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Via E-Mail to regs.comments@federalreserve.gov

Ms. 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-1393 / RIN No. 7100-AD55 -- Truth in Lending Act (Regulation Z)

Dear Ms. Johnson:

This letter is submitted to the Board of Governors of the Federal Reserve System (the “**Board**”) on behalf of Compass Bank, an Alabama banking corporation (“**Compass**”), in response to the Board’s request for comment on proposed regulations under Regulation Z, which implements the Truth in Lending Act (“**TILA**”), as well as the staff commentary to Regulation Z. In this letter, we refer to the proposed amendments to Regulation Z as the “**Proposed Rules**”, and to the regulations and staff commentary currently in effect as the “**Current Rules**.”

Compass is a Sunbelt-based, regional commercial financial institution owned by Compass Bancshares, Inc. a bank holding company that is wholly owned by BBVA (NYSE: BBV) (MAD: BBVA). Compass has over \$60 billion in assets and, through its operating companies, maintains more than 717 branches in Alabama, Arizona, California, Colorado, Florida, New Mexico, and Texas. Compass is among the top 15 largest banks in the U.S. based on deposit market share.

Compass appreciates the time and effort of the Board in preparing the Proposed Rules, and hopes that these comments will be helpful to the Board in its effort to promulgate reasonable and workable standards to inform consumers about credit cards and to allow consumers to better understand their credit responsibility and to effectively compare the terms of credit card accounts.

We appreciate the opportunity to comment on those Proposed Rules to Regulation Z that affect credit cards. We welcome the proposed revisions to the extent that they make the disclosure of credit terms clearer and more meaningful to the consumer. Such disclosures provide consumers with valuable information that assists them both in shopping for new credit cards and in understanding the costs of existing credit card accounts. However, we believe that some of the proposed revisions impose substantial and unwarranted burdens on credit card issuers. Credit card use is a valuable tool available to responsible consumers. Credit card transactions fuel growth of the American economy by facilitating the sale of consumer goods and services under a safe and convenient process. The imposition of many of these new burdens will increase the issuers’ costs of providing credit cards, which will adversely affect both the cost and availability of credit for all consumers, all to the detriment of the American economy at a time where the availability of credit is crucial. In this letter we comment or request clarification on those Proposed Rules that we believe present particular problems for credit card issuers and consumers.

Proposed Rules Relating to Regulation Z

On November 2, 2010, the Board published the Proposed Rules to clarify particular aspects of previously adopted final rules that implement the Credit Card Accountability and Responsibility Act of 2009 (the “CARD Act”). The CARD Act provides consumers with more control, stronger protections and greater predictability when using their credit cards. The industry has worked quickly and efficiently to implement the changes required by the CARD Act and the implementing regulations. Although Compass supports the spirit of the Proposed Rules, it has concerns with certain aspects of them. These concerns are outlined below.

Check Disclosures – Section 226.9 (b)(3)(iii)

The Board proposes to amend § 226.9(b) to require a card issuer, if it provides checks that access a credit card account and if a variable rate will apply to those checks, to disclose the fact that the rate may vary and how the rate is determined on the disclosures accompanying the checks. Compass agrees with the Board about the need to disclose this information to consumers who receive such checks. However, if check-access is a standard feature of a credit card account, the issuer already is required to provide such variable rate disclosures at account opening under §§ 226.6(b)(2)(i)(A) and (b)(4)(ii). Unless the issuer offers a variable promotional rate (as defined in § 226.16(g)(2)(i)) or other special rate on certain checks, each consumer will already have received the variable rate disclosures required by this proposed amendment.

Compass understands the Board’s intent in requiring issuers to disclose relevant rate information when providing checks to consumers. However, Compass asks the Board to consider the burden and risk of requiring duplicative disclosures. Under the Proposed Rules, if an issuer that previously provided the required variable rate disclosures fails to include the proposed additional disclosure, the issuer’s technical violation could result in potential civil liability and/or enforcement actions, even though the consumers using those checks had previously received disclosures about the rates applicable to those checks.

Compass believes that, when an issuer has previously provided the variable rate disclosures required by this proposed amendment, the disclosures required under the Current Rules are sufficient to allow a consumer to make an informed decision about use of the checks. Compass encourages the Board to consider revising this proposed amendment to provide that the new requirement will apply only if the variable rate in question has not been previously disclosed to the consumer.

Variable Rates for Non-Credit Card Accounts – Section 226.9(c)(2)(v)(C)

The Board proposes to amend § 226.9(c)(2)(v)(C) to provide that the variable rate exception to the 45-day advance notice requirement applies to all open-end (not home-secured) plans, not just to credit card accounts, as provided in the Current Rules. Additionally, the Board also seeks to clarify that the Section 226.55 rate and fee limitations do not apply to non-credit card accounts with a variable rate floor. This proposed expansion to areas unrelated to credit cards would serve to stifle competitive pricing and in addition goes beyond the Congressional intent and scope of the CARD Act. Therefore, Compass recommends that the Board withdraw and reconsider this portion of the rule.

Limitations on Fees Related to Payment Method – Section 10(e)

Under §226.10(e) of the Current Rules:

For credit card accounts under an open-end (not home-secured) consumer credit plan, a creditor may not impose a separate fee to allow consumers to make a payment by any method, such as mail, electronic, or telephone payments, unless such payment method involves an expedited service by a customer service representative of the creditor.

The Board proposes to include the following as a new Comment 4 to paragraph 10(e):

Third parties. For purposes of § 226.10(e), the term “creditor” includes third-party service providers or other third parties who collect, receive, or process payments on behalf of the creditor.

The Supplementary Information accompanying the Proposed Rules includes the following statement:

The Board understands that card issuers may use third-party service providers to provide payment-related services on behalf of the issuer, such as receiving or processing payments from consumers. In some circumstances, the third-party service provider may charge consumers a separate fee for making a payment—for example, when a payment is made electronically through a Web site. The Board believes that it would be inconsistent with the purposes of the Credit Card Act for consumers to pay a separate fee for making a payment through a third party who is receiving payment on behalf of the issuer, unless the issuer itself would be permitted to charge the fee.

Under these provisions, a financial institution or other creditor that provides bill payment services to deposit account customers and also issues credit card accounts arguably would be prohibited from assessing any fee for its bill payment service if the fee reflects any charge for a payment on a credit card account. We believe that it is premature to suggest such a fee is intended under the Card Act to be a prohibited fee. There has been insufficient discussion and input on this issue especially as it pertains to third party service providers, and creditors other than card issuers. Prohibition of such a fee could inhibit development of valuable consumer payment conveniences and protections. Compass urges the Board to table this issue for further review of its potential impact and value to consumers and the industry.

Ability to Pay – Section 226.51

The Board proposes to amend § 226.51(a) to provide that a card issuer must not open a credit card account or increase the credit limit on an account for any consumer unless the issuer has considered the consumer’s “independent” ability to make the required payments. As proposed amendments to Comment 4.i to paragraph 51(a) recognize, the requirement to consider every consumer’s independent repayment ability means that, when a consumer’s spouse is not a joint applicant or joint accountholder, a card issuer may consider the spouse’s income or assets only to the extent that a federal or state statute or regulation grants the consumer an ownership interest in the spouse’s income or assets. Under the Current Rules, an issuer is required to consider a consumer’s independent repayment ability only if the consumer is less than 21 years old.

In the Supplementary Information provided with the Proposed Rules, the Board noted this change would provide a single, consistent standard for evaluating a consumer’s ability to pay that the Board

believes is consistent with both TILA Section 150 and congressional intent. However, as the Board also noted, the CARD Act requires card issuers to evaluate “independent” repayment ability only for young consumers. The application of this requirement to all consumers ignores the fact that TILA Section 150 establishes a less stringent standard for consideration of household income for consumers who are 21 or older.

As the Board acknowledged, the proposed amendments to § 226.51(a) and its commentary could prevent a consumer without income or assets from opening a credit card account despite the fact that the consumer has access to the income or assets of a spouse or other household member. Under these proposed amendments, an issuer would be prohibited from relying on household income to open a credit card account or increase the credit limit on an account. The Board justifies this prohibition based on its conclusion that it would be inconsistent with the intent of the CARD Act for a card issuer to issue a credit card to a consumer who does not have any income or assets. However, for consumers at least 21 years old, the CARD Act does not require issuers to consider income. Instead, TILA Section 150 requires issuers to consider “the ability of the consumer to make the required payments under the terms of the account.” The requirement to consider “information ... indicating an independent means of repaying any obligation arising ... in connection with the [credit card] account” is found in TILA Section 127(c), which applies only to consumers less than 21 years old.

In the Proposed Rules, the Board solicits comment on whether it would be appropriate to provide greater flexibility in these circumstances. Compass strongly believes that issuers need such flexibility when evaluating the repayment ability of consumers who are at least 21. Compass requests that the Board consider the consequences of banning use of “household income” as described below.

It is a common industry practice to solicit income from applicants by requesting “household income.” The term is intended to encourage consumers to offer all the income that they may legally rely upon to repay debt. This assures their applications receive the fullest and fairest consideration possible from the lender. It is then up to the lender to an appropriate credit risk decision. Furthermore, we have found no good alternative for safely asking the question this way to applicants in order to obtain all appropriate income information. Income inference tools available to lenders calculate only individual, not household, income and leave out other sources of income, such as spousal income, that the applicant may be legitimately relying upon in the application.

Lenders in community property states (e.g. California, Texas), may consider the income from both spouses as the property of each. It is certainly appropriate for an individual to include such community property when disclosing income. Asking the applicant for individual income could be confusing if not misleading. Attempting to limit this question to applicants in community property states only is confusing for consumers and operationally challenging for lenders.

In the absence of an express statutory requirement to consider independent income, Compass believes the Board should not effectively prohibit the consideration of household income in evaluating the repayment ability of these consumers. Compass urges the Board not to adopt these proposed

Rate Reevaluations Section 226.59

According to the proposed rule, a “change from a variable rate to a non-variable rate or from a non-variable rate to a variable rate is not a rate increase for purposes of Section 226.59, if the rate in effect

immediately prior to the change in type of rate is equal" to or greater than the rate in effect immediately after the change. Compass believes that the rate reevaluations should not be triggered when there is a change to the type of rate (e.g. from non-variable to variable) and, over time, the variable rate diverges from the non-variable rate due to the operation of the index. Compass respectfully requests that the Board withdraw and reconsider this section.

Inter-agency Coordination:

With the issuance of this most recent proposed rule, the industry will have responded to four rulemakings related to the implementation of the CARD Act. Compass and the rest of the payment card industry have moved aggressively to implement the CARD Act and its accompanying regulations. Moreover, the Compass shall take whatever actions are necessary to comply with the current proposal and additional rulemakings. However, as you know, in accordance with the Dodd-Frank Act, the newly created Consumer Financial Protection Bureau (CFPB) will share jurisdiction with the Board and other agencies regarding consumer products, including payment cards.

In the coming months before the CFPB's powers become effective in July 2011, Compass believes it will be critically important for the Board to coordinate not only with CFPB and other federal agencies regarding payment card regulation, but also with the industry. An open and robust dialogue would be in the best interest of the payment industry, regulators, and most importantly, consumers. Without a coordinated effort, the payment card industry could face conflicting and redundant rulemakings, which would bring uncertainty to the credit market and negatively impact the availability of credit in the marketplace. During this fluid time, doing less may be doing more for consumers and the payment industry. If permitted, prudence and patience may serve us all well as we jointly seek to digest and adjust to the recent flurry of legislative acts and regulations.

Effective Date:

We thank the Board for considering our comments to the Proposed Rules and appreciate the Board's challenge in promulgating reasonable and workable regulations to implement the CARD Act. We urge the Board, in setting an effective date for this rule, to provide the payment card industry with enough time to comply with this additional rulemaking. We recommend that the Board give the industry at least one year from the date of publication of the Final Rules to make the necessary compliance changes to implement the Final Rules.

If you have any questions concerning this letter or if you would like us to provide any additional information, please do not hesitate to contact me.

Respectfully submitted,



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