

Our business is changing and we are moving forward

Affinity Update, Summer 2009

Today, customers are telling us more than ever they need a greater sense of financial security. And we are working to find new ways — ways that work in a new economy — to help consumers continue to make the most of their money and of their relationship with us. So when the CARD Act goes into effect, we will be in compliance, but it won't change our core beliefs: given and used wisely, credit cards remain one of the most convenient, flexible financial tools available to consumers and critical to helping our customers meet their needs.

We understand that providing credit card loans to consumers comes with great responsibility. Those of us in the lending business help Americans who borrow from us realize many of their dreams — and they depend on us to give them clear terms, a fair price and a reasonable amount of time to pay us back.

To be clear, we aren't taking an idealistic view of the new environment. The changes we all need to make as a result of this legislation and the preceding regulations from the Federal Reserve will fundamentally alter the business model for the entire credit card industry. But even before these new rules, our consumers were changing — saving more, spending more prudently and being much more deliberate about their financial choices. These are all good things for our country and our customers, and compelling reasons for us to change, too.

We are still working through many of the details outlined in the new rules and all issuers may react differently. We expect that one of the outcomes of the legislation will be more consistent APRs and those APRs will be higher than where that average is today. In the future, because there will be less price variability, many consumers will make their credit card choices based on attributes other than price, such as the value they receive in a relationship with us. We will design our products and services to fit this new reality.

We know your members, clients and our customers' needs are changing. As a result, we are broadening our perspective to look beyond traditional unsecured credit products and consider the complete range of customers' payment options. Our leading positions in both debit and credit combined with our continued affinity growth in each give us a great opportunity to build customer loyalty and grow our relationship with them. The balancing act we must achieve is how to deliver unsurpassed value, responsibly lend to as many creditworthy customers as possible and continue to win in the marketplace.

As we transform our business to meet our customers' needs, we must get it right. Credit cards will continue to play a significant role in our economy and in the everyday lives of consumers. Every person reading this has either used a credit card — or relies on someone who can — to pay for groceries and gas, to rent cars or reserve hotel rooms, for medical bills and home improvements and to meet many unforeseen, emergency needs. Credit cards are important to building the foundation of the emerging new economy; the facts support it. Last year in the U.S., consumers bought \$2 trillion worth of goods and services by using their credit card. That's 14 percent of the nation's total gross domestic product.

The challenges many Americans are facing are not lost on us. We want people to do more than just get by. We want them to get ahead and we are committed to giving them the right amount of credit at a fair price to do so. In the fourth quarter of last year, we extended \$11 billion of unsecured credit worldwide and we loaned another \$18 billion in the first six months of 2009. In 2008, we have lowered interest rates or payments for more than 1 million customers hit the hardest to ensure that they are able to repay their loans. We expect to do the same for up to 1.2 million customers this year.

The CARD Act is now law, but it is just the beginning of the story. We have heard your members, clients and our customers. And we're changing because, ultimately, our success depends on theirs.

Ric Struthers, President, Bank of America Global Card Services

CARD Act Frequently Asked Questions

What is the C.A.R.D. Act?

U.S. Credit Card Accountability Responsibility and Disclosure Act of 2009

Major Principles

- Reliable consumer protections
- Transparency and clear disclosures
- Consumer accessibility for comparison shopping
- Increased accountability

What are some of the key provisions of the C.A.R.D. Act?

- Prohibiting rate increases on existing balances except in limited circumstances, including when cardholder payment is at least 60 days past due
- Allocating payment amounts above the required minimum to the highest rate balances first
- Prohibiting over-limit fees unless the customer opts in to being allowed to go over the limit
- Requiring statement disclosures that indicate how long it would take to pay off a balance if the customer only pays the minimum each month
- Ensuring young people under 21 have a cosigner or are able to demonstrate financial ability to repay the loan before they are issued a credit card account

What is the effective date for this new legislation?

The majority of the provisions become effective nine months after it was signed into law (February 22, 2010); however, a few of the provisions have a 90-day effective date which begins August 22, 2009.

What provisions become effective on August 22, 2009?

- Customers will receive 45 days prior notification before any rate change takes effect.
- Customers will receive 45 days prior notification before the expiration of a short-term credit card customer assistance program.
- Customers will have a minimum 21-day grace period for payments and late fees. Bank of America intends to provide customers with at least 25 days.
- For new accounts, all promotional offers will have a minimum of six months in duration beginning with new account marketing in September, 2009.

Will Bank of America change their lending practices in response to the new legislation?

Bank of America is committed to lending responsibly to the broadest number of consumers possible and to remain prudent in their lending practices.

Will Bank of America increase interest rates before the new legislation goes into effect?

- We will continue to evaluate our portfolio to ensure that it is priced appropriately.
- In June, a small group of customers experienced a rate increase that they were notified of in April.
- In June, we also notified some customers who currently have a fixed rate that their APR will be changing to a variable rate. The new variable rate is based on the U.S. prime rate as of May 31 and does not result in a rate change at this time. Going forward, any change in the prime rate will cause a corresponding change in the customer's APR.
- Bank of America does plan to continue their business-as-usual process of default re-pricing, which means certain accounts may experience a rate increase if the account falls past due or goes over limit more than two times in 12 months.
- As always, customers who have been default re-priced can reduce their rates if they make 6 consecutive on-time payments.