

June 4, 2009

*By Electronic Mail*

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

**RE: Revised Regulation Z Proposed Rule, Docket No. R-1286**

Dear Ms. Johnson:

This comment letter is submitted by USAA Federal Savings Bank ("USAA") in response to the proposed rule (the "Proposed Rule") clarifying the revised Regulation Z ("Revised Regulation Z") and its Official Staff Commentary ("Revised Commentary") issued by the Board of Governors of the Federal Reserve System ("Board"). USAA believes that these clarifications address important issues and will be helpful to both issuers and consumers. We ask the Board to consider further changes to Revised Regulation Z when it adopts a final rule to address other issues that need clarification.

#### **Convenience Checks**

USAA agrees with the Board that no change in terms notice should be required when the change in terms is applicable to convenience checks that access a credit card account. We agree with the Board that if the convenience check disclosures required under §226.9(b)(3) are provided with the checks, providing additional tabular disclosures for a change in terms about the checks would create consumer confusion with little consumer benefit and that requiring a 45-day notice period before consumers may use a check would be unnecessary. We therefore strongly support the addition of proposed comment in §226.9(c)(2)(iv).

#### **Change in Terms Requirements for Promotional Rate Balances**

The proposed change to comment 226.9(c)(2)(iv) would require a creditor offering a temporary reduction in an interest rate to provide a notice in accordance with the timing requirements of §226.9(c)(2)(i) and the content and format requirements of §226.9(c)(2)(ii)(A) and (B) prior to resuming the original rate. However, we believe the same rationale should apply to promotional rates that provide a temporary reduction in interest rate whether accessed by convenience checks, balance transfers, or the credit card itself.

We request that the Board consider further clarifying the comment to provide the following:

- 1) If the promotional offer contains the same promotional rate disclosures that are required under §226.9(b)(3) for convenience checks with promotional rates, the card issuer meets all

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of the change in terms requirements necessary to resume the original rate. Specifically, a card issuer could comply with all change in terms requirements for a promotional rate offer provided that the offer contains a table with headings, content, and form substantially similar to Sample G-19 (or such other sample that the Board may develop for such promotional rate offers) and containing the following information:

- The promotional rate and time period during which promotional rate will remain in effect;
  - The type of rate and APR that will apply after promotional rate expires (if variable rate, APR based on index or formula in accordance with accuracy requirements of §226.9(b)(3)(ii)); and
  - The date, if any, by which transactions must be made to qualify for the promotional rate and the type of APR that will apply to transactions made after such date.<sup>1</sup>
- 2) At the end of the promotional period, the creditor may increase the APR on the balances subject to the promotional rate to the APR disclosed in the offer and that the increase is not subject to any right to opt out under the Credit CARD Act of 2009 (the “CARD Act”).

#### **Notices Under § 226.9(c) and (g) for Increased APRs due to Delinquency or Default**

Revised Regulation Z includes certain notice requirements pertaining to changes in terms (§ 226.9(c)) and to increases in APRs due to delinquency or default, or as a penalty (§ 226.9(g)). In addition, the CARD Act provides that a change in terms notice must be provided to any APR increase applicable to an outstanding balance that is due “solely to the fact that a minimum payment by the obligor has not been received by the creditor within 60 days after the due date.” In another section, the CARD Act also provides that certain change in terms notices “shall contain a brief statement of the right of the obligor to cancel the account pursuant to rules established by the Board.” We ask the Board to make the following clarifications regarding the requirements for change in terms notices that may be due to account delinquency or default:

- 1) If a credit card agreement contains a penalty rate, the notice of the right to cancel the account and avoid the rate increase does not apply to the change in terms notice. Instead, the notice must only contain the reason for the increase and that the increase will terminate not later than 6 months if the creditor receives the required minimum payments on time. We also request that the clarification indicate that there is no right to cancel and avoid the rate increase since the formula for the rate increase would be contained in the credit card agreement.
- 2) If a card issuer is increasing an APR due to various factors (e.g. account performance, cardholder’s credit record, market conditions, or other factors) and the account currently has

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<sup>1</sup> The Revised Regulation requires an issuer to disclose the date by which checks must be “used.” This could lead to a problem with respect to checks dated or given to the payee prior to the “use by date” but posted to the account after the “use by date,” particularly if the posting date is substantially later. The Board may want to consider changing the disclosure to reflect the date by which a check must post to the credit card account. Alternatively, we request the Board to provide a safe harbor stating that if check is presented to the card issuer more than 15 days after the “use by date,” the card issuer may treat the check as “used” after that date.

a payment that is 60 or more days late, the card issuer should be permitted to engage in a change in terms and provide the notice required under § 226.9(c) without an additional requirement to provide a second, and duplicative, notice pursuant to § 226.9(g). However, this change in terms would be subject to the right to cancel under the CARD Act.

#### **Minimum Payment Disclosures on Statements**

The CARD Act modifies the minimum payment disclosures that must be made on credit card statements. However, in making the changes to Section 127(b)(11) of the Truth in Lending Act (15 U.S.C. 1637(b)(11)), the CARD Act removed the language which made the disclosures applicable only to credit card accounts. USAA believes this was an inadvertent error and strongly urges the Board to clarify that the minimum payment disclosures do not apply to open-end credit accounts other than credit card accounts.

Again, USAA appreciates the opportunity to provide comments on the Proposed Rule. If you have any questions regarding our comments, please do not hesitate to call me at (210) 498-1095.

Sincerely,



Ronald K. Renaud  
AVP Executive Attorney  
Banking Counsel