

Dr. Robert J. Lahm, Jr.

December 3, 2008

Mr. Gordon Smith
Chief Executive Officer
Chase Card Services
JP Morgan Chase & Co.
270 Park Avenue
New York, NY 10017-2070

Dear Mr. Smith:

Prior to his retirement and subsequent appointment as a director with The Cambridge Group, your predecessor, Richard Srednicki, delivered testimony before the U.S. Senate Committee on Homeland Security and Governmental Affairs, Permanent Subcommittee on Investigations, chaired by Senator Carl Levin on March 7, 2007. The hearing was convened to address the topic of "Credit Card Practices: Fees, Interest, and Grace Periods."

I am presently serving in an academic environment, and as such I have developed research interests on the subject of credit cards and small businesses. Indeed, I was (honored) to testify myself on April 3, 2008, in another related hearing addressing "The Role of Credit Cards in Small Business Financing" before the House Committee on Small Business (<http://DoctorLahm.com>).

Because of my research and personal experiences, I happen to be more familiar than some consumers with the practices of your industry, about which your predecessor spoke. Unfortunately, I have now personally fallen victim of what can only be characterized as unscrupulous business practices at the hand of Chase. I am sure you are familiar with the distribution of what has been reported by the press (as yet another affront to consumers), Chase's recently distributed change-of-terms notices, this time raising minimum payments from 2% to 5% of an account holder's outstanding balance; this is in addition to a new finance charge of \$10.00 per month (regardless of whether or not a balance is carried on the respective account!).

For me, this translates to a new payment of almost \$600.00 per month, whereas on my most recent statement the minimum payment due had been \$239.00 on a balance of \$11,959.65. At a salary level such as yours, such an increase would be meaningless (like the automobile executives presently explaining their corporate jets), but on an academic's salary, this increase is a body slam. By the way, the majority of my personal debts are associated with a decision that I made to attend graduate school and teach, trying to help others, so "thanks a lot" for working to destroy my perfect credit record to date, despite the personal sacrifices and long-term commitment that I have made. I have been aggressively paying down what I thought were longer-term obligations for the past few years, so I had a plan (which your policy changes have now derailed and turned into a train wreck).

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I also read with interest the *Wall Street Journal* article coverage about your change-in-terms notice: “While these customers cannot opt out of the new terms, she [Chase company spokeswoman Stephanie Jacobson] says, they can pay off their balances or maintain their current minimum payments in exchange for giving up their promotional rates” (<http://articles.moneycentral.msn.com/Banking/CreditCardSmarts/credit-card-rates-fees-marching-up.aspx?page=1>).

A few points stand out:

1) For some time credit card companies have represented before Congress that they play fair with consumers by giving them a chance to “opt out.” I recognize that the Federal Reserve Board has visited the subject of opt-out opportunities and disclosures, but the argument has been that supposedly card issuers are policing themselves. Obviously, that self-regulating behavior on the part of Chase Card Services has ended with this recent change-in-terms notice.

2) I am in possession of earlier correspondence (October 10, 2006) sent from Chase Card Services Executive Offices (in reply to a letter I sent to JP Morgan Chase CEO, Jamie Dimon), specifying the conditions under which I would “keep the 3.99% fixed promotional rate,” which specifically, and in their entirety, were as follows: “we must receive monthly payments by the due date on the billing statement and your balance may not exceed the assigned credit limit.” I have met those conditions faithfully and fully. I wrote my original letter after a colleague of mine was threatened (unprovoked and without cause – a familiar scenario) by Chase, to preemptively establish that I would indeed protect my own interests and that we, the public, including learned, hard-working, honest citizens, are watching (in disgust).

3) It is clear as a bell that Chase’s intention is a cold and calculated ploy to raise interest rates by forcing consumers into those rates in order to avoid a gargantuan monthly payment increase, on top of additional finance charges (the aforementioned new \$10.00 per month charge was identified as a “finance charge” in your change-of-terms notice).

Putting items 1, 2, and 3, together, it is obvious that Chase misrepresented facts before Congress, suggesting that only a few customers “may fall through the cracks”; that it “cares deeply”; and works to assist families (Srednicki, March 7, 2007). Judging by thousands upon thousands of negative horror stories on Internet blogs, complaint sites, article sites, forums, and other venues (including examples cited by consumers in their own testimony before Congress), Chase representatives are almost universally regarded as rude, cold, belligerent, and deserving of burning forever in hell.

Chase certainly lied to me: “3.99% fixed” is *not* the same as 3.99% plus \$10.00 per month (whether or not the consumer carries a balance). (I think Chase made a strategic error in calling the \$10.00 a finance charge). Also, given that Chase has reportedly sent this same notice under discussion to account holders who collectively owe “billions” (I have

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observed one estimate, that I would love for you to verify in future testimony suggesting that 120,000 customers are involved in this current action), this constitutes further evidence that there are far, far more people who are being pushed off a cliff than there are “falling through the cracks.” Plotting to make repayment terms so onerous that account holders cannot possibly keep the fixed rate that they were promised is unethical, at the very least (and in my own case is not consistent with the requirements specified to me in the aforementioned letter from Chase’s Executive Office).

As for any “solid, long-term relationship with every one of them [customers]” (Srednicki, March 7, 2007), this is also, clearly, a lie. Beyond the easily found thousands of complainants mentioned, I take exception to the claim that Chase may supposedly have anything other than a hurtful relationship with my family. I assure you that as a result of Chase’s unethical business practices and specifically expressed disinterest in keeping our business (over a period of approximately twenty years, spanning six flawless accounts , two of which we closed by our request because of other mean-spirited and unwarranted actions against my wife who was flatly told her business did not matter by Chase representatives, including a supervisor), we have only fear and loathing in our hearts when we think of the Chase brand and the way the credit card industry at large has been allowed to conduct its larcenous affairs (effectively unfettered by regulators).

Finally, I strongly disagree with Comptroller Dugan (of the OCC) who suggested avoidance of “the slippery slope of the government defining, prohibiting, or restricting particular product terms” (<http://www.occ.treas.gov/ftp/release/2007-104a.pdf>, p. 8). In my own testimony, I pointed out that language such as “we may change our terms at any time or for any reason, *or for no reason* [emphasis added]” is certainly a clear indication that credit card companies had every intention of doing so (i.e., they are setting a trap and waiting to pounce). Consumers know that they are being treated with whimsical disregard and without any sense of conscience by thugs whose rules are the same as those long utilized by school yard bullies: “You have it, I’m bigger than you, I want it, and I’m taking it from you.” There’s nothing “slippery” whatsoever about protecting people who have done nothing wrong, and have met their obligations, from the likes of companies such as Chase that plot and prey upon them (and/or their families), with obvious intent to extort money through misrepresentation and deceptive business practices.

Sincerely,

Dr. Robert J. Lahm, Jr.

(Electronic Signature)

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