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Via e-mail: regs.comments@federalreserve.gov

May 22, 2009

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

Attn: Docket Number R-1286 & R-1314

Re: Clarifications of Proposed Changes to Regulation Z and Regulation AA

Dear Ms. Johnson:

This letter is submitted on behalf of The Home Depot, Inc. in response to the clarifications of changes proposed by the Board of Governors of the Federal Reserve System (the "Board") under Regulation Z and Regulation AA with respect to account-opening disclosures at point of sale and certain rules related to deferred or waived interest offers.

As background, The Home Depot remains dedicated to providing excellent service and value to its customers. As we have communicated in a previous letter to the Board, we view deferred interest programs as an integral part of that value because they provide payment options to consumers and offer Home Depot customers flexibility for both planned projects and unplanned repairs, especially in times of emergency and natural disasters.

To that end, The Home Depot is proud to have made available to its customers a six-month deferred interest promotion every day for more than ten years. During this time, we have regularly revised our applications, statements and disclosures based on consumer feedback to improve their transparency and ease of use. As a result, we are confident that our customers both understand and benefit from our deferred interest promotions based on broad customer acceptance and high customer satisfaction. One indication that our customers clearly understand our program is that in 2008, over 70% of our customers paid-off their deferred interest purchase(s) before the promotion's expiration date.

In light of the importance with which we view deferred interest programs, **The Home Depot would like to voice its strong support for the clarifications made by the Board on April 21, 2009 as set forth below:**

Regulation Z, § 226:6, Account-Opening Disclosures
The Home Depot believes that the clarifications for § 226.6 regarding the required disclosures for account opening at the point of sale strike an important balance between informing consumers of their individual credit terms, while also affording retailers the flexibility needed to accurately and efficiently provide these disclosures in a consumer friendly manner. For perspective, in addition to providing consumers with our program's disclosures at point-of-sale, we further reinforce these disclosures by including an additional set of them with each welcome kit. Our program has utilized this approach for some time with tremendous success.

Regulation Z, § 226.7, Periodic Statement
The Home Depot supports the clarifications in § 226.7 with regard to the disclosure of accrued interest and the communication of promotion expiration date in the monthly statements. In fact, our program has been disclosing both of these pieces of information as a standard practice for several years and feels that it has contributed to our current high pay-off rate.

Regulation Z, § 226:16, Advertising
The Home Depot believes the Board's proposed changes for § 226.16 requiring the addition of "if paid in full in X months," will increase transparency for consumers through advertising and other marketing materials so that consumers can be better informed when deciding to open an account or make a purchase under our deferred interest program. Specifically, the continuation of the generally accepted and understood "no interest" tagline ALONG WITH the "if paid in full" language will both minimize consumer confusion and maximize consumer understanding.

While The Home Depot is supportive of adding "if paid in full in X months" in the same sentence as the trigger term, The Home Depot believes that the safe harbor requirement that requires additional disclosures be in the same paragraph as the trigger term may have the unintended consequence of diluting the clarity of the disclosure itself. Exhibits A and B illustrate how this requirement would impact both signage and print advertisements. As you see in the Exhibits, moving the additional disclosures up into the same paragraph as the trigger term transforms the paragraph into a block of text that is less discernable for consumers as the key information becomes blended in with the excessive text. As an alternative, The Home Depot would recommend that the disclosures either (i) remain in a call out box at the bottom where consumers are accustomed to look for these disclosures, or, (ii) expand the safe harbor coverage to include the additional disclosures in a separate paragraph immediately following the trigger term. We have provided illustrations of these suggestions in Exhibits C and D.

<u>Regulation AA, § __.23, Unfair Acts or Practices Regarding Allocation of Payments</u>
The Home Depot believes that the payment allocation strategy for balances on deferred interest promotions outlined in § __.23 will enhance the opportunity for consumers to benefit from deferred interest programs and pay the least amount of interest. In fact, The Home Depot has successfully used a similar payment allocation strategy for several years, although we have always offered consumers the final choice so as to ensure they have the flexibility should they require it. As such, we suggest that if, in the rare instance consumers call in to apply their payments in some other way (e.g., excess of minimum due toward a deferred interest promotion), that we would be able to honor that consumer's request as it may be to his/her benefit to do so (e.g., the consumer needs funds that would otherwise be diverted to the revolving balance to be applied to the deferred balance in order have adequate funds to pay that balance off by the due date). Of course, the consumer could always chose to simply hold the cash in his/her own account and make a payment at the end of the period, but The Home Depot feels that allowing payments on an account with a deferred interest balance to be applied in a manner consistent with a consumer's request would both support higher pay-off rates and provide consumers the power to choose what is in their own best interests.

**The Home Depot does <u>not</u> support one of the clarifications to Regulation Z made by the Board on January 29, 2009 as set forth below:**

<u>Regulation Z, § 226:16(b)(iii)(2), Advertising</u>
The issue for which this change is proposed to solve has already been addressed in the proposed changes to periodic statements as the statements will clearly indicate to consumers how many months it would take to pay off their balance if they were only to pay their minimum required payments. Including the same language as proposed on store signage and in circulars is <u>NOT</u> recommended as, in The Home Depot's view, this requirement will cause both consumer confusion and provide irrelevant information when posted at a product level to the vast majority of consumers. The attached Exhibit E clearly shows that this additional information causes clutter and confusion for consumers, as the circular indicates both (i) that the consumer may take advantage of the "No Payments, No Interest until January 2010" offer and (ii) that the consumer must make minimum payments for forty-six months. Furthermore, with regard to the example in the top-right corner of Exhibit E, consumers will be confused as to whether the lawn mower is priced at $999 or at $2,790. As we noted above, over 70% of the purchases made using The Home Depot's deferred interest promotion are paid in full before the promotion expires. Alternatively, <u>less than 2%</u> of consumers make only minimum payments throughout the life of the promotion, and would, per this example, end up paying the $2,790. The Home Depot believes that these added disclosures will likely create consumer confusion, especially since the price based on minimum payments only would be irrelevant to over 98% of consumers.

We applaud your balanced efforts in this significant task and we have already begun with our banking partner, Citibank, to ensure complete compliance. We encourage you to act quickly to finalize these rules so that we can proceed expeditiously with their implementation.

Thank you for the opportunity to provide these comments.

Sincerely,

Dwaine Kimmet
Vice President, Home Depot Financial Services

Enclosure (5)

## Exhibit E: Store Circular

### CURRENT STORE CIRCULAR


### STORE CIRCULAR WITH PROPOSED CHANGES

Includes the new "if paid in full" language as well as the new disclosures following the trigger term


The advertisement for the Toro lawnmower had to be eliminated from the current circular in order to accommodate the space requirements of the new disclosures

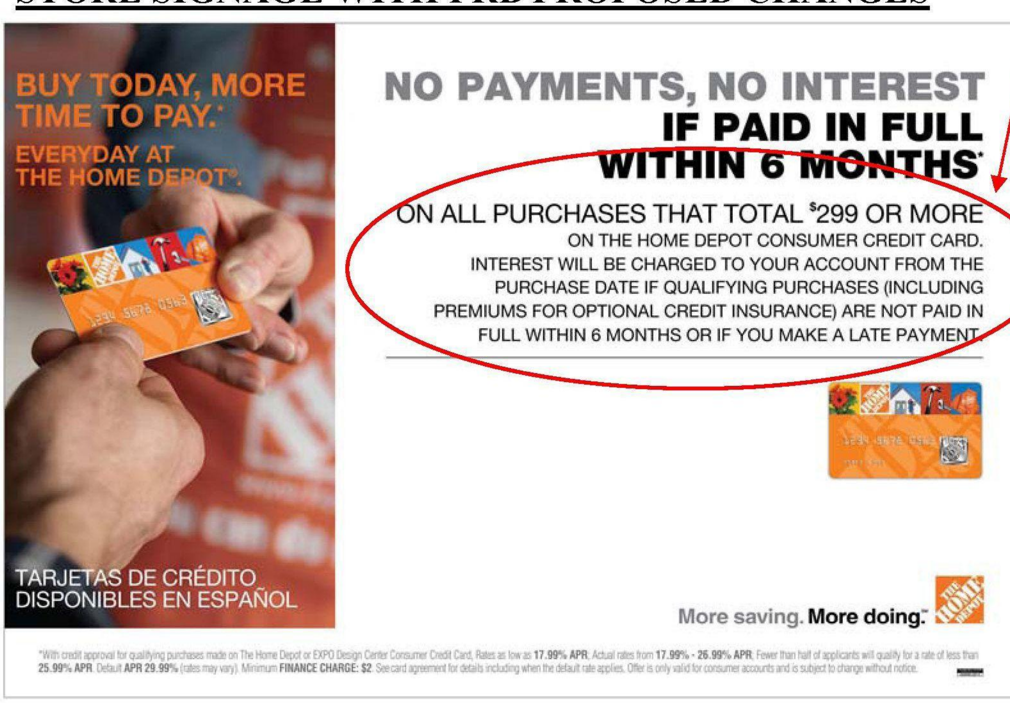
Under the new disclosure requirements, the financial disclosures (red box) are more prominent than the actual features of the merchandise being sold (blue box)

## Exhibit A: Store Signage

### CURRENT STORE SIGNAGE


The proposed FRB changes moves the disclosures from the footnote into the same paragraph as the trigger term

### STORE SIGNAGE WITH FRB PROPOSED CHANGES




The details of the credit offer become less prominent than before and they are less distinguishable as consumers simply see a block of text

**Exhibit B: Store Circular**

## CURRENT STORE CIRCULAR

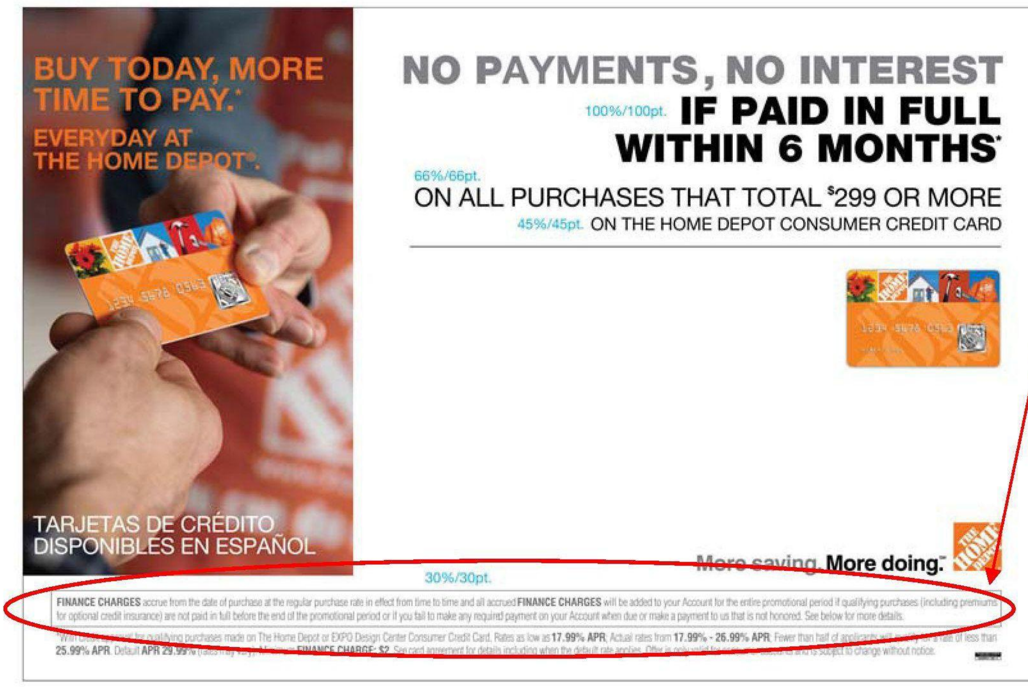

The proposed FRB changes moves the disclosures from the footnote into the same paragraph as the trigger term

## STORE CIRCULAR WITH FRB PROPOSED CHANGES


The details of the credit offer become less prominent than before and they are less distinguishable as consumers simply see a block of text

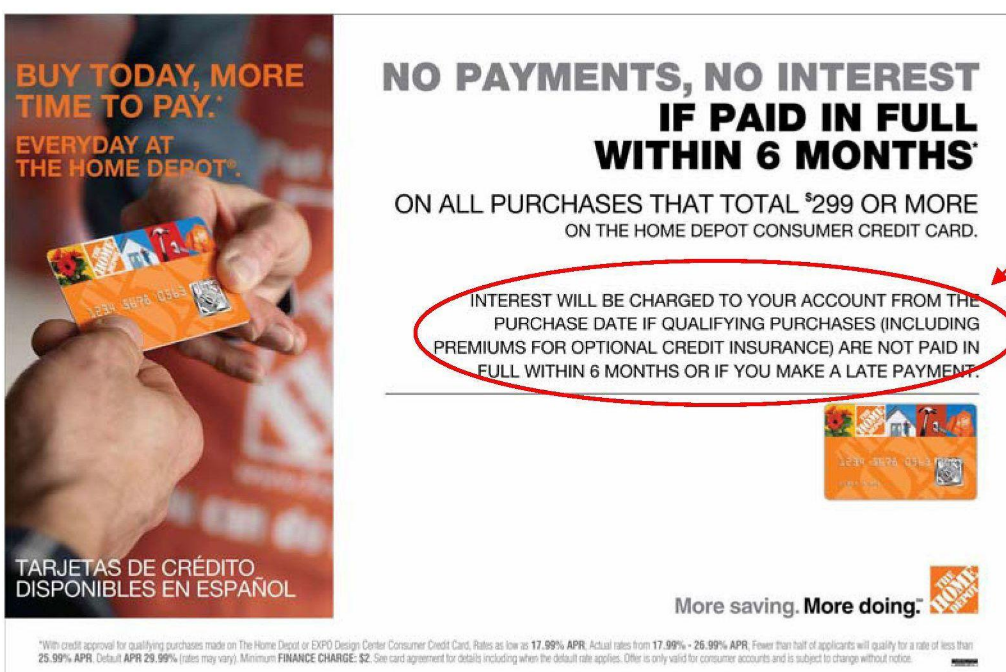
## Exhibit C: Store Signage

### CURRENT STORE SIGNAGE




This sign is the sign that is in our stores today. Consumers are accustomed to looking for specific pricing information in the box at the bottom

### SIGNAGE WITH HOME DEPOT PROPOSED CHANGES




This sign has the disclosure information moved up, but it is in separate paragraph from the trigger term.

# Exhibit D: Store Circular

## CURRENT STORE CIRCULAR


This circular contains the new "if paid in full" language, but disclosures are in a box at the bottom where consumers are accustomed to looking for them

## CIRCULAR WITH HOME DEPOT PROPOSED CHANGES


This circular has the disclosure information moved up, but it is in separate paragraph from the trigger term