Nonprofit Publisher of Consumer Reports

July 2, 2008

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

Re: Regulation AA - Unfair or Deceptive Acts or Practices, Board Docket R-1314, and Regulation Z, Board Docket R-1286
Office of Thrift Supervision: Docket ID: OTS-2008-0004
National Credit Union Administration: RIN 3133-AD47

Dear Chairman Bernanke, Members of the Board, and Board Secretary Johnson:

Consumers Union, the nonprofit publisher of *Consumer Reports*, appreciates the opportunity to comment on the important proposed Regulation AA. For the first time, this rule acknowledges what consumers and consumer groups have long known about the credit card and overdraft marketplaces – that they include some practices that are simply unfair or deceptive and must be stopped. While we recommend that the rule go further in specific respects, it is a strong beginning to address unfair practices with surprising and harmful economic results for consumers. We ask the Agencies to keep the docket for this rulemaking open after the proposed rule is adopted in final form, so that the Agencies can use as a basis for further rulemaking the many experiences reported to the Board in this unusual outpouring by individual consumers.

1. Summary and overview of comment.

We applaud the Federal Reserve Board, Office of Thrift Supervision, and National Credit Union Administration for recognizing that consumers in the financial services marketplace face deceptive or unfair practices which simply cannot be resolved with additional disclosure. This conclusion is extremely well-documented by the Agencies' analysis, the Federal Reserve Board's consumer testing, the General Accounting Office's 2006 report on credit cards, the consumer group comments filed in response to the advance notice of proposed rulemaking, the many published studies cited in the Agencies' materials, and the extraordinary number of individual comments already filed in the docket in which consumers describe their own unsatisfactory experiences with credit cards and overdrafts. The reports that Consumers Union has received from individual consumers similarly show that they often do not understand the ways in which

West Coast Office
1535 Mission Street
San Francisco, CA 94103
415.431.6747 tel
415.431.0906 fax
www.consumersunion.org

credit card practices will deprive them of expected benefits until after it happens to them. Other consumer groups have documented the consumer problems resulting from automatic enrollment in overdraft loan programs.

Consumers Union supports the credit card elements of the proposed Regulation AA, and we ask the Agencies to adopt these as a final rule soon after the early August close of the comment period. We are pleased to see that the rule addresses unfair practices in overdraft loans, but strongly suggest that the rule go further on that issue.

1.A Consumers Union supports these credit card aspects of the proposed rule in docket R 1314:

- Restricting increases in the annual percentage interest rate on existing balances for consumers who haven't been more than 30 days late. Penalty interest rates are unfair when applied retroactively. The restriction on penalty rates as applied to existing balances is the heart of the proposed rule. This protection will do more than any other to return some balance and fairness to the credit card marketplace. The time to repay rule in the event of a customer-base wide change is an important element of this protection. Without it, it would be much too easy for credit card issuers to circumvent the new rule.

- Ensuring at least 21 days from the billing date to the due date prior to any adverse consequences from a late payment. Thirty days would be more appropriate, particularly since the mail counts against the consumer in both directions.

- Improving payment allocation. The rule allows issuers to select a payment allocation method, while eliminating the most unfair of the current practices, in which consumers cannot begin to pay down high interest balances until they have paid off lower interest balances.

- Preserving the grace period after a balance transfer or other promotional rate balance.

- Ending unfair over limit fees caused by a credit hold. This element of the proposed rule implicates the larger principle that a consumer shouldn't have to pay a fee or suffer other adverse consequences because of the financial institution's practices – in this case the practice of permitting a credit hold. In the companion comment letter on overdraft loan issues, we respectfully suggest that this principle should be extended beyond the issues of the credit hold and the debit hold, so that consumers also no longer face NSF or overdraft fees due to bank check hold (funds availability) policies.

- Ending two-cycle billing. It is long past time to end this unfair practice in which a finance charge is calculated based in part on balances that have already been repaid.

- Restricting the financing of large security deposits and issuance fees on credit cards. While there is more to be done about high-fee cards, the proposed rule contains a good first step by limiting the amount of fees and charges that can be financed to less than half of the credit limit. The rule should reduce the financing threshold well below 50%, and should also make it an unfair practice to assess fees for a consumer credit account in excess of 10% of the credit limit, whether or not those fees are financed.

We ask the Board, the OTS, and the NCUA to adopt these positive aspects of the proposed credit card rules at the earliest time and without any weakening changes.

1.B Consumers Union supports these credit card aspects of the proposed rule from docket R-1286:

The related docket, R-1286, is a proposed Federal Reserve Board rule to address certain additional issues in open-end credit, including credit cards. Some of the important elements of this proposed rule which we support are:

- Clarifying that a payment received by mail by 5 pm local time on the due date cannot be treated as late. However, this rule should apply to all forms of payment, with the time for phone or Internet payment including the local business hours at the location where the consumer initiates the payment.

- If the due date falls on a weekend or holiday and the creditor does not accept mailed payments on that date, counting as on-time a payment received on the next business day.

- Printing on the front of a sheet bearing convenience checks the fee, rate or rates, and the time to use the check before an initial rate expires. There is more to be done about convenience checks, including requiring that they be sent only on an opt-in basis so that only those consumers who want these checks will incur the identity theft risk inherent in their mailing.

- Enhancing disclosures for deferred interest, but there is more to do. A creditor should never be permitted to use the terms “no interest” or “no interest until X date” when in fact there will be retroactive interest charges if the balance is not paid in full by a certain date.

- Including foreign currency conversion fees in the application and solicitation disclosure table.

- Clarifying that a consumer’s dispute can’t be automatically rejected if the consumer does not submit an affidavit or a police report.

Except in Part Four, which discusses docket R-1286, or otherwise where specifically noted, all references in this letter to the proposed rule refer to the proposed Regulation AA in Docket R-1314.

1.C The proposed rule will improve the marketplace.

Since the Truth in Lending Act was first debated decades ago, financial institutions have been asserting that consumer protections will dry up credit. Consumers Union believes that the American economy can support profitable business models that are not dependent on unfair practices or on deceiving the consumer. If those models are not already in use, it is the proper role of the regulators to encourage the market to create them. Under the proposed Regulation AA, financial institutions will still retain control over the pricing of their product, but will lose the ability to say "gotcha" by using a minor contract default to impose a significant price increase on money already borrowed.

Consumers know that they will pay for the full cost of credit. Upfront, transparent and simple pricing allows consumers to know the price of the credit *before* deciding whether to borrow money using a credit card. Moving away from increases in interest rates on funds already borrowed also will allow households to make more informed decisions about how much debt to carry on their credit cards. If the financial institutions assert that the proposed rule will interfere with credit availability, they would really be asserting that they can't or won't offer credit without tricks and traps. We simply do not believe that America's financial institutions are so inept that they cannot succeed without practices which are unfair or deceptive.

Some issuers may also offer misplaced assertions that the Agencies are unwisely dictating contractual terms and practices. This is untrue. The rule responds to very real problems that consumers have experienced in the credit card marketplace. The Board's own testing shows that such problems cannot be prevented by more disclosure. In plain terms, some practices are so unfair or deceptive, so inconsistent with ordinary expectations of fair dealing, so counter-intuitive, or simply so convoluted that a disclosure approach cannot address them effectively. Consumers Union applauds the Board, OTS, and NCUA for recognizing that more is needed. Without specific prohibitions and rules such as those proposed in this docket, the marketplace may continue to permit or even reward issuers who engage in "gotcha" practices. Indeed, without this rule, issuers who persist in or pioneer new forms of unfair practices may use the resulting revenue to out-compete any more responsible issuers for the most desired customers.

1.D More work remains to be done to identify and stop other unfair practices.

The rule is an excellent and well-balanced first step, but it does miss a number of unfair credit card practices and deposit account practices. We respectfully urge that the rule should go further in specific ways. If the Agencies decide not to go further in these areas at this time, we request that each agency leave open docket R-1314, and if

appropriate, the Board's docket R-1286, so that the many comments from individual consumers describing problems they have experienced in the credit card marketplace and in the area of deposit services may be used by the Agencies to evaluate and support additional future action within the docket after the current proposed rules are issued in final form.

Consumers Union asks the Agencies to either add to this rule or to evaluate for further action in an additional round within this docket these additional unfair or deceptive practices:

- End all retroactive interest rate increases, including for consumers who have had a 30 day late payment.
- Limit how high credit card issuers can set "penalty" interest rates and how long issuers are permitted to keep consumers at these often extremely high interest rates.
- Prohibit fees to pay a credit card by phone or Internet. There should not be an extra barrier to paying on time.[1]
- End changes in the interest rates and other terms of a credit card for future purchases "at any time for any reason."
- Protect young adults from abusive credit card practices, on and off college campuses.
- Ban over limit fees when the issuer approved the transaction that causes the account to go over the credit limit, and also when it was the issuer's fees or finance charge that put the account over the limit.
- Ban multiple over limit fees during a single billing cycle and for a single over limit event.
- Prohibit account-opening fees for credit card accounts of more than 10% of the credit limit.
- Require that prescreened offers describe only firm and specific interest rates and credit limits for which the consumer is likely to qualify based on the criteria used in the prescreening, subject to confirmation after application.

1.E Relationship to additional comments, including on overdraft services.

This comment addresses a selection of the important credit card issues for consumers in the interagency proposed rule, Board docket R-1314, and in the Board's docket R-

[1] In addition, consumers in the Pacific Standard Time zone who pay a fee to pay by phone after 2pm on the due date should not be charged both a pay by phone fee and a late fee.

1286. Because of the complexity of docket R-1314, Consumers Union has filed a separate comment letter on the overdraft loan issues. We may also join in additional extensive section-by-section comments being prepared on behalf of a group of consumer organizations on both the credit card and the overdraft services issues. With respect to the overdraft services elements in this docket, we recommend, as more fully stated in our overdraft comment letter:

- Opt-in, not just opt-out, is essential for overdraft loan programs.

- Overdraft loan fees should not be permitted for any overdraft triggered by a debit card ATM or POS transaction. The financial institution can avoid the overdraft by denying that transaction.

- The periodic, fee-triggered opt-out notice is an essential element of the protection, and should be sent no less than monthly even for those with quarterly account statements.

- Financial institutions should not be permitted to charge overdraft fees or NSF fees when the overdraft would not have occurred but for a funds availability hold placed on deposited funds.

- Overdraft loans should be regulated under the Truth in Lending Act with sample APR disclosures so that customers can compare differing forms of overdraft protection and can compare overdraft protection to other types of credit.

1.F About Consumers Union.

Consumers Union is a nonprofit organization that advances the interests of consumers by providing information and advice about products and services and about issues affecting their welfare, and by advocating a consumer point of view. Consumers Union's income is solely derived from the sale of *Consumer Reports*, its other publications and services, and from noncommercial contributions, grants, and fees. Consumers Union's publications and services carry no outside advertising and receive no commercial support. Consumers Union's Financial Services Campaign Team works to promote fair conditions in the consumer financial services marketplace. Consumers Union has been engaged in consumer credit and other financial services issues since our inception in 1936, and in consumer advocacy on these issues since the 1970s.

2. The experience of consumers in the credit card marketplace strongly supports the proposed credit card rules.

Consumers have reported to Consumers Union the very problems that are addressed in whole or in part by the proposed rule: sharp interest rate increases on balances consisting of funds already borrowed, including adverse consequences from a late payment of short duration; insufficient time to pay a credit card bill after receipt of the

bill; loss of grace period due to a promotional balance; payment allocation problems; and similar issues. Other consumer groups have received similar information from consumers, which they have described in the prior comments in this docket as well as in testimony before Congress.

The public outcry on credit card tricks and traps has reached such a level that at least eighteen newspapers have editorialized in favor of stronger regulatory rules to protect credit card consumers. A list of some of the editorials is included as an appendix.

Consumers with widely varying levels of education and financial sophistication experience unfair practices in the credit card marketplace. Credit cards often operate differently, and with more harm to family finances, than the cardholder reasonably expected. As one MBA-holding consumer was quoted in the March 2008 issue of Cons*umer Reports*, discussing a payment allocation formula that deprived him and his spouse of the full benefit they had expected to receive from a balance transfer, "If they got me, how about so many other people*?" Good Luck Complaining About Your Bank, Consumer Reports,* March 2008, at 61, *available at* http://www.consumerreports.org/cro/aboutus/mission/viewpoint/bank-complaints-3-08/overview/bank-complaints-ov.htm.

Since this docket opened, thousands of consumers have reported their adverse experiences directly to the Federal Reserve Board through the comment process. Consumers also told Consumers Union about the problems caused by unfair credit card lender practices before the docket opened. Consumers Union maintains the www.creditcardreform.org website for the public. From November 2006 through May 1, 2008, over 1,000 consumers had told Consumers Union about their experiences at the hands of financial institutions who issue credit cards. Our comments are informed by these many reports.

3. Consumers Union supports these elements of the proposed rule.

3.A Restricting increases in annual percentage interest rate on existing balances, section __.24

Consumers consistently have reported to Consumers Union that they have been surprised by sharp increases in the interest rate on existing balances. Those sharp increases can turn a single mistake into a household financial crisis; deepen an economic downturn both for families and for those merchants where families might spend their money if it wasn't going into a doubled minimum credit card payment; and make it harder for consumers to restore their households to financial health after a temporary setback or error that causes a late payment.

The rule will significantly reduce the unfair practice of raising the interest rate on existing balances. This section is the heart of the proposed rule. There is no practice more unfair, or more burdensome on the consumer, than having the interest rate skyrocket on money already borrowed. The industry's own standard contract terms and prior conduct show that it cannot be trusted to avoid this problem without regulation. As discussed in

Consumer Reports in May 2008, credit card contracts from major issuers commonly contain clauses allowing the interest rate to rise to 29.99% after the slightest mistake, including one or two late payments of even one day or one dollar. *With Credit Cards, a Deal is Not a Deal*, *Consumer Reports*, May 2008, at 57, *available at* http://www.consumerreports.org/cro/aboutus/mission/viewpoint/credit-card-pitfalls-5-08/overview/credit-card-rates-ov.htm.

All non-variable rate increases on funds already borrowed are unfair: Consumers Union continues to believe that it is an unfair practice to raise the interest rate on funds already borrowed for any reason other than the application of a standard variable rate formula used from the time of account opening and based on an index which is independent of the lender. However, we support section __.24 as a partial but extremely important protection. This section will stop credit card lenders from increasing the interest rate on outstanding balances unless it is due to a variable rate formula, a 30 day late payment, or an escalation of a promotional rate to a standard rate.

We question whether the 30 day late exception should be invoked without notice: The Agencies describe the balance struck in the proposed rule at one 30 day late as avoiding the penalty rate consequence due to a single bounced check, a single late-mailed bill, or a single unmailed bill. We believe that interest rate increases on funds already borrowed are always unfair unless they stem from a variable rate formula. We also note that under the proposed rule, the non-payment may not always come to the consumer's attention before the end of the 30 day period. A change to require notice of the lateness, of the impending consequence, and a brief opportunity to cure would have the benefit of ensuring notice before the consequence of a penalty interest rate. This would protect the consumer who forgets to mail the bill and the one whose payment is lost in the mail. Without a notice and cure provision, these consumers may not know that the payment was missed until the following month's bill.

We recognize that the Agencies have attempted to balance the needs of the industry against the consumer harm from penalty rates, but we respectfully suggest that some special notice and opportunity to cure should precede the imposition of a post-30 day penalty interest rate on an existing balance.

We ask that no additional exceptions be included: We anticipate that some industry members may propose additional exceptions. It is important that the rule not be watered down with additional exceptions. In its current form, it draws a very sharp line between those who have not been more than 30 days late one time and all others. A simple bright line rule on when rates may increase on existing balances will enhance consumer protection, be more likely to be perceived as fair, and be much easier to enforce than a more complex set of rules. Additional exceptions could reopen the difficult question consumers now face when they find a penalty rate has been imposed: "Why is this happening to me?" All line-drawing exercises present difficulties, but those difficulties will be increased if there are a variety of different triggering events that could allow a doubling or more of the interest rate on funds already borrowed.

After this rule is adopted, credit card lenders will continue to have other risk-management techniques to apply to those customers whose conduct the lender finds troubling. As long as the bill was mailed in a reasonable time, the issuer can still impose a late fee in an amount not limited by law or common sense, even if the payment was just one day late. Under this rule, issuers also retain full autonomy to reduce the credit limit for any reason. An issuer who is concerned about its level of risk might use that tool, although we believe it should also be declared to be an unfair practice to reduce the credit limit below the current balance if this triggers adverse consequences from the over limit status.

The monetary impact of penalty interest rates is very substantial: For all consumers, the risk of penalty rates adds economic uncertainty to the credit card borrowing marketplace. For consumers who suffer penalty interest rates, the household monetary impact is very substantial. The consumers who have contacted Consumers Union about this commonly report that their penalty rate was double or higher than the rate in effect when the funds were borrowed.

Disclosure cannot eliminate the unfairness of post-borrowing interest rate increases: The Agencies' discussion of the substantial injury to consumers and the reasons why it is not reasonably avoidable describe very well the many reasons why this rule is essential to promote both fair competition and a fair marketplace for consumers. As the discussion indicates, consumers can't reasonably avoid something that they don't expect to occur. The consumers that Consumers Union has talked to about this issue learn what their contract really allows only after a draconian interest rate increase is imposed upon them and they begin to try to discover why this has happened.

Consumers also can't make reasonable economic choices about how much to borrow when the terms of that borrowing can change in the future. Sometimes the change is a direct change in interest rates, but often it is a change in another term of the agreement that can have the effect of bringing the consumer closer to a contract default. For example, some consumers told Consumers Union that they experienced drastic reductions in their credit limits in 2008. This may have been the result of underwriting changes in the general post-subprime mortgage credit crunch or a response to weakening regional economic conditions. Even before the subprime-sparked credit tightening, some consumers told us that their credit limits were reduced to below the amount owed, making the consumer immediately over limit due to conduct that was not in violation of the contract when it occurred. *Consumer Reports* described the experience of one of these consumers in May 2007. *Watch Out For Costly Credit-Card Practices*, *Consumer Reports*, May 2007, at 57, *available at* http://www.consumerreports.org/cro/aboutus/mission/viewpoint/costly-credit-card-practices-5-07/overview/0507_viewpoint_ov_1.htm.

Whatever is placed in the fine print of a credit card "agreement" can't overcome the basic assumptions that consumers will bring to credit cards from their other bill-paying experiences. In every other type of bill, responsible consumer behavior is to pay the bill in the amount stated. Credit card lenders have defined a wide variety of other

circumstances, including some things that have nothing to do with the borrower's conduct, to be a basis for higher interest rates on funds already borrowed.

Allowing a consumer to cancel a card cannot substitute for an end to increased interest rates for funds already borrowed: The Agencies' discussion lays out in some detail why an opportunity to cancel the card in order to retain the old interest rate won't stop the unfairness of non-variable-rate interest increases on funds already borrowed. A barrier is created when a protective practice must be affirmatively requested by the consumer. Awareness of the benefit is crucial, and awareness may not be evenly distributed among the population. The Agencies' legal analysis, citing to the 2006 GAO report, suggests that requiring the consumer to affirmatively cancel the card in order to retain the current rate is not a realistic or usable option. *See* 73 Fed. Reg. No. 97, May 19, 2008, 28904, at 28919, citing the GAO *2006 Credit Card Report* at 26-27.

Promotional rates can still be too easily lost: Consumers will benefit from the proposed rule that limits issuers to raising an interest rate to a standard rate, rather than a much higher penalty rate, when a promotional rate is lost. However, more work remains to be done on that issue because it is far too easy to lose eligibility for a promotional rate.

Sufficient time to repay at the old rate is essential: Consumers Union supports the proposal's requirement that when a credit card company raises the rate for a category of new charges, consumers who carry a balance at the old interest rate would now be protected from a fee for carrying a balance and would be given a guaranteed time to pay off the old balance. The proposed rule gives issuers a choice between providing five years to pay off the balance at the old interest rate, a new minimum payment with a contribution of no more than twice the contribution of the old minimum payment to the balance, or any other method no less favorable to the borrower. In general, this will give households about five years to repay. Any shorter time period would seriously undermine the value of the rule. In addition, five years to repay may still be too short for households carrying the largest balances.

Questions for comment under section __.24: The Agencies ask whether this is the right rule, or whether there are other approaches. We respectfully suggest that this is close to the right rule, and that it would be improved by requiring a targeted notice and brief opportunity to cure before the penalty is imposed.

The consumers who have communicated with us often have little understanding of why they were placed into penalty rates, have very limited or no ability to get the standard rate restored, and suffer significant household financial consequences from the imposition of penalty rates. For example, one consumer who contacted Consumers Union told us that he always paid on time. Further investigation showed that he had scheduled his online payment, but his bank had delayed a few days in sending it to the credit card issuer. This caused a minor late payment which more than doubled his rates, and yet the consumer would not have even known his payment was late if not for the drastic rate increase. Other consumers have told us that their credit limits were

drastically reduced, which caused them to face a penalty rate for being near or over the much-lowered credit limit.

The Agencies should stick with the very clear proposed rule describing and limiting the reasons when penalty rates can be imposed on existing balances, and resist requests by the industry to add more exceptions. The current draft rule provides a simple dividing line that can be communicated to consumers. We are aware that some in the industry seek a change to allow the penalty interest rate to apply when there are two late payments in 12 months. This would retain in the marketplace the "one day late" and "one dollar short" problems consumers are now experiencing. It would also create a loophole in which issuers could "game" the system against consumers, for example, by counting the one day late as a late payment but not charging a late fee. When the lateness was caused by a mail delay or a misunderstanding of the timing on online bill pay, the consumer wouldn't even know about the one day late until the same problem caused the second one day late, and by then would face penalty interest on previously borrowed funds. As the Agencies' analysis points out, the funds availability policies of the consumer's depository institution also can cause minor duration late payments.

3.B Questions remaining for further work on APR increases on existing balances.

Consumers Union respectfully suggests that there is more work for the Agencies to do under their powers to define and prohibit unfair or deceptive practices. The additional areas which we urge the Agencies to evaluate include:

- Can penalty rates ever be fair as applied to previously borrowed money?
- By how much should a penalty interest rate be able to exceed the prior rate?
- How long should a credit card lender be able to keep the consumer in the "penalty box?"
- Are some triggers for the loss of a promotional interest rate unfair?

High penalty rates: The new rule will still leave unaddressed the two most fundamentally unfair penalty rate practices. First, we question the fairness of ever applying a penalty rate to existing balances. Second, penalty rates can endure for long periods of time once they are first triggered. Even with proposed section __.24, it is still deceptive to tout one rate and impose a different one. Consumers who experience an economic reversal causing even one 30 day late credit card payment will continue to face this problem after the proposed rule is adopted.

While credit card lenders may assert that penalty interest rates are a risk-based determination, their contracts generally allow a penalty rate which can be two or three times as high as the prior rate. It is hard to believe that all of the consumers who will continue to see their rates rise precipitously to 29.99% or 31.99% will have become twice as risky after one single 30 day late payment.

Open-ended penalty periods: A second significant remaining source of unfairness with respect to penalty rates is the issue of how long a lender can leave a consumer in the "penalty box." For those consumers who fall into penalty rates after the new rule, the higher penalty interest rate will still apply to both preexisting balances and to new purchases. An individual might stop making new purchases, but the consumer has no such option with respect to the existing balance.

Easy loss of promotional rates: The proposed rule also does not fully address a related unfairness commonly reported by consumers – the sudden loss of a promotional rate after a minor late payment or after a charge that takes the balance slightly over the credit limit. The proposed rule quite usefully ties the loss of a promotional rate to the regular rate rather than to a penalty rate, but it does not restrict the reasons for which a promotional rate can be lost. One day late or one dollar short will still be enough to lose the promotional rate.

Promotional rates are designed to induce market choices by consumers. If consumers do not get the benefit of the touted rates due to minor and predictable conduct, then those consumers will be deceived, and competitors who do not engage in similar behavior may suffer loss of business. The potential for deception in a promised promotional rate which can be lost for one day or one dollar of a late payment must be considered in light of the Government Accountability Office's finding that in 2006, 35% of the active credit card accounts of the six largest issuers were assessed a late fee. GAO, *Credit Card Report*, September 2006, at 33.

3.C Unfairly short times to make a payment, section __.22

The proposed rule requiring a reasonable time to receive and pay the bill before there can be adverse consequences other than the loss of the grace period is important, but we recommend that the safe harbor time period be 30 days instead of 21 days. The mailing time still counts against the consumer in both directions, and issuers remain free to use slower bulk mail rather than first class mail.

Issuers may argue that online statements and payments make the time frame less of a problem. However, many consumers still rely on paper statements and mail in their payments due to habit, custom, comfort level with technology, fears about online identity theft, or access to Internet services. On June 25, 2008, the Public Policy Institute of California released the results of a new study showing that, for Californians, there is still a significant variation in Internet use. *More Shop, Get News Online -- Yet Digital Divide Widens: As Californians Broaden Use of Web, Latino and Low-income Residents Left Behind,* June 25, 2008, *available at* http://www.ppic.org/main/pressrelease.asp?i=851. PPIC said in part: "Residents who are white, black, or over age 55 have significantly increased their use of computers and the Internet since 2000, while Latinos, Asians, and low-income residents have not." *Id.*

Consumers who don't have online access at home should avoid online payment to avoid creating a significant identity theft risk of leaving financial information on a shared computer. The PPIC study found that at-home internet access is still much lower among

the Latino population in California than among other groups. As PPIC stated: “Less than half of Latinos (48%) have a home computer compared to about eight in 10 or more for whites (86%), Asians (84%), and blacks (79%). Just four in 10 Latinos (40%) have Internet access and a third (34%) broadband connection at home.” *Id.*

Even consumers with good Internet access may choose not to use the Internet for personal financial information. Consumers who live in households with unrelated adults, or who share a family computer with tech-saavy teens, or who have particular concerns about online potential for identity theft might well choose not to use online credit card bill pay due to privacy concerns. Finally, some consumers who arrange online bill pay through their bank sites continue to report to Consumers Union that they experience a delay of one to several days between when they schedule that payment and when it is made. A safe harbor period of 30 days would better avoid unfairness than a period of just 21 days.

It is useful that the proposed rule addresses all of the adverse consequences of late payments. The draft official staff commentary mentions raising the interest rate and assessment of a fee as possible penalties. It would be helpful for the commentary to also mention the loss of eligibility for a promotional rate as one of the prohibited adverse consequences.

Further work on the time to repay within the grace period: We are concerned about the interaction between the 21 days to pay rule and the 14 day grace period. While we hope that credit card lenders will simply choose to make the two time periods the same, the rule should require that any lender who insists on the statutory 14 day grace period must include on its bill, in a prominent location near the due date, an additional date plainly labeled as the date on which payment must be received to maintain the interest free period on future purchases. Alternatively, the rule could permit a credit card lender to use the grace period ending date as the due date and prohibit other adverse consequences on the consumer until the time under a 21 day rule has passed.

This section is needed even if most consumers now pay on time: The industry might assert, in opposition to this portion of the proposed rule, that most consumers make their payments on time under the current short turnaround time. That would not make the current situation fair. A practice can be unfair even if it hits a minority of people, and the impact of such a practice may fall unevenly on different groups of consumers. For example, some areas may have longer mail delivery times due to rural distances. In addition, consumers who normally pay online may find themselves unwilling to do so if their payment site is spoofed or breached. In addition, an outage at the online site of a deposit account provider may make online bill pay from that deposit account temporarily unavailable. The ability of consumers to make an adaptation to an unfair practice doesn’t make that practice fair, and an unfair practice is unfair even if it happens to less than a majority of consumers.

Questions for comment under section __.22: The Agencies requested comment on two questions which could form beneficial additions to the proposed rule but which must not be viewed as replacements for it. The first question is about the value of setting a number of days after the due date when a payment could not be treated as late. A rule

that a payment cannot be treated as late until ten days after the due date would be a valuable addition to the proposed rule, but not an appropriate substitute. An adequate time period between receipt of the bill and the due date for all purposes, including the grace period, would be even better. Second, the Agencies ask whether there should be an ability to request that late treatment be reversed. This would not be a sufficient alternative to the proposed rule. Any approach that depends on consumers making a request will exclude some of the people who need fair treatment.

3.D Unfair practices in the allocation of payments, section __.23

Consumers Union supports subsection __.23 of the proposed rule, which will require credit card issuers to more fairly apply cardholders' payments to balances with different interest rates. By allocating at least part of each payment over the minimum to higher rate balances, instead of solely to the lower promotional rate, consumers will receive more of the promised benefit of the special rate. Both aspects of the rule apply only to payments above the minimum payment. We question whether it is fair to apply the full principal contribution of the minimum payment to the lowest interest balance or to a promotional or deferred interest balance. That practice could continue under the rule.

Subsection __.23(b)(2) of the rule also is important. This provision would prohibit credit card lenders from denying consumers a grace period on purchases solely because they have not yet paid off a balance at a promotional rate. Promotional rates work because consumers think that they are getting a break on the interest rate due to the promotion. To apply a grace period in a way that undermines that benefit makes the promotional rate deceptive.

Questions for comment under section __.23: The Agencies ask whether consumers should be permitted to instruct the issuer to apply any payment amount over the minimum amount to a particular balance. This would be a useful addition to the proposed rule, but not an adequate substitute for it. Because it would depend on a specific consumer request, it is not likely to be frequently used. Current payment allocation practices are deceptive partly because they are so contrary to normal expectations. Consumers can't be reasonably expected to make a request for treatment that they think will occur in the normal course of events without the request.

Interaction of payment allocation with deferred interest balances: We respectfully suggest that more work is needed, after this rule is issued in final, to ensure that each billing statement during the time when there is a deferred interest balance clearly states the amount that must be paid, and by what date, to ensure that the deferred interest is not owed. This is of special importance for balances on which interest is deferred but not eliminated for a period of time. If the consumer's failure to repay the full balance by a particular date will result in retroactive application of the deferred interest, then every billing statement from the start of that balance until the date on which the deferral is scheduled to be lost should be required to say, prominently and in plain language, something such as: "You must pay $XX by YY date in order to avoid owing interest on this deferred interest balance."

The new rule on payment allocation is well justified by the record: The Board's several rounds of testing on payment allocation disclosures showed, in the words of the Agencies, that the disclosure tested by the Board "was not effective in explaining payment allocation." The consumers who have communicated with Consumers Union over the past several years on this issue have told us that they became aware of payment allocation only after they experienced an unexpected result and began to ask why this had occurred.

Any claim by lenders that this rule will cause promotional rates to dry up would be grossly overstated. Promotional rates are an effective way to induce consumers to do something that isn't necessarily good for them – open a new account and transfer a balance. Promotional rates are an effective customer recruitment tool and are likely to remain so. In addition, we agree with the observation made by the Agencies in the Section by Section Analysis of Consumer Credit Card Practices: "To the extent that upfront costs have been artificially reduced because many consumers cannot reasonably avoid paying higher interest charges later, the reduction does not represent a true benefit to consumers as a whole." 73 Fed. Reg. (May 19, 2008), 28904, at 28915.

3.E Unfair over limit fee practices, section __.25

Consumers Union supports section __.25, which will prohibit a credit card issuer from assessing a fee or charge if a consumer exceeds the credit limit solely due to a hold placed on the available credit. Individuals should not have to pay fees because of the processing methods chosen or permitted by the credit card lender.

Proposed improvement to section __.25 on unfair over limit practices: For this rule to be fully effective, it should be modified slightly to prohibit "a fee, charge, or other adverse consequence." Many credit card contracts allow a promotional rate to be forfeited in the event of a single over limit event. That adverse consequence should be covered by this rule to the same extent as a fee or charge. The loss of the promotional rate may be more financially significant to a cardholder than the over limit fee.

Request for comment on section __.25: The Agencies requested comment on the extent to which financial institutions assess more than one over limit fee per billing cycle, and the extent to which they assess an over limit fee in a later billing cycle for an uncorrected over limit event occurring in a prior billing cycle for which a fee has already been charged. Consumers Union believes that both such practices are unfair and the Agencies should declare them to be. Over limit fees should not be permitted in excess of one per billing cycle, and a single event should not trigger over limit fees in multiple billing cycles.

It is also unfair, and should be declared to be unfair, to assess an over limit fee for any transaction which was approved by the financial institution through an authorization process when the charge was made.

3.F Unfair balance computation method, section __.26

Consumers Union supports the rule of section __.26 that would make it an unfair practice to calculate the finance charges based on balances owed during days in the prior billing cycle. Two cycle balance computation penalizes consumers who carry a balance in some months and not in others. Consumers should not be penalized financially for moving out of the "always carry a balance" group before they are able to move all the way to the "never carry a balance" group. Consumers who carry a balance intermittently should not face a balance calculation method that imposes a higher finance charge for the very same balance than they would pay if they had carried a balance every month.

Future work on unfair balance computation methods: More work remains to be done in the future on balance computation methods. The multiplicity of billing formulas may predate the computer software age. Further reducing the number of allowable methods would reduce a source of confusion. The Board's own work to date shows that "consumers did not understand explanations of balance computation methods." 73 Fed. Reg. No. 97, May 19, 2008, 28904, at 28922.

3.G Fees for the issuance or availability of credit, section __.27

Consumers Union supports the proposed restrictions on financing fees and charges for the issuance or availability of credit in a credit card account where the fee or charge is more than half the credit limit. Financing of fees and deposits can increase the difficultly of understanding the true cost of the amount of credit that is actually made available after the fees and deposit.

The many abuses in the area of fee harvester credit cards are well documented in the National Consumer Law Center report. Rick Jurgens & Chi Chi Wu, *Fee-Harvesters: Low-Credit, High-Cost Cards Bleed Consumers*, *National Consumer Law Center*, 2007, *available at* http://www.consumerlaw.org/issues/credit_cards/content/FEE-HarvesterFinal.pdf. These cards exploit a genuine consumer desire to enter the credit market with a product that simply doesn't deliver the expected benefits.

Suggested modification to section __27: We respectfully suggest that the restriction in section __.27 should apply to all consumer credit accounts, rather than solely to "consumer credit card accounts," to prevent circumvention of the rule by reconfiguring the product to fall outside the definition of a credit card. Since "credit card" is defined as a card, plate, coupon book or single credit device, it is easy to imagine a credit card-like product that could be designed to arguably fall slightly outside of this definition but in all other respects operates like a high fee credit card.

The Agencies may need to reexamine the definition of consumer credit card account in section __.21(c) or in the cross-referenced definition of credit card promulgated by the Board in 12 CFR section 226.2(15). The exclusion of a debit card with a linked credit feature from the definition of "consumer credit card account" for purposes of Regulation AA creates a special risk that a fee harvester credit card might be redesigned to

masquerade as a prepaid debit card with a linked line of credit secured by a large, financed deposit. Applying at least section __.27 to all consumer credit accounts rather than only to consumer credit card accounts would remove the potential for attempts to circumvent this section.

Further work to be done on fee harvester credit accounts: We respectfully recommend that this part of the rule go much further. First, we remain concerned that the practice of financing deposits is inherently deceptive. The consumer is highly likely to think that he or she is getting actual new available credit, not just paying finance charges to borrow money that will be held by the lender for its own security. If the practice isn't declared unfair, then the financing threshold should be set much lower than 50%. Second, the rule should make it an unfair practice to charge fees for a credit card account in excess of 10% of the credit limit, whether or not those fees are financed.

3.H Advertising disclosure for firm offers of credit, section __.28

Consumers Union agrees that it is deceptive to solicit credit card applicants using a "firm offer" touting low interest rates or high credit limits for which the recipient is unlikely to qualify. However, we respectfully suggest that another standard form disclosure is just not enough to address this problem, even if that new disclosure must be prominent. Instead, it would be a much stronger protection against deception to require that firm offers describe only interest rates and credit limits for which a person meeting the prescreening criteria would in fact qualify.

4. Consumers Union's comments on docket R-1286.

4.A General disclosure requirements, section 226.5

Penalty rates and "fixed" rates: We support the added clarity from the use of the term "penalty APR" and the restriction on using the term "fixed" without specifying the applicable time period. We caution, however, that the rule should go further and should prohibit the use of the term "fixed" unless the initial time for which the rate is fixed is at least one year. Using the term "fixed" when in fact the rate is highly temporary will be misleading even if the date when the fixed rate ceases to be fixed is included.

4.B Credit card applications and solicitations, section 226.5a

Including the foreign currency conversion fee in the table is helpful. For the subgroup of consumers with semi-frequent international travel, this may be a significant shopping factor. It may also be important to some people in some immigrant communities and for some consumers residing in states with cross-border economies. Section 226.5a(b)(4) indicates that the disclosure should include any fee (including a foreign currency conversion fee) charged by the issuer for purchases. We respectfully suggest that the rule should cover any fee charged by or collected by the issuer for

purchases or for other uses. If the issuer collects a 3% fee, and 2% is charged by the issuer while 1% is charged by VISA or MasterCard, the fee table should disclose the full 3%.

Whatever phrase is used to describe the grace period must be a required phrase: Section 226.5a(b)(5) would replace the term “grace period” in the tabular disclosure with “How to Avoid Paying Interest on Purchases” or a substantially similar phrase. To get the most benefit from using a phrase which tests well for consumer understanding, it is essential that tables provided by different issuers use the same phrase. We suggest eliminating the option of using a “substantially similar phrase” because it will undercut the usefulness of the new phrasing. The same issue arises in section 226.6(b)(iv) and in 226.9(b)(3)(i)(E) on the use of the phrase “Paying Interest.” One particular phrase should be required to promote uniformity, comparability and readability of these tables.

4.C Account opening disclosures, section 226.6

Disclosure concerning the true amount of available credit after fees and charges: We welcome the additional information described in section 226.6(b)(4)(vii), but we question why the available credit disclosure should be limited to when the fees and charges use up 25% or more of the credit line.

Disclosure concerning when account opening fees are not owed may need rephrasing: In section 226.6(b)(4)(vii), we welcome the requirement to disclose to consumers that they are not obligated to pay account opening related fees until the consumer has used the account, but we question why that disclosure should tell the consumer that he or she has no such rights if the consumer has paid the fees. If the consumer rejects the account after paying the fees but before using the account, there should be a right to cancel and receive a refund of fees paid. The disclosure described at section 226.6(b)(4)(vii) would inform the consumer that the fees are not owed “until the consumer has used the account or made a payment on the account after receiving a billing statement.” If that billing statement was for fees, and the consumer has not otherwise used the account, payment of those fees should not waive the right to reject the account and receive a refund of those fees. While this situation is likely to be rare, the disclosure should not imply that the fees can’t be refunded when the rejection occurs after the fees have been paid.

4.D Subsequent disclosure requirements about convenience checks and penalty rates, section 226.9

Restrictions on convenience checks should be printed on the front of the checks: Section 226.9 on convenience checks is welcome, but it could be stronger. Consumers Union supports rate and fee disclosures for these checks on the front of the first page containing the checks, as well as disclosure of any date by which convenience checks must be used in order to qualify for the promotional rate. We recommend, however, that the interest rate, the date by which the interest rate will increase, and the transaction fee be printed on the face of each check. In addition, the face of each check

should state if the check may be dishonored after it is written. Consumers Union has received complaints from consumer who used a convenience check to pay a bill, such as a check to a home improvement contractor, but the card issuer chose not to honor the check. As a result the consumer experienced difficulties with the contractor.

Convenience checks should be sent only on request: The identity theft risks of convenience checks outweigh any true convenience from their unsolicited receipt. They are the keys to the credit card account and should not be floating around in the mail. We recommend that convenience checks be sent only after an affirmative request of the cardholder. This would require a further rule change.

Convenience checks should be included in the definition of a credit card: The Board should include convenience checks in the definition of a credit card, bringing them under the rules on unsolicited issuance and unauthorized use. When a convenience check is used, it creates a balance that is repaid under the credit card contract, with the same types of consequences for the consumer as other credit card debt. These checks should be treated as within the definition of a credit card.

Additional disclosure about penalty interest and delinquency rates, section 226.9(g)(3)(i): Consumers Union strongly believes that penalty, delinquency and default rates on existing balances cannot be made fair through additional disclosure. However, it will be useful for consumers to have the additional information such as how long these rates will remain in effect, what if anything the consumer can do to restore the standard rate, and to which balances the rate applies.

4.E Prompt crediting of payments, section 226.10

Payments received by 5pm can't be treated as late: We support the clarification that it is not reasonable to set a time before 5 pm local time as the cut off for on-time payments received by mail.

The 5pm rule should be extended to phone and internet payments, using the local time of the consumer if later than the local time of the issuer: One of the main reasons consumers pay by phone is that the consumer realizes there is not sufficient time to pay by another means, and still wants to pay on time. When paying by phone, the consumer may be paying an extra fee for this privilege, in order to avoid the more expensive consequences of a late payment. The offering of an expedited, fee-based phone payment service suggests to the reasonable consumer that the payment will be credited on the date of the phone call. A local-time 5pm rule would help to ensure that this is so.

Similarly, the nature of paying online at a card issuer's website creates an illusion of immediacy. Consumers Union has received calls from consumers who paid online without realizing that the payment would be scheduled for a later date.

A local time rule for phone and internet payments is incomplete if it remains based on the time at the issuer's location. Consumers in the Western U.S. should not get less time to pay than other customers just because of the issuer's location.

A creditor should not be permitted to both charge a fee for expedited payment and then treat that payment as received past the daily cut off time: The rule should be modified to require that a payment is deemed received on the day that the consumer pays or agrees to pay an expedited payment fee or a fee to use a particular payment method (such as a fee to pay by phone).

Payments actually received at the wrong address should be credited more quickly than five days: Section 226.10((b)(3) allows five days to credit payments actually received at the wrong address. This is too long.

4.F Commentary to section 226.13(f), billing error resolution

We support the clarification in the commentary that a consumer's complaint about an unauthorized charge or billing error cannot be automatically rejected if the consumer does not sign an affidavit or submit a police report. For disputed charges, a notary fee may be equal to or even larger than the charge, particularly if the signatures of two adults must be notarized. Since small unauthorized charges sometimes precede larger ones, the issuer and the soundness of the system are both well served by early reporting even of small erroneous charges. Paperwork requirements and notary fees can deter that beneficial early reporting. The creditor should be permitted to insist on more information or documentation only when the creditor has reasonably investigated its own records and those of the entity that originated the charge, and then finds that more information is still needed.

4.G Advertising, deferred interest offers, section 226.16

An envelope exclusion should not extend to pop up and banner ads: Subsection 226.16(h)(5) would exclude the envelope from the requirement that there be a prominent disclosure of the time limits of a "no interest," "no payments," or "deferred interest" term. However, the subsection also excludes a banner ad or a pop-up advertisement linked to an application or solicitation provided electronically. Even if it is not feasible to require all of the information described in section 226.16(h)(4) in the banner or pop up, basic information such as the time period after which interest will be due if the amount borrowed is not paid in full is too important to permit it to be omitted from this type of web advertisement. A simple description such as "no interest if you pay in full in three months" communicates far more accurately than "no interest." Applying the envelope rule to banner ads and pop up ads appears to permit the use of the phrase "no interest" when in fact the offer is "no interest if you pay in full by (time period.)" We ask the Board to modify the proposed rule to avoid authorizing misleadingly incomplete banner and pop up ads.

4.H Testing should include both paper and web forms and formats

As the Board designs any future testing, it should ensure that it tests both web presentation and paper forms. Some of the format and presentation issues will differ, and additional requirements may be necessary to make web materials visible and accessible. The most effective phrasing of required disclosures will be undermined if presented on the web using certain methods of presentation, including too far down on the page, too deep-linked, made optional, unprintable, formatted in a hard to read way, presented in yellow on a white screen, or by a variety of other means. Earlier this year, the author of this comment letter viewed a non-financial services "free merchandise" website containing a privacy disclosure a portion of which was presented in black text on a black screen. The additional material was discovered by a consumer who chose to copy the page and by so doing learned that there were additional paragraphs beyond what was visible on the screen.

We appreciate the general tenor of this proposal, which appears to understand that important information must be provided on all channels. Non-web savvy consumers would be deprived of essential options or information if issuers were permitted to choose web-only approaches. When web disclosure is allowed, the Board must consider providing requirements about format and presentation to ensure that important information is easy to find, not easy to overlook.

5. Unfair Credit Card Practices Are Not Reasonably Avoidable by Consumers

Consumers Union urges the Agencies not to be swayed by assertions that might be made by financial institutions that the unfair or deceptive practices defined in the proposed rule are reasonably avoidable because there might be some cards – now or in the future - that do not have some of these practices. The application of the "not reasonably avoidable" element of the unfairness test must recognize the realities of the credit card marketplace for individuals. That reality includes significant stickiness for consumers who carry a credit card balance once the consumer experiences any deterioration in credit standing or credit score (even changes in the score caused by the issuer's own actions); difficulty for most consumers in shopping due to product complexity; and segmented treatment of customers with some customer segments experiencing much harsher terms and practices than others.

Even if there are, or in the future are developed, some credit card choices that lack some of the unfair provisions and practices, this would not make the unfair practices described in the proposed rule reasonably avoidable by consumers holding credit cards with the unfair terms or practices for several reasons. First, the Agencies note the inherent difficultly for consumers to evaluate the impact on them of card terms and practices that are contingent on future events.

Second, the Board's own studies and the 2006 GAO study show the difficulty of effective disclosure of practices in credit card contract terms. Third, even if there are, or begin to be, some cards on the market with improved terms, this would not make the current unfairness reasonably avoidable. There are very real economic costs to

shopping and switching behavior in credit cards. Credit card switching can result in too many credit cards, too much available credit, and too-new trade lines. All of these factors depress credit scores, which has an economic impact on the household far beyond the credit card market. Credit scores impact the amount consumers will pay for car loans, home loans, and even prospects for employment and housing rental.

Finally, the application of questionable credit card terms and practices can reduce the quality of the individual's credit standing such that he or she could no longer qualify for any better new card that might later be offered. Imposing adverse consequences for one or more a short-duration late payments, such as a day or a week, could certainly hinder the ability to qualify for a different card if the adverse consequence includes reporting to a consumer reporting agency. Current penalty rate practices and hair-trigger loss of eligibility for a promotional rate also can significantly increase the minimum payment as the full newly increased finance charge must be included in the minimum payment. Unfair practices not only are unfair, they also add stickiness to the credit card marketplace, enhancing the "not reasonably avoidable" nature of unfair credit card terms and practices.

Conclusion

We are grateful that the Agencies are now exercising their authority in this area and are taking affirmative steps to protect consumers from unfair practices rather than continuing to rely on the proven-to-have-failed model of additional disclosure to address all problems for consumers in the credit card marketplace.

More work remains for the Board, OTS, and NCUA to do in order to bring sufficient order to the credit card market that consumers have an opportunity to understand the economics of the arrangements offered to them; that the market does not reward obfuscation by issuers in initial contract terms or through the use of change of terms clauses; and to minimize the circumstances which cause consumers to be in credit card debt arrangements which they are contrary to their reasonable expectations at the time that the debt was incurred.

This rule is an excellent start. We look forward to the continuing work of the Board, the OTS, and the NCUA to police the marketplace for the benefit of consumers and competition.

Sincerely,

Gail Hillebrand
Senior Attorney
Manager, Financial Services Campaign Team
Consumers Union of U.S., Inc.
West Coast Office
1535 Mission St.
San Francisco, CA 94103

Appendix

Selected Editorials Discussing the Need for the Proposed Rule Restricingt Unfair or Deceptive Practices in Credit Cards

Give Us Some Credit, Albany Times Union, May 6, 2008, Page A10, *available at* http://timesunion.com/archives/secure/docheckout.asp?action=Get+Doc+Tag&dblist=TX2008_ALBANYTU&tagnum=200805060133&papid=albanytu&suffixes=false&synonyms=false&thesfile=savesufx.fth&view=rtemplate&templatetype=legacy&query=give+us+some+credit&outputtype=DOCXSLT.

> "These companies are getting rich at the expense of a customer base that it has over a barrel."

Credit Card Crack Down, Baltimore Sun, May 6, 2008, Page 8A.

Ease Consumer Credit Risks: End Abuses in Card Fees and Charges and Add Fairness to Monthly Bills, Buffalo News, May 16, 2008.

Plastic Money: Credit Card Ripoffs, Charleston Gazette, May 7, 2008, Page 4A.

> The Federal Reserve has proposed new rules to halt a laundry list of such greedy, deceptive practices.
> …
> But it can force the credit industry to behave in an ethical, predictable way, without raking off hidden fees or charging bait-and-switch interest rates.

Credit Card Regulation is Overdue, Dallas Morning News, May 7, 2008, *available at* http://www.dallasnews.com/sharedcontent/dws/dn/opinion/editorials/stories/DN-nucreditcards_07edi.ART.State.Edition1.463d2c1.html.

> This newspaper was glad to see the report last week that three major financial regulators, including the Federal Reserve, have proposed rules to curb deceptive credit card practices.
> …
> New regulation is overdue. Creditors have been free to hike interest rates at any time and for any reason – and then apply the new rate to purchases the consumer has already made. Credit issuers also have manufactured revenue by selectively posting payments to maximize interest charges.

Help for Credit Card Users Regulators Propose Limits on Issuers' Practices, Eugene Register Guard and Portland Press Herald, May 6, 2008.

Ban Unfair Practices in Credit Card Industry: Fed Rules and Proposed Laws Steps in the Right Direction, Miami Herald, May 6, 2008.

> "Many consumers have learned the hard way that even if they pay the minimum amount and pay on time, they still get penalized by higher rates or added fees, or both."

Fed Lays Down Rules for Credit Cards, Mississippi Press, May 11, 2008, Page 8A.

> "The cards are easily obtained-perhaps too easily-and come with acres of tiny print that only a bank lawyer could plow through."

Our View: Crackdown on Rip-Offs by Credit Card Industry Welcome, Long Overdue, Morning Journal, May 6, 2008.

> Better late than never as the Federal Reserve, along with other regulatory agencies, are moving to stop some of the most abusive rip-offs that credit card companies inflict on their card users.
> …
> Credit card issuers have been allowed to prey on consumers for far too long.

New Rules May Limit Credit Card Firms' Grasp on Our Wallets: Proposals to Give Cardholders Some True Relief Are Working Their Way Through the System, Portland Press Herald, May 6, 2008.

Fed's Proposals for New Credit Card Rules Expose Bankers, Salt Lake Tribune, May 7, 2008.

> "The Federal Reserve has proposed new rules to limit the ways banks can jack consumers around with credit-card interest, fees and late-payment penalties."

Fed's New Credit Rules Make Sense, San Gabriel Valley Tribune, June 13, 2008, *available at* http://www.sgvtribune.com/rds_search/ci_9574994?IADID=Search-www.sgvtribune.com-www.sgvtribune.com.

> Anyone with decent credit - and a lot of people without it - finds his mailbox stuffed with come-ons touting "low introductory rates!" and "big rewards!"
> …
> That mailbox battle keeps prices down on the front end. But once you've signed up, many credit card banks find lots of ways to ding you with higher interest charges.
> …
> The Fed's willingness to tighten credit card rules is a good sign.

High Interest in Credit, Seattle Times, May 6, 2008, *available at* http://seattletimes.nwsource.com/html/editorialsopinion/2004394012_carded06.html.

> The collapse of the housing market because of the lack of disclosure and just plain fraud by mortgage bankers has brought other lending practices into the sunlight.
> …
> The credit-card industry relentlessly trolls for new customers with unsolicited offers and come-ons. Lurking in the background is a thicket of fees, billing procedures, surcharges and penalties for a myriad of infractions.
> …

> Banks are infamous, according to the Fed, for playing lucrative games with interest rates. New, higher rates get applied to existing balances. Payments are parsed out so the most expensive debt with the highest interest rate is paid last.
> …
> Another target is two-cycle billing that manipulates interest and balance calculations.

Bush Administration Too Slow to Help Out Consumers, Sentinel & Enterprise, May 6, 2008.

> "The proposed regulations should curb some of the more egregious unfair practices and, if effective, may even stave off the stricter regulation that some in Congress are lobbying for."

Boom in Plastic, Staten Island Advance, May 15, 2008, Page A20.

> "With 6,000 institutions making money by offering credit cards, harsh, unfair or even deceptive practices have tended to proliferate. For example, the fine print in most disclosure statements say that issuers can change the terms of cardholder's agreement at any time for any reason."

Feds Take Overdue First Step to Curb Credit Card Business, USA Today, May 6, 2008, Page 10A, *available at* http://blogs.usatoday.com/oped/2008/05/our-view-on-con.html?loc=interstitialskip.

Fed Lays Down Rules on Cards: Credit Industry Put on Notice, Ventura County Star, May 8, 2008, *available at* http://www.venturacountystar.com/news/2008/may/08/fed-lays-down-rules-on-cards/.

Tricky Credit Cards Rightly Get Regulators' Scrutiny for Deception, Wilmington News Journal, May 4, 2008.