Bryce W. Bounds 2 College Street #693 Providence, RI 02903
bryce@arch13.com Arch13.com

February 22nd, 2004
Ms. Jennifer J. Johnson
Board of Governers of the Federal Reserve system
20th Street and Constitution Avenue, NW
Washington, DC
20551

To Whom It May Concern,

As a member of the current college population, a generation who's credit card debt load is disproportionately high in comparison to other demographics, I would like to comment on several of the solicited comments regarding Regulation Z as well as add several comments on my own.
I will address the solicited feedback in the organizational manner in which it was presented, followed by my own comments that did not fit any specific question.

Account opening disclosures
Q2 & Q3: While current disclosures do display a remarkable amount of information, much of this data is simply seen as "legalese" by many people. Perhaps requiring that upon applying for a card, the applicant be sent a full disclosure to sign and return that contains such data at a larger font would present the solution of preventing to a greater extent impulse applicants who have failed to read such information beforehand. This additional step would give the applicant an additional chance to read this information and allow the applicant to back out before committing to a contract with the credit provider. By providing such a "full disclosure" statement after initial application, the applicant is subjected to a waiting period that may allow them to assess their need for such a card *and* allow them to view the full terms that are currently not provided until after application has been completed.
Additionally, requiring that promotional interest rates be presented in the same size text as other interest rates would have an effect from a graphic design perspective of giving equal visual attention to all presented rates and prevent companies from using bold text and larger font sizes to create an overarching presence of a single rate which many consumers often confuse as the effective rate for the life of the card. Presenting all rates at the same font size, and requiring this font size to be larger than disclosure text allows the consumers eye to see all the credit rates presented to them in an equal manner.

In addition to this question, regarding account opening disclosures;

Above the area on an account opening form where the consumer signs in agreement, the following text should be present as a reminder of the effect of applying for credit upon a persons credit score.
"**Applying for multiple credit cards or other open-end credit in a short period of time may negatively effect your credit score."**
Many are not aware of this, and it's service in educating first time applicants and those who have little experience applying for or understanding credit is enormous.

Periodic statements
Q4,Q5,Q6: Currently, the "Schaumer" box on my monthly statements shows my credits rates for the following: Access checks, card purchases, cash advances. Having these divisions has been a great aid in monitoring my spending. This box is on the first page; bottom, of my monthly statements. This placement is both logical and easy to understand when one does not have much time to look over a bill initially. This box also contains how much interest has accrued in the previous 30 days, my total debt amount, minimum due, and due date. This organization is logical and easy to understand. I do not know if other credit companies provide this on the first page of a monthly statement, but if they do not, I highly advocate it as most consumers attention will focus on the front page to ascertain the current amount due immediately upon receiving the bill. Please pay by dates that are before a cards due date is actually in the interest of the consumer. How ever, a due date that falls after the grace period would appear to be a deceptive business practice, and in such a case in equal text the grace period end date should appear above the due date text in equal text weight and size.

The Schumer box
Q7,8: As stated above, the Schumer box should contain all interest rates in equal size fonts so as not to use font size and text weight to distract a consumer from other listed rates. Heavy text weights and font sizes has an effect upon the human eye of drawing it away from surrounding text. Perhaps specifying that a schumer box have equal text weights could be as equally effective as attempting the set a specific text size.
In regards to other fees, perhaps an adjacent table outlining such fees in equal text sizing to the schumer box would allow the consumer to view such information in a clearly presented manner and allow the consumer to view such information in direct relation to the data disclosed by the Schumer box.

Subsequent disclosures
Q9: Including a "Schumer" style box presenting fees and rates to a consumer on the first page of any communicated a consumer receives offering convenience checks or balance transfers, and requiring that this

table be presented in good faith as the same size and weight as initial account opening disclosures would allow the consumer to assess the fees and interest rates associated with these services quickly upon receive such letters from a credit issuer.

Over the credit-limit-fees

Q21 & Q22: A credit issuing company should decline any charge in excess of a set credit limit. It's is plainly obvious that allowing a charge for the purpose of collecting a fee is not in the consumers best interest. In cases where a charge is authorized that places an account over it's limit, freezing such an account until such a time as it is in good standing serves the interest of both consumers and credit issuers. By preventing additional charges, the credit issuer is taking a step to prevent possible default on the account at a future time by limiting the amount. This allows the issuer to lower it's risk of default and effect the offered credit interest rate to others by lowering the amount a credit issuer would have to be liable for in the event that a customer defaults. Such defaults and their associated risk play a large part in the offer of credit to others as this risk and its associated costs are passed to other consumers in the form of higher charges and interest rates.

I would suggest that such a fee be present after the grace period for any charge not prevented beforehand and that once the credit issuers systems are aware that an account is over it's limit, the account be frozen until such a time as it is in good standing.

In such a case where the issuer continually allows the account to be used and not brought into good standing, this represents a disservice to the consumer.

A credit issuer should be able to recoup fee's for a card holder that is over their limit, but any payments by the consumer to bring an account back into good standing should be first applied to such fee's, then balances. In such a case, a credit issuer would then be prevented from charging interest on these fees as additional income as many currently do. Also, raising the minimum payment for a billing cycle where a credit limit has been exceeded is not unreasonable and if implemented, should be increased enough to bring the account *below*, not to the credit limit.

Effective vs. Historical rate

I feel the current system serves the needs of all consumers by presenting a better picture of the total cost of using open-ended credit. It's the consumers' responsibility to take this information and understand the difference. Removing the effective APR from billing statements is only in the best interests of industry representatives.

The "shock value" of the effective APR is of great aid to consumers so long as they take the time to review their monthly statements.

Personal responsibility is often ignored in society, but the fact is that it must be taken by the consumer to educated and understand their account and it's fee structure. Without these disclosures, this is more difficult.

Disclosures regarding rate changes

Q26: A notice period of two billing cycle is appropriate as this gives a consumer adequate time to "shop" for alternative credit issuers. Notice should be made in a separate letter, not included with a billing statement, and should clearly state why a rate has been adjusted. It should also offer the option of freezing the account at it's current rate while terminating the consumers ability to make any future charges if the consumer so wishes to pay off the balance and discontinue the use of the credit line without forcing the consumer to move their entire balance.

Q27: I do not believe that a customers credit history pertaining to other accounts not held with a credit issuer should in any way adversely affect a consumer's interest rate. This is in no ones best interest except credit issuers.
A compromise would be to raise the interest rate only after sixty (60) days notice, and only for new purchases made after a change in the interest rate. IE: Not applied to the outstanding current balance, only new finance charges after due notice has been served.

For a consumer attempting to pay their bills in good faith, such actions as raising the interest rate for unrelated accounts is in effect a "punishment" for an action that did not effect the current credit line the consumer holds with other companies. That is an issue between a consumer and a creditor for which a default has occurred, and is not an issue that should be used to make the repayment of other credit lines more difficult. If a credit issuer views a customer as an increased risk, the company may always freeze the account until a portion of the balance has been paid that mitigates such risk.

Effects of making only minimum payments.

It would be in a consumer's best interest to be presented with the data showing the long-term cost of making only minimum payments. Sadly, this is one more erosion of personal responsibility. However, it's long-term value as an additional "sticker shock" would be of long-term benefit to those at the highest risk of default.
Perhaps credit reporting agencies should occasionally furnish statistics showing data regarding minimum payments for review as a way of monitoring such trends and their effect.

Additional thoughts…

Consumers should be provided TILA's protections for "convenience checks" much the same as for any other purchase made where the card is

presented. Such checks should be clearly communicated in regards to their separate interest rate when provided to the consumer.
Consumers should continue to receive a physical card when they receive an open ended credit account from a credit issuer. Not providing such a component possibly prevents a consumer from using their available credit in ways not expressly approved by the credit issuer and would represent a market limitation in the ways a consumer could use such credit.
In regards to prompt payment, a payment should be credited as its postmark as this is standard business practice for most industries. As cited, even the IRS operates this way. A credit issue should uniformly apply rules of payment acceptance to all account holders and state these terms on the payment stub of each statement for better understanding.
Due to the nature of the Internet, payment should be counted as credited on the business day received or 9am on the next business day. This would place online payments on equal footing with physical payments.
If a payment processing company is receiving the payment, the payment should be considered received by the credit issuer as the processing company is acting on the credit issuer's behalf and is representing the issuer in accepting the consumers' payment.
I make most payments online, but still expect a paper statement each month. I feel that paper statements should continue to be required and that credit issuers should be barred from eliminating paper statements. In such a case, a lose of internet connectivity by the consumer would render them without records access and prevent them from making informed decisions in the absence of these records.

In most cited instances in this letter, the additional cost of doing business is in additional printing costs for the credit issuers. For the volume these companies print daily, this may be considered a negligible cost by some, and should be considered a cost of doing business, not a cost to be passed to consumers directly through a specific fee. Most other suggestions are within the capability of credit issuers current systems with little modification and minimal costs. Primary cost would be in initial implementation.

I thank the board for taking the time to review and consider these comments. I am always willing to provide additional input if requested or if I have been less than clear on any topic.

Sincerely,
Bryce W. Bounds