

The PNC Financial Services Group, Inc.
249 Fifth Avenue
One PNC Plaza, 21st Floor
Pittsburgh, PA 15222-2707

412 768-4251 Tel
412-705-2679 Fax
james.keller@pnc.com

James S. Keller
Chief Regulatory Counsel

October 12, 2007

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

Re: Proposed Rule; Request for Comment Regarding Proposed Amendments to Regulation Z; Docket No. R-1286; 72 Fed Reg 32948 (June 14, 2007)

Dear Ms. Johnson:

The PNC Financial Services Group, Inc. ("PNC"), and its principal subsidiary bank, PNC Bank, National Association ("PNC Bank"), both of Pittsburgh, Pennsylvania, appreciate the opportunity to comment on the proposed amendments to Regulation Z ("Proposal") issued by the Board of Governors of the Federal Reserve System ("Board").

PNC is one of the largest diversified financial services companies in the United States, with \$125.7 billion in assets as of June 30, 2007. PNC engages in retail banking, institutional banking, asset management and global fund processing services. Its principal subsidiary bank, PNC Bank, has branches in the District of Columbia, Florida, Indiana, Kentucky, Maryland, New Jersey, Ohio, Pennsylvania and Virginia. PNC also has one other subsidiary bank, PNC Bank, Delaware, Wilmington, Delaware, which has branches in Delaware.

General Comment

PNC generally supports the Board's intention of clarifying the disclosure rules for open-end credit and is pleased to have the opportunity to submit a comment letter. Any changes to Regulation Z are certain to have a significant impact on all financial institutions engaged in consumer lending, and we urge the Board to consider carefully the specific comments offered below.

Further, we urge the Board to provide creditors with sufficient time to implement the changes that are adopted. We suggest a two-year period from the date of issuance of any Final Rule, due to the magnitude of the changes and their significant operational impacts.

Specific Comments

The Board requests comment on a number of issues regarding its Proposal. Our comments are split into comments regarding the proposed changes specific to the credit card provisions of Regulation Z, and comments regarding the general proposed changes applicable to all non home-secured open-end credit.

A. Proposed Changes Specific to Credit Card

1. Credit Card Application and Solicitations: Tabular Format Changes

Under the Proposal, card issuers would be required to make numerous changes in the terminology and formatting of the tabular disclosures. The Proposal would also require additional disclosures relating to default or penalty pricing, including the specific triggering events and the balances to which the penalty rate would apply. In addition, card issuers would be required to add a new disclosure to the table about the card issuer's payment allocation method and its impact on credit costs.

PNC supports these proposed changes to Section 226.5(a) and believes they will provide more meaningful disclosure to consumers in comparing the terms and costs of credit offerings. PNC also believes that its compliance with these changes in terminology and formatting will not be overly burdensome.

2. Credit Card Applications and Solicitations: 8" by 14" Paper

The Board envisions, but does not require, that the application and solicitation disclosures be provided on 8" x 14" paper.

PNC recommends that the Board make clear that there are no specific paper size requirements in connection with credit card applications and solicitations. We believe that the tabular format changes referred to in Section A.1. above are adequate to ensure that the consumer has the opportunity to understand the terms of the credit being offered. There are new, enhanced type size requirements being proposed, and many key disclosures will be required to be in bold print and cross-referenced with other key disclosures. The Proposal also adds a new requirement that all disclosures for credit card applications and solicitations be "readily noticeable to the consumer," which is in addition to Regulation Z's current requirement that disclosures be "clear and conspicuous."

B. General Open-End (non home-secured) Proposed changes

1. Definition of Open End Credit

Section 226.2(a)(2) contains the definition of "Open-End" credit. Under the current definition, sub-accounts may be established and treated as open-end credit if the program, as a whole, meets the definition of open-end credit, even though the sub-accounts themselves may not meet the definition. The Proposal would amend the Commentary to state that when a consumer has different sub-accounts with one creditor each account must meet the self-replenishing criterion to be treated as open-end. In particular, proposed comment 2(a)(20)-2 would provide that repayments of an advance for any sub-account must generally replenish a single credit line for that sub-account so that the consumer may continue to borrow and take advances to the extent that he or she repays the outstanding balances. The Board states that these revisions are not intended to impact Home Equity Lines of Credit ("HELOCs"), and seeks comment regarding the impact on HELOCs.

We believe the proposed change may have unintended consequences for the HELOC product offered by PNC and other creditors. PNC offers a variable rate HELOC, one feature of which permits a consumer to convert a portion of the outstanding balance into a fixed-term, fixed-rate sub-account. The sub-account includes a payment schedule and interest rate that differ from the master variable account, and the sub-account is never replenished. Rather, any payments on the sub-account replenish the master variable account. PNC treats this type of HELOC as a multi-featured open-end credit account, as permitted by the current Regulation and Commentary. A change to the Commentary to require that a sub-account be self-replenishing would force creditors to treat these types of HELOC sub-accounts as closed-end credit. This would be extremely disruptive and burdensome, and would necessitate changes to disclosures, statements, and account agreements. We urge the Board to remove this proposed change from the Final Rule.

2. Statement Changes: Monthly and Year-to-Date Interest Disclosure

Proposed §226.7(b)(6)(iii) would require that finance charges attributable to periodic interest rates using the term "Total Interest Charge" be disclosed for the statement period and calendar year-to-date. An example of such a disclosure is set forth in proposed Model Form G-18 (A). While we appreciate that the Board has made model forms available for the periodic statement changes, we believe that this section could raise a number of operational questions. For example, if a charge is credited to a customer's account due to a return or dispute resolution, interest charged on that

transaction will need to be refunded and a new interest figure would be reflected on the next month's statement. Would this need to be noted or explained to the customer, or would the new interest disclosure be sufficient? If the Board requires any additional explanation, a whole new layer of complexity would be added to the statement, which would require numerous hours of additional programming. We request that the Board add clarification to the proposed Official Staff Commentary that the new interest disclosure is sufficient.

3. Statement Changes: Calculation of the Annual Percentage Rate (APR)

The current rule requires that an "effective" APR be disclosed on periodic statements to reflect the cost of interest and certain finance charges imposed during the statement period. The Board is proposing two alternative approaches to the current effective APR approach. One approach seeks to improve the efficacy of the effective APR; the other approach completely eliminates the current requirement that creditors disclose an effective APR. PNC believes the latter approach is better. Consumers generally do not understand the effective APR and how it relates to the corresponding interest rate or corresponding APR. We believe that consumers will be better served with a disclosure of only the actual APR or interest rate and other changes contained in the Proposal. In grouping like transactions together on the statement, giving customers a running total of interest paid during the billing cycle and year-to-date, and providing them with the actual APR, consumers will have all the information they need to understand just what their credit account is costing them during each billing cycle.

4. Statement changes: Optional for Home Equity Lines of Credit

We understand that the statement revisions are not intended to revise substantively requirements for HELOCs. The Board has announced its intention to proceed with a review of Regulation Z in stages, and has stated that possible revisions to rules affecting HELOCs will be considered in the Board's review of home-secured credit, which is currently underway.

For HELOCs, creditors are required to comply with the disclosure requirements under proposed §226.7(a)(1) through (10), including existing rules and guidance regarding the disclosure of finance charges and other charges, which would be combined in a new §226.7(a)(6). These rules and accompanying commentary are substantively unchanged from current § 226.7(a) through (k). Proposed §226.7(a) also provides that, at their option, creditors offering HELOCs may comply with the requirements of §226.7(b).

Based on this, creditors using a single processing system to generate periodic statements for all open-end credit products would be given the option to retain the existing periodic statement disclosure scheme for HELOCs, or to generate HELOC statements under the revised rules for other open-end credit plans.

PNC is a creditor that generates periodic statements using one system. We anticipate revising all statements, whether HELOC or other open-end credit, to reflect the required changes, and we appreciate the flexibility creditors have to do so under the Proposal. We also anticipate that the time and expense to change the statements will be extremely large. To that end, we urge the Board to make certain that any future changes it proposes to HELOC statements are consistent with the statement changes required when this Proposal is finalized. It would be a huge work effort to make the changes required by the Proposal, and then to make additional statement changes if required by the review of HELOC disclosure requirements.

Further, we would like the Board to recognize that there may be an inconsistency in the current Proposal on the issue of proposed statement changes under new §226.7(b)(4) and the requirement that creditors disclose promotional rates only if the rate actually applied during the billing period. We support the Board's interpretation of Regulation Z to require disclosure only of rates that actually applied during the billing cycle. However, as currently set forth in the Proposal, this exemption applies only to open-end (not home-secured) accounts. For creditors like PNC, who produce their statements on the same system and who would plan to make the changes equally to HELOC statements, it would be problematic to disclose potential rates only for HELOCs, but not for other open-end credit statements. We urge the Board to clarify that this exception, as well as any other statement change requirements, applies equally to HELOC statements for creditors who choose to generate HELOC statements under the new rules.

5. Periodic Statements: Uncollectible Accounts

Creditors are required to mail or deliver periodic statements for each billing cycle at the end of which an account has a balance of more than \$1.00 or on which a finance charge has been imposed. Pursuant to §226.5(b)(2)(i), periodic statements need not be sent for an account if the creditor deems it uncollectible, or if delinquency collection proceedings have been instituted, or if furnishing the statement would violate federal law. The term "uncollectible" is not defined. The Board is not proposing regulatory or commentary revisions on when an account is deemed "uncollectible" but seeks comment on whether additional guidance would be helpful.

We believe that additional guidance on this issue would be helpful. We suggest that either the Regulation or Commentary be revised to state that creditors need not send formal statements to debtors once bankruptcy proceedings have been instituted. In particular, if a Chapter 13 bankruptcy plan has modified a customer's payment obligation, we believe creditors should be exempted from the requirement to send monthly periodic statements. In the event of a Chapter 13 bankruptcy plan, a debtor's payment obligation may be fully or partially extinguished, and/or payment obligations may be modified and may differ substantially from the original payment terms. This cannot always be accurately reflected on a monthly statement where the balance and payment features are set up based on the obligation originally set forth in a line of credit agreement. We ask the Board to recognize this and permit a modified disclosure, which need not include all the information required of a periodic statement under §226.7, in certain circumstances.

6. Periodic Statements: Fourteen Day Grace Period

PNC believes the existing 14-day grace period rule for mailing periodic statements is adequate and should not be revised.

7. Change in Terms: Forty-Five Day Notice for Increases in Rates Due to Delinquency or Default or Penalty Pricing

The Board has proposed a new 45-day notice period before creditors may increase interest rates due to delinquency or default or penalty pricing. PNC questions whether such a change would ultimately be beneficial to consumers, and suggests that a 45-day period not be adopted.

If the Board includes this 45-day requirement in the Final Rule, however, PNC suggests that the Board provide relief for creditors who use double-default repricing (i.e., more than one default is required to trigger the increased pricing). These creditors should only be required to send a notice upon the occurrence of the first default. Consumers would still have a 45-day notice to keep them alert to avoiding the second default, and creditors would not be encouraged to move from the consumer-friendly practice of double-default repricing to a single-default trigger.

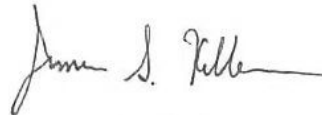
Finally, PNC believes that the 45-day notice requirement should not apply when the consumer's delinquency or default triggers a repricing from a promotional or discounted rate to the creditor's regular "go to" interest rate.

Conclusion

We strongly recommend that the Board consider these comments in finalizing the Proposal, especially our request that the Board make consistent statement change recommendations when it releases its future proposal to clarify disclosure requirements for HELOCs.

Thank you again for the opportunity to comment on the proposed amendments to Regulation Z. If you would like to discuss any aspect of this letter, please do not hesitate to call me.

Sincerely,

A handwritten signature in black ink, appearing to read "James S. Keller". The signature is fluid and cursive, with a long horizontal stroke at the end.

James S. Keller

cc: Michael F. Carroll
Federal Reserve Bank of Cleveland

Gary TeKolste
Office of the Comptroller of the Currency

Kathleen A. Flannery
Douglas T. Shore, Esq
Melinda B. Turici, Esq
The PNC Financial Services Group, Inc.