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and Community Prosperity*

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October 31, 2011

Mr. Steven Maggio  
Director for District Licensing  
Office of the Comptroller of the Currency  
Northeastern District Office  
340 Madison Avenue, Fifth Floor  
New York, NY 10173-0002

**Re: Request for 60-day extension of the comment period and for five public hearings  
in regards to Capital One's application to acquire HSBC credit card unit**

Dear Mr. Maggio:

I am contacting you from Woodstock Institute to request that the comment period be extended by 60-days and for five public hearings to be held in regards to Capital One Financial Corporation's proposal to acquire HSBC Bank Nevada, NA and its credit card business. We have serious concerns about the impact of the deal on consumers, communities, and the economy.

Woodstock Institute is a leading nonprofit research and policy organization in the areas of fair lending, wealth creation, and financial systems reform. Woodstock Institute works locally and nationally to create a financial system in which lower-wealth persons and communities of color can safely borrow, save, and build wealth so that they can achieve economic security and community prosperity.

In regards to Capital One's proposed acquisition of HSBC Holding's credit card business, we respectfully urge the Office of the Comptroller of the Currency (OCC) to extend the comment period by 60-days and to hold five public hearings to permit the public adequate opportunity to discuss serious concerns about this transaction. We believe the deal would expand practices that are not beneficial to consumers, communities and the economy, while creating untenable systemic risk. Given the size and complexity of this acquisition and its potential to create an uncompetitive and risky credit card market, we believe that public hearings are warranted.

This application crosses the OCC's threshold for requiring the holding of public hearings. The OCC's licensing manual requires hearings when "the hearing[s] would benefit the decision-making process or be in the public's interest." To fully assess the impacts on consumers and communities, it is imperative that the OCC hear first-hand the experiences of consumers with Capital One and fully consider the bank's performance in meeting the convenience and needs of their communities

### **Increasing Capital One's market share in subprime credit cards raises systemic risk concerns**

The proposed acquisition would make Capital One the third largest credit card company in the United States. More significantly, this acquisition would make Capital One the nation's largest subprime credit card company. This raises a substantial question about anti-competitiveness. With so much of the subprime credit card lending market concentrated in Capital One, any instability in this bank presents an alarming threat to the stability of the industry as a whole. If Capital One controls a large share of this lending market, its failure would pose considerable risk to the financial system.

Despite positioning itself as a cornerstone in the subprime credit card lending market, Capital One continues to reject diversification in favor of a high-risk monoline strategy. More than three quarter of its profits come from a single source: credit-cards. The bank exhibits a pattern of acquiring regional banks and using the deposits to expand its credit card portfolio. Capital One also has a history of steering small business loan applicants toward credit cards, further concentrating its credit card assets. This high-risk approach – and the institutions that embraced it – was at the heart of America's last financial crisis.

Less than three years ago, the Department of Treasury deemed Capital One to be so intertwined in the American financial markets that the pending collapse of other financial institutions required a \$3.55 billion dollar bailout to buffer the bank's balance sheet. Innovest Strategic Value Advisors was among the first research firms to predict the mortgage meltdown. According to Gregory Larkin, a senior analyst at Innovest, "Mortgages were simply the first storm to make landfall, credit cards are next." After this acquisition, Capital One and the other top ten credit card companies will control 90 percent of the credit card market. Any failure in such a heavily concentrated market would imperil the financial industry and seriously limit consumers' access to this form of credit. This would be disastrous to an already struggling US economy.

### **Outstanding investigations of false and misleading marketing are unresolved**

We have serious concerns about the potentially predatory nature of Capital One's credit card lending practices. Attorneys General in Minnesota, West Virginia and California have each investigated Capital One for engaging false and misleading credit card marketing. Capital One has a notoriously poor track record on consumer protection, and has been involved in numerous lawsuits for unfair and abusive credit card practices.

### **Business practices suggest efforts to target low-wealth consumers with higher-cost products with fewer consumer protections**

We believe that Capital One targets modest-income borrowers for their high-interest rate products with low limits and high over-limit fees. They aggressively market subprime credit cards to consumers, increasing their marketing budget by 300 percent in 2010. Additionally, Capital One has replaced traditional, low-interest, small business loans with high-priced, small business credit cards. This leaves small business owners open to abuse by the bank because these cards are not subject to basic consumer

Mr. Steven Maggio  
Office of the Comptroller of the Currency  
October 31, 2011  
Page 3

protection laws that prohibit unfair and expensive terms, fees and practices. Their business model creates a strong incentive to find new ways to trick and trap consumers into paying more by targeting them for high-interest rates and charging excessive fees. Allowing Capital One to expand their subprime credit card portfolio would be disastrous to consumers.

Thank you for this opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Feltner", with a stylized flourish at the end.

Tom Feltner  
Vice President

TF/bab