Regulation Z; Docket R-1384

Jim Steitz

April 13, 2010

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

Dear Ms. Johnson,

I write to urge the Federal Reserve to write the **strongest possible rules for implementing the Credit CARD Act, including a procedure for reviewing interest-rage increases,** both prospectively and retroactively. During the delay before the Credit CARD Act took effect, many banks took the opportunity to increase interest rates dramatically. These are acts of reckless profiteering from a semi-captive clientele, taken in bad faith and out of proportion to the risk actually presented by people carrying these cards. The credit card issuers are gouging consumers with usurious interest rates and frivolous fees to maximize their predatory extraction of revenue while they can.

Truly reforming the parasitic behavior of banks that issue credit cards is critical to our economy, and **this depends upon airtight implementing regulations for the Credit CARD Act**. The bleeding of revenue from households to credit cards issuers is acting as a brake upon the economy, and we must remove the issuers' feet from the brake. The implementing regulations must also codify or establish prohibitions on the use of universal private arbitration clauses, playing games with payment receipt dates, automatic honoring of transactions that exceed available credit, and fees for events triggered by other fees. For example, credit card issuers must be stopped from assessing late-payment fees that push a customer beyond a credit limit, and then assessing an over-limit fee. **These are uneconomic "transactions" that no consumer knowingly chooses, and have no place in a free-market economy.**

The Federal Reserve must create a procedure to **review these recent rate increases, and give its staff the power to order them rescinded, in the interest of consumers.** For instance, hundreds of thousands of Chase customers were hit with a 4% interest rate hike or a $120 annual fee and a doubled minimum payment. Bank of America, Wells Fargo, and American Express are among other major lenders that have increased rates, even though these same companies are receiving bailout money from the federal government's efforts to help the economy. To the extent that the recent financial rescues carried out by the Federal Reserve and US Treasury are meant to enhance the ultimate solvency and liquidity of consumers, **these interest rate increases frustrate those policy goals.**

A fair and efficient free market depends on free and transparent contracts, entered into openly by two parties with comparable powers of negotiation. These elements do not exist in the credit card industry's relationship to individual account-holders. The Federal Reserve must decree that credit card issuers cannot use accounting gimmicks and omnipotent-power contracts to bleed customers for fees that amount to usury. **These late fees, over-limit fees, and usurious interest rates are an outrageous abuse of the inequality of information between the bank and the customer.** Customers cannot afford lawyers to litigate a card agreement in their favor the way that a card issuer can, and this directly violates the principles of a free and fair financial services market.

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Several unique features of the credit card industry demand special federal protections for their customers, beyond the more laissez-faire approach to other financial instruments. The credit card industry's across-the-board switch to contracts that give complete power to the issuer, coupled with abusive fees and trickery around payment-receipt dates and credit lines is a gross misuse of market power. It illustrates the economic inefficiency that derives from unequal lawyering power and control of information, as well as being an anti-trust violation. The federal government must **ensure that credit card contracts allow a reasonable amount of profit to the issuer, but stay within social norms of decency and fairness**. To bleed customers of tremendous amounts of money for no service rendered is nothing but parasitism on consumers and a drag on the American economy. It serves no valid economic or social purpose and drains money from already-strapped households that the executive branch is otherwise trying to assist.

Again, please implement the strongest possible regulations pursuant to the Credit CARD Act, including a procedure for binding federal review of both future and recently past interest rate increases. Thank you for your attention to this urgent issue.

Sincerely,

Jim Steitz

Enclosure not included

ENCLOSURE: Please find a copy of my significant other's credit card statement, from before and after a rate increase imposed by Chase, the card issuer, from under 21% to over 28%, despite no default events.