**Frank R. Borchert**
General Counsel, Senior Vice President
Chase Card Services

April 14, 2010

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

Re: Docket No. R-1384

Dear Ms. Johnson:

## I. Introduction

JPMorgan Chase & Co. and its subsidiaries ("Chase") appreciate the opportunity to comment on the proposed revisions to amend Regulation Z (the "Regulation"), which implements the Truth in Lending Act ("TILA"), and the Regulation Z Official Staff Commentary (the "Commentary") to the Regulation (the "Proposal"), published in the Federal Register on March 15, 2010 by the Board of Governors of the Federal Reserve (the "Board").

We strongly support efforts of the Board and others to ensure consumers have access to credit products, are treated fairly by product providers and are able to make informed decisions regarding those products. The Proposal furthers some of these objectives by implementing the new provisions of the TILA as amended by the Credit Card Accountability Disclosure and Responsibility Act of 2009 ("Card Act") with respect to the penalty fees that creditors charge and the repricing downward of certain interest rates. We appreciate the Board's efforts in the Proposal and the statutory intent to balance these critical, societal goals. At Chase, we believe that the market for consumer payment cards and the economy as a whole are strengthened when consumers have the tools they need to make informed decisions.

Based on our review of the Proposal, Chase foresees significant consequences associated with further measures to limit the opportunity to assign pricing to customers who represent the most risk (e.g., as evidenced by late payments) and that these consequences will continue to impact the availability of credit and the prices associated with customers' borrowings.

- In August 2008, Chase anticipated that rules constraining an issuer's ability to price according to risk would contribute to less credit available to consumers. This effect did, in fact, occur as it is estimated that the credit available to consumers was reduced by approximately $1.4 trillion since 2007.[1]
- Chase expects that the rules described in the Proposal will lead to further decreases in available credit, with an anticipated, ultimate total reduction of $1.7 trillion.[2]

[1] Experian-Oliver Wyman Market Intelligence Reports, 4Q 2009 report.
[2] Cendrowski, Scott. "Meredith Whitney: Obama credit card reform makes it "more expensive to be poor"." Fortune 08 Apr. 2010

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Fundamentally, the issues associated with this Proposal can be summarized as follows:

- The safe harbor suggested for fees translates into, typically, a $1 penalty for every $1,000 that a customer has borrowed from the issuer. This minimal fee amount does not provide any real deterrence to negative credit behaviors, like paying late, and does not encourage responsible borrowing. There are more effective alternatives, some of which are outlined below. We see fees that create a better balance being assessed by both private companies and public bodies. The Board should also consider taking additional time to study the proper safe harbor fee. These examples also provide clarity to the customer allowing them to feel more in control of their financial situation.
- Requiring a mutually exclusive choice between a fee associated with deterrence versus one derived from underlying operational costs will not meet objectives associated with encouraging good borrowing behaviors or adequately compensating an issuer for the risk taken to lend money to a customer. Further, requiring solely that the cost method of calculation be used will by its essence exclude the costs associated with the credit at risk (i.e., the outstanding balance) which is potentially the most serious loss to issuers.
- Limiting the customer to a single fee for an incident will reduce transparency to the consumer, who will also feel less in control of their financial affairs. For example, if the customer pays late using a check with insufficient funds, she would only pay one fee but will not actually know which fee or the amount. Today, fees are clear and conspicuous and customers pay them for each infraction. By not permitting issuers to charge fees with different types of infractions in a given period, the Proposal impairs any inherent deterrent effect and will lead to substantial misunderstanding and confusion.

Chase believes that all three concerns enumerated can be addressed by the Board's allowing each creditor to work with its supervisory regulator to develop a clear and systemic manner in which to the charge fees in appropriate amounts. This would result in greater clarity to consumers when they are shopping for credit. More importantly, it would allow creditors to reward consumers with better pricing they have earned by their good credit history. Chase urges the Board to avoid actions that would limit the possibilities of these consumer benefits.

The balance of this letter summarizes the detailed implications of the Proposal and suggests alternatives that could be more effective for consumers and issuers.

## II. <u>Overview</u>

The Card Act has led to substantial changes to the existing risk based underwriting approach that had been widely used in the credit card industry, and we will continue to see changes as banks look to find new ways to serve the needs of our customers in a safe and sound manner. In its comment letter dated August 4, 2008, Chase highlighted that the changes proposed at that time would substantially reduce available credit and increase the cost of credit.[3] As we anticipated, unused credit lines have decreased from a peak of $4.7 trillion to an expected $3.3 trillion at year end 2011 – a staggering decrease of $1.4 trillion – a dramatic response to the changed economic and legal/regulatory environment. No recession in the last 30 years has seen such a dramatic decrease. Meredith Whitney indicates that as issuers respond to the Card Act which limits immediate rate increases on risky borrowers, they will stop lending.

[3] Comment of Andrew T. Semmelman, Esq., JP Morgan Chase Legal Department (August 4, 2008)

Her estimate in May 2008 that $2.0 trillion in credit would be removed from the system has now been raised to $2.7 trillion by the end of 2011. She further indicates that the new government policies under the Card Act which are designed to help consumers are also hurting them, making it “a lot more expensive to be poor." She fears that consumers who can’t get credit from banks will instead get credit elsewhere such as predatory lenders and will likely pay “heavy” fees and interest rates.[4] Further, it was recently reported by a major credit reporting agency that the total available credit on new credit cards has declined by almost half of what it used to be, and people with poor or fair credit scores are finding it particularly difficult to obtain new credit cards.[5]

Chase believes that this Proposal (particularly the sections on penalty fees) will almost certainly further reduce the amount of credit available and once again increase the cost of that credit. By artificially limiting fees, creditors will be forced to compensate for a decline in revenue used to offset risk by assigning lower credit lines and reducing those that already exist. This will further reduce the availability of credit that has already taken place as noted by Meredith Whitney.

Chase does not believe this was the intent of the CARD Act as it effectively punishes consumers who will have a more difficult time finding credit. We also believe that this regulates the price of credit in a manner that the Board and Congress have not previously adopted. Before taking these actions, we urge the Board to undertake a more thorough study of the ramifications of its actions, including the impact of these actions on actual consumers, their understanding of the product and the credit available to them.

Under current requirements, consumers know what their fees will be – they are clear and conspicuous. By limiting creditors to one fee per event, that clarity will be lost. For example in a situation in which a customer has a payment dishonored for insufficient funds and is therefore late, the Proposal would limit a creditor to charging one (1) fee. The creditor may elect to charge the returned payment fee. In the next month, the customer is merely late and is simply charged the late fee. Customers are likely to inquire about the difference in the fees and be thoroughly confused by the imposition of one in the first month and the second in the next.

The Board should allow issuers greater freedom to design products that can be priced and underwritten properly. As noted, elements of the Proposal will inevitably result in credit contraction with few, if any, corresponding benefits to consumers. This will all take place at a time when the Congress and the Administration, as well as Chase, are trying to support the expansion of the economy and job creation. Ultimately, the Board should reduce the prescriptive elements of the Proposal and place more discretion in the hands of the bank supervisors to assess the plans and justifications prepared by individual banks. This would permit issuers to design products suitable for their target markets. One product may be composed of higher fees and lower APRs; another may feature lower fees and higher APRs. These products would appeal to different consumers, thereby enhancing consumer choice. Involvement by the creditors’ regulators would ensure that the fees are not set at unreasonably high levels. Such an approach is clearly contemplated by the Card Act and would be in accord with sound regulatory process and historical practice. It would also permit issuers to make their products transparent to the consumer by removing a number of artificial prescriptions in the Proposal.

Our comments on specific provisions are provided below.

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[4] Cendrowski, Scott. "Meredith Whitney: Obama credit card reform makes it "more expensive to be poor"." Fortune 08 Apr. 2010

[5] Palmer, Kimberly. "5 Reasons Credit Card Companies Won’t Survive." US News & World Report 05 Apr. 2010

## III. Specific Comments on Fees

*The Board should recognize penalties as a common usage in commerce and set them in accordance with the rest of American Industry.*

Penalty fees like late and overlimit fees are avoidable by the consumer and are triggered by a violation of the customer's contract. The most common methodology in commerce in the US to deal with these limited contractual breaches by the consumer is to impose charges for account violations. Numerous industries, as diverse as cell phone companies, electric companies, governments and video rental stores, charge them. The fees charged vary among industries but are usually based on the total amount owed by the customer. Typically those fees are substantially higher than those proposed by the Board in its safe harbor – 1.5% of the total owed for cell phones, 1.5-2% of the total owed for electric companies, 1.5% or higher of the total owed for certain states' property taxes and $1 per day for video stores.[6] They are all computed on the total amount of the account balance, not on any minimum payment. Penalty fees properly applied and in an appropriate amount are straightforward ways to reduce risk and discourage default behavior. Chase urges the Board to regard them as such and permit their rational and flexible application by creditors. The Board's limitation on them to the amount of the associated violation (see §226.52(b)(2)) or on a cost, deterrent or customer behavior basis (see §226.52((b)(1)(I-iii)) has no statutory basis. It is also out of step with the rest of American business.

*The Proposal will require that creditors incorporate fees into their initial underwriting processes and reflect them in their initial rates to consumers*

As the Proposal limits fees, this source of risk mitigation will be so curtailed as to force creditors to change underwriting standards to account for it. This results in no benefit to consumers. On the contrary, it is likely to result in higher costs to them by forcing issuers to include these fees in their underwriting criteria. This will likely result in a loss of consumer choice. Consumers who pay on time and never exceed their credit limits would typically migrate to creditors offering high fees and lower APRs. Those consumers will be denied the ability to do that because, by forcing a once size fits all underwriting policy on issuers who would otherwise have balanced APRs and fees, no such product will be available. Additionally, the potential reduction in revenue to compensate for risky behaviors, like paying late or going over one's credit limit, imposed by the Proposal requires that counterbalancing revenues to compensate for risk must come from other customers. This means that customers with good credit histories, whether they are well-off, middle income or lower income, will pay higher interest rates to subsidize consumers with poor credit records. Chase estimates that it would have to increase its APRs by 100 basis points and expects that other major issuers would have similar results.

The Board has not typically dictated underwriting practice and has been wise in that respect. Indeed in the second half of the Proposal, the Board appropriately and expressly refrains from micromanaging underwriting decisions. Forcing underwriting elements on a group of issuers with business models as diverse as those in the credit card industry is inherently unsafe. Nowhere in §226.59 of the Proposal does the Board specify how to underwrite to reevaluate rates. In fact in §226.59(d) the Board specifically authorizes creditors to use their own criteria. Attempting to ignore issuer diversity will result in potentially dangerously flawed underwriting standards

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[6] www.comed.com, www.att.com, CA Property Tax rule pub 29 and http://cookcountyassessor.com/, and www.homemediamagazine.com, respectively.

*The Board should enlarge the definition of the factors that go into fee calculations.*

The Proposal calls for issuers to choose between their actual costs and a deterrent value to determine the amount of fees that may be charged. (See Proposal §226.52(b)(i-ii).) Chase believes this approach is essentially flawed and out of step with general American business and governmental fee practices.

First, actual and predicted losses are correlated to consumers making late payments and so the costs of those losses in some form should be includible in the calculation of the amount to be charged. Contrary to some of the evidence that the Board appears to cite in the Proposal,(see Proposal p.32, footnote 17), Chase has observed in its own portfolio that customers who are charged a late fee are ten (10) times more likely to chargeoff than those who never incurred such a fee. The events that lead to the assessment of fees, like paying late, going over one's credit limit, or attempting to pay a balance due from an account with insufficient funds, are in fact the overall predictors of portfolios that are troubled.

Chase did note with interest the Board's citing as authoritative the results of the so-called Argus study ("Argus study"). (See Proposal, p. 32.) In order to put the proper light on this point, Chase refers the Board to other portions of the Argus study which contain further analyses of late fees which were prepared at the request of the Board's staff. Those analyses show not only a correlation between late fees and chargeoffs but also show an increasing risk the later and more often a customer pays late.[7] What is more, the Argus study also shows a clear correlation between customers exceeding their credit lines and the possibility of their accounts charging off.[8] Chase concludes from this data that late payments or overlimit events are indisputably predictive of default. Chase believes the Board should not limit fee calculation to a mere recitation of the actual cost on an incident by incident basis. Rather, the Board should provide at most general guidelines and explicitly refrain from dictating underwriting policy as it has done in the portion of the Proposal applicable to reevaluation of rates.

Chase does agree that the costs enumerated by the Board in the Proposal, especially those associated with late fees – collection contacts, notification of lateness, and the resolution of those situations by workout and temporary hardship arrangements – are proper. However, Chase believes that there are other costs properly included in the calculation of such fees. Revenue which a creditor has forgiven as a result of workout and temporary hardship arrangements, the cost of risk management and the cost of funding late balances are all directly attributable to customer lateness and should be included in the costs. This cost is spread across the whole of the late payer population and applies to both those who pay in full each month and those who carry balances. In a large portfolio like that of Chase these amounts are significant.

*Creditors should be free to set fees based on both costs and deterrent value where appropriate.*

Chase believes that the best statutory reading, and consistent with regulatory practice, would be for all three factors (cost, deterrence and customer behavior) to be fee components, especially as most any penalty fee has multiple components including cost and deterrence. This approach is used in many of

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[7] Exhibit 1, Tables 4(a)and 4(b), 5(a) and 5(b), 6(a) and 6(b), 7(a) and 7(b) to Comment from Oliver I. Ireland, Esq., Morrison and Foester LLP (October 3, 2008).

[8] Exhibit 1, Tables 8(a) and 8(b) to Comment from Oliver I. Ireland, Esq., Morrison and Foester LLP (October 3, 2008)

the penalty fees used across different industries described above. In fact, the Board's preamble seems to suggest this point as well. Indeed, the Board itself has explicitly recognized that deterrence must be made available to creditors as a source of computing fees. (See Proposal, p. 23, footnote 12.)

When a fee can be shown to be both the product of the costs to the creditor and a deterrent tool, it is commonsense to aggregate its value by incorporating both aspects of it. For example:

- As noted, the Internal Revenue Service is specifically authorized to charge late payers a fee equal to 5% of the <u>total amount</u> that they owe.
- In Virginia the cost of a speeding ticket at $1000 is far in excess of if the state's costs and clearly contains cost, deterrent and consumer conduct elements.
- In Wilmington, Delaware, cameras at red lights are used as the basis of issuing traffic citations of $75 dollars or more.
- In the State of Maryland, traffic cameras are used to issue speeding tickets that begin at $40.

Obviously, these fees go far beyond mere costs, incorporating a deterrent factor as well. These are only a few of the instances demonstrating that governments from the federal to the local level feel it perfectly reasonable to combine both costs and deterrence elements in the fee. Chase believes the Board should take the same position.

*The Board should create a flexible framework so that creditors can work with their own direct regulators to demonstrate that they have taken the appropriate approach to the setting of fees using the statutory and regulatory factors.*

The Board should allow creditors to develop their own systematic approach to fees in conjunction with their respective supervisors – one size will definitely not fit all institutions. The system should include all elements proposed by statute and the Board – cost, deterrence and customer behavior. This will allow for the rationalization of fees based on a creditor's business models and will help to ensure that fees are not uniform. In fact, with the proper disclosure requirements, different approaches to fees would enhance both consumer choice and clarity with respect to products.

*The Board should adopt a more appropriate safe harbor, and consider the impact of industry costs and other factors.*

A credit card issuer's real risk with regard to penalty fees is nonpayment of the account balance, not any individual minimum payment. As discussed above, all these defaults are indicators of accounts that are more likely to chargeoff. Fees should reflect that risk and be based on the entire account balance, perhaps with a reasonable cap or tiered amounts depending on that balance. This is particularly true in light of the fact that credit card loans are generally unsecured.

The proposed 5% of the 2% minimum payment charged by creditors fails to cover real costs borne by issuers and contains no deterrent effect at all. It is equivalent to .1% of the balance; e.g., equivalent to a $2 fee for paying late on a $2,000 balance. Thus, deriving the fee for risky behavior based on the minimum payment instead of the entire outstanding balance significantly understates the risk of customer non-performance. As noted above, other industries and governmental entities charge more and base that charge on the amount owed at any particular time. The Board certainly has within its discretion to be reasonable in this regard, and Chase urges it to do so.

*The Board should permit testing of fees to permit issuers to build deterrence models.*

Conducting a statistically valid study, over time, of the differential impact of various fee levels on deterring certain account behaviors is a worthwhile effort and is required by the Proposal, but will take many months to complete. Without such testing, the proper models cannot be built and the deterrence component would be unavailable to issuers. This is clearly an unintended result, as the Proposal definitely contemplates deterrence as a legitimate method of approaching fee calculations. We believe that the Board's current approach would substantially impair the ability of institutions to develop an independent model for deterring bad behavior. Absent the required modeling, and without a legal ability to test, issuers may be unable to develop the appropriate models.

An alternative approach that we believe is more reasonable is to allow an issuer to rely on industry data and third party information (e.g. credit reporting agencies) to develop models that determine a proper level of penalty fee. These models would provide data for a penalty fee that would deter particular conduct by consumers. This approach has the benefits of determining a level of fee appropriate for consumers with different levels of risk, and perhaps more importantly would set a standard that is appropriate on an industry level rather than the cost structure of an individual issuer.

*Tiering of fees and fees for overlimit, lateness and dishonored payments should be permitted. Multiple fees should be permitted for different violations.*

Tiering merely reflects increasingly risky patterns of behavior and fits well with the customer conduct component of the statute. As noted above, the Argus study confirms the legitimacy of expectations that repeated, breaching conduct is more likely to result in a chargeoff. Creditors have long recognized that and many, such as Chase, already have in place tiered fees. The Board should sanction that as a mere reflection of the realities of credit card lending and permit it. The fact that different issuers will have different experiences in the correlation of going late to chargeoff reinforces the concern that this area should be left to the collaboration and documentation between the issuer and its supervisory agency.

In addition, the Board should recognize that each penalty fee is a separate violation of the account rules and each carries its own set of costs. The Proposal's approach to this fact in limiting fees to one per violation is simply unrealistic and unjustified. For example, when a payment is late because the instrument tendered by the customer is dishonored, there are separate costs to the creditor for both (i) dealing with the issues surrounding the bounced payment and the bank on which it was drawn, as well as (ii) the customer's not living up to her obligations to pay on time and the account review and collections involvement that result from that. As noted, these costs stem from events solely within the control of the customer, and creditors should not be artificially penalized by being prohibited from recovering the costs that result from that behavior.

*The Board should clarify its intent regarding the computing of fees in light of backdated and returned payments, and permit overlimit fees whenever a credit line is exceeded notwithstanding later payments.*

Under the Proposal, for purposes of 226.52(b)(2)(i), the dollar amount of the required minimum payment due is tied to the minimum payment amount for the billing cycle in which the payment is returned to the creditor. Because of the backdating process used by many creditors, we believe it would make sense to give creditors the option in that case to base the fee on the required minimum payment for the billing cycle in which the payment was originally made, or at least the prior statement's minimum payment. This would allow an immediate calculation and assessment of the fee rather than waiting until the end of the current cycle.

Creditors should also be permitted to make a decision to charge an overlimit fee at the end of a billing cycle when all the information for that period is known. Further, this fee should be permitted even if there is no overlimit status on an account due to payments by the end of the cycle. As noted above, risk data supports that the overlimit status on accounts is a strong indicator of loan losses and chargeoffs, regardless of when that overlimit condition occurs. Therefore, creditors should be permitted to charge this fee even if the status only exists on an account for part of a billing cycle. The ability to charge a fee should not be based on whether or not a payment was made, but rather should be reflective of the risk related to overlimit transactions.

*The Board should permit other fees.*

Chase urges the Board to confine the Proposal to real events of default. We believe the ban on fees for declined authorizations, account inactivity and account closure is inappropriate, as these situations do not involve a violation of credit terms. Also, a ban on such fees draws into question other fees the Board may consider a "penalty" fee. Further, issuers do not regard an annual membership fee as a default fee. Because this fee is generally exempt from the Proposal, issuers may decide to use it as a tool to incent customers to avoid risky behavior. They may decide to rebate all or part of it based on how customers meet their account obligations. This should be regarded as nothing other than a reward that benefits consumers, and the Board should do nothing to interfere with it.

## IV. Reevaluation of Increased Rates

As noted previously, Chase does generally support the approach taken by the Board in providing flexibility in allowing creditors to use their own standards to review rate increases (see § 226.59(a)(ii)) and to also allow the use of criteria in effect at the time of the review (see § 226.59(d)). Both decisions are wise and avoid the trap of trying to impose uniform standards on a whole industry. Chase, nevertheless, suggests the Board reconsider some of its proposed requirements.

*The Board should require no more than three (3) reviews of rates.*

At 18-24 months, such a limit would constitute a reasonable estimate of the interest rate cycle and sufficiently protects customers from an increased rate because of a lack of review.

Conversely, by not limiting reviews, bank capital will be placed at risk as returns throughout the cycle may be below the legitimate expectations or creditors. This results from the deteriorating impact on return on capital, particularly on a risk-weighted basis, as downward repricing applies to an entire balance while rate increases would apply only to new balances. Thus, risky balances would be under-priced from a "pricing for risk" standpoint and prices on less risky balances would be forced downward. While the rules on pricing, for both balances and fees, imply that the less risky customers compensate for the "under-pricing" of the risky customers, the necessary subsidization cannot occur without a limitation on reviews. Thus, over time, even less credit will be granted to consumers and the price of new credit will continue to be forced upward. This cycle, resulting in higher costs of borrowing and less available credit, would continue unabated without a limitation on required reviews.

*The Board should refine its approach to the results of the six (6) month reviews.*

Creditors should be given the latitude to implement rate decreases in a number of ways. For example, decreases could occur by a balance consolidation or other special rate offer. This would decrease the total cost of borrowing without the confusion of having an APR that changes constantly. Also, it is undisputed that rate sales are extremely popular with consumers.

Rate increases resulting from 60 day delinquencies should not be reviewed at all. Rather, because of the seriousness of the triggering event, creditors should be required only to restore the rate calculation in effect prior to the default. There is no reason for the Board to go beyond what is required in §226.55(b)(4) of present Regulation Z.

The Board should require a rate reduction as a result of a review to a rate calculation no lower than that in effect before the last increase. Anything further is confusing to customers and places an unneeded record retention burden on creditors. Moreover, it is unlikely that forcing creditors to look back at rates over years is likely to be productive. The reasons for the actions which creditors may have taken two (2) years ago have been supplanted by today's events.

Further, multiple rate increases in a single time period can occur for various reasons such as a default or an economic/market reason. A creditor should not be forced to review a market-driven rate increase after an account has gone into default and now a default set of criteria are relevant. The Board should also clarify that if a promotional rate is increased to a penalty APR and on a 6-month review the promotional period would have expired, a creditor is obligated only to continue to review the penalty rate increase (subject to maximum review period) until the APR is reduced to the "go to" rate that would have applied after the promotional period.

Finally, the Board should clarify that a return or reduction to a given rate is actually a return or reduction to the computation of that at the time of the return or reduction. For example, if a creditor increases a rate equal to the prime rate plus a margin of 7% and then is obligated to reduce it, the reduction should be to the value of the prime rate plus 7% on the date of the reduction, not the date of the increase.

*The Board should follow through on the Proposal's approach to acquired accounts.*

The Board is correct in recognizing the difficulty in using a prior owner's standards to review accounts which that owner has repriced. For one thing, the prior owner is likely to regard the standards it uses to reprice accounts as highly proprietary. For another, that owner may not be able to provide a history of pricing on the accounts it is selling. As a result, the only practicable alternative is to permit a buyer to promptly impose its own standards on those accounts, take whatever actions is warranted by those standards and review those actions alone later.

*The Board should address notification and disclosure issues that result from the reviews.*

If a rate increase occurs after a 6 month review, the Board should require the increase be transmitted in accordance with the Reg B rules. There is no need to introduce new rules as the Proposal seems to be requiring. That is not contemplated by the Card Act and is already well provided for in the present regulatory structure.

After fee reviews, issuers will in some instances be required to reduce fees or may be permitted to increase fees. Chase believes an issuer should be able to impose a higher fee without providing an opt-out opportunity to the consumer if the increased fee is solely a result of the reevaluation of costs/deterrence. Therefore, we believe an exception to the §226.9 requirements is warranted. This will enable issuers to set penalty fees that recover costs or impose sufficient deterrents, even if the issuer closes an account to new transactions.

The Proposal requires an issuer to begin imposing the lower fee within 30 days after completing the reevaluation. Chase also believes that issuers should have more that 30 days to impose a lower fee after a review. It takes time to make changes to its disclosures under §226.5a and §226.6 and have them reproduced.

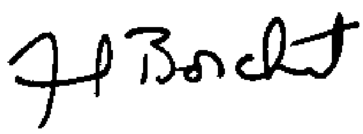
## V. <u>The Board Should Adopt a Reasonable Transition Rule</u>

Chase urges the Board to permit an extended time to implement the disclosure requirements of any new fee amount and new disclosure format that is required until November 1, 2010. Creditors will need to do extensive analysis once the final rule is issued to determine the proper level of fee to disclose, and then implement systems changes to be able to comply with proper disclosures of the new fee if any adjustment is required. Since we expect the final rule may not be issued until sometime in June, this will not permit adequate time to conduct the required analysis and systems changes.

## VI. <u>Conclusion</u>

Chase appreciates the opportunity to comment on the Proposal. We hope that our comments will further shape the Proposal in ways that help improve the clarity and consistency of disclosures, helping consumers make informed choices throughout the relationship they have with their bank. Please contact me using the contact information at the bottom of the first page or Frank Meyer at 302-282-3732 with any questions about our comments.

Sincerely,



Frank R. Borchert