

REINVESTMENT PARTNERS

"ADVOCATING FOR ECONOMIC JUSTICE AND OPPORTUNITY"



May 18th, 2015

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1275 First Street NE
Washington, DC 20002

RE: Docket No. CFPB-2015-0007, Request for Information Regarding Credit Card Market

Dear Ms. Jackson:

Please accept our comment in regard to the Consumer Financial Protection Bureau's "Request for Information Regarding Credit Card Market."

Reinvestment Partners is a 501 (c) 3 organization located in Durham, North Carolina. Our mission is to help under-secured communities to access safe and sound financial products. We realize our goal through a "people and places" strategy that addresses needs through direct services to individuals, to neighborhood community economic development, and through policy advocacy.

We would like to focus on comment on the fee harvester provisions established in the CARD Act.

12 CFR Part 1026.52 (a) stipulates that fees and interest assessed during the first year of an account's status cannot exceed one-quarter of the amount of the credit line. We believe that the protections should be enhanced.

- First, the period of protection should not end after one year.
- Secondly, any fees assessed as part of the application process should be factored into the fee harvester calculation.

Period of Protection

As currently written, the protection against overly high fees lasts only for the first twelve months of an account's existence. This rule should be modified.

Moreover, a credit line increase or decrease should trigger an additional protection period. The First Premier Card asks consumers to pay an additional twenty-five percent credit line increase fee.

Application Fees to be included

Generally, account fees can be divided into two groups. First, there are fees that are standard with the card and which are incurred irrespective of how it is utilized by the consumer. Second, there are fees that are the result of consumer usage.

The latter includes interest on outstanding balances, late fees, over-the-limit fees, etc. The former are principally made up by the sum of account opening fees and annual fees.

The next table outlines the fee schedule associated with three of the highest-cost subprime credit cards that are currently in issuance.

Terms of Common Subprime Credit Card Accounts

	First Premier ¹	Merrick Bank ²	Continental Finance ³
Credit Line	\$300	\$500	\$500
Application Fee	\$95	\$75	\$0
Annual Fee	\$75*	\$48	\$125
Interest rate	36%	Up to 29.7%	29.99%
Spendable Share of Line	\$130 of \$300	\$377 of \$500	\$375 of \$500
Required Fees/Line Amount	56.7%	24.6 %	25%
Fee Harvester Calculation	25%	24.6%	25%

*Billed in the 1st month

Each of these cards manages to deftly avoid triggering a violation of the CARD Act (12 C.F.R. 1026.52 (a)). But the application fee is a required condition of opening an account.

The intent of the rule is to cap non-discretionary fees in proportion to the associated credit line. With the case of both the Merrick and the First Premier cards, consumers cannot avoid paying the application fee. It is a condition of the account.

The First Premier Bank even charges a one-time 25 percent fee for credit line increases.

We believe that the CFPB should examine the loophole in the CARD Act that allows an issuer to exempt to the cost of an application fee from the relevant fee harvester calculation.

Thanks for your concern.

Sincerely,

Adam Rust
Reinvestment Partners
110 E. Geer St.
Durham, NC 27701
adam@reinvestmentpartners.org

¹ <https://www.premiercardoffer.net/CardDetailsPage/D1JFX1X1%2000100MI>

² <http://www.mbdot.com/docs-repository/merrick-bank/Merrick-Unsecured-Pricing-1113.pdf>

³ <https://www.yourvervecard.com/Content/PDF/GetTermsAndConditions20150120.pdf>