

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46

September 4, 2009

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-1364, Truth in Lending Act, Regulation Z

Dear Ms. Johnson:

We are writing to express our concern that certain provisions of Regulation Z are hurting our company's business by restricting the availability of promotional financing offers on private label credit card accounts provided to our customers. 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, but also not unnecessarily limit either the availability of financing programs consumers want or our ability to do business.

We are a wholesale distributor with 500 retail locations and hundreds of employees. Like many other companies, we have arranged for a bank to provide "private label" credit cards that can be used at our stores to purchase goods or services. A major feature of these credit accounts is the ability of consumers to obtain promotional financing offers, such as "deferred interest" offers in which a consumer is not charged any interest if a purchase is paid in full during a promotional period. We pay a fee to the bank so that our customers can take advantage of these interest free offers. Our experience is that these promotional financing options are very popular with consumers because they provide interest free financing, and extremely helpful in generating sales.

As you are aware, earlier this year, Congress passed the Credit CARD Act of 2009. Many of the provisions of this statute provide valuable consumer protections. However, the regulations proposed by the Board to implement the statute are going to have the (presumably unintended) effect of severely limiting the ability of consumers to obtain promotional financing transactions, especially where disclosures are required for transactions at the point of sale ("POS").

Members of Congress and the Board previously have recognized the importance of promotional financing programs. We believe that the following three changes are needed to Regulation Z to ensure that this important source of credit continues to be available: (1) POS disclosure of promotional rates on existing accounts; (2) POS disclosures in table formats for new accounts; and (3) minimum promotional periods. Each of these points is discussed below.

47 POS Disclosures of Promotional Rates

48

49

50

51

52

53

54

55

56

57

58

59

60

61

62

63

64

POS Disclosures in Table Format

65

66

67

68

69

70

71

72

73

74

75

76

77

78

79

Minimum Promotional Period

80

81

82

83

84

85

86

87

88

89

90

91

A third issue raised under the Credit CARD Act of 2009 is that it imposes a minimum period of six months for certain promotional interest rate offers. This provision presumably was intended to ensure that a consumer with a general purpose credit card who transfers a balance in response to an introductory rate offer receives the favorable interest rate for at least a minimum period of time. We believe that this limitation should not restrict the ability of banks to offer a deferred interest purchase option that is shorter than six months. We have offered deferred interest transactions of three or four months, in part because the bank charges less for a shorter “interest free” period, and would like the Board to confirm that we can continue to do so.

* * *

In sum, we are extremely concerned about these new federal regulations hurting our business, and the economy, especially because the requirements that are causing these significant

Ms. Jennifer J. Johnson
Docket No. R-1364
Page 3

92 problems can be avoided without meaningfully reducing consumer protection. Moreover, this
93 situation is urgent because some of the requirements went into effect on August 20, 2009, and
94 others will become effective in February or July 2010. We are heading into our important end of
95 year season where promotional financing will be important for generating our sales, and it is
96 imperative that Regulation Z disclosures provide appropriate consumer protections and also be
97 workable for the industry.
98

99 Please contact us after you have considered these issues if we can clarify any of our
100 comments, and thank you in advance for your assistance.
101

102
103 Sincerely,

104 
105

106 Barbara Lyons
107 BERNINA of America, Inc.
108 3702 Prairie Lake Court
109 Aurora, IL 60504
110 630.862.3531
111
112
113
114