's belief that individual consumer requests should be honored when possible in order to allow the customer ultimate flexibility and control over their individual financial situation. Thus, there should be additional clarification that a consumer may request that specific amounts be applied to specific balances. This exception for consumer requests should be limited to the current billing cycle only so as to avoid subsequent confusion for the consumer and the lender.

Regulation Z § 226.16 Advertising

Best Buy appreciates the agencies efforts to ensure that advertising disclosures clearly indicate the terms of the offer to the consumer. Specifically we feel the requirement to call out "No interest if paid in full within X months" is a substantive improvement and as such Best Buy has already taken action to incorporate this new language into our advertising. We respectfully submit, however, that the additional disclosure stating, "if the balance subject to the program is not paid in full within the promotional period, interest will be charged from the date the consumer became obligated for each transaction subject to the program", is better suited for display within a separate paragraph so long as it is prominently displayed with font no less than 8 point font on the same page as the headline offer. Best Buy currently employs this practice by making this statement on the bottom of every page in which we have a financing offer. We have found this to be effective for consumers while maintaining a simple, understandable headline offer to our customers.

We are also aware and supportive of the language in Section 104 of the recently enacted Credit CARD Act of 2009 (P.L. 111-24) requiring creditors to allocate the entire amount paid by the consumer in excess of the minimum payment amount to a balance on which interest is deferred during the last two billing cycles immediately preceding the expiration of the period during which interest is deferred. And, we agree with the statement of legislative intent by Senators Dodd and Shelby during a Senate floor colloquy on May 19, 2009, that the new law would not impact the ability of creditors to offer deferred interest financing programs to retail customers.

In conclusion, we strongly support the Fed-OTS-NCUA's clarification to the changes to Regulations AA and Z as we agree with the need to protect the availability of this important financing option to millions of retail customers while enhancing and clarifying for customers the advertising, disclosures, statements and overall understanding of the terms and conditions of deferred interest financing.

Thank you for consideration of our views and the dedicated public service of the staff at the Board of Governors, Office of Thrift Supervision and National Credit Union Administration. Please contact me at 612.291.2242 if you have any questions.

Sincerely,

Mark Williams  
President, Best Buy Financial Services