

September 24, 2008

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

The Honorable Christopher J. Dodd
Chair, Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Richard C. Shelby
Ranking Member, Committee on Banking,
Housing and Urban Affairs
United States Senate
Washington, DC 20510

Dear Leaders Reid and McConnell, Chairman Dodd and Ranking Member Shelby:

As you may have heard, the House of Representatives yesterday passed legislation to rein in abusive credit card lending practices by a large bipartisan margin. **The undersigned consumer, civil rights, small business and labor organizations strongly urge you to protect credit card consumers as part of legislation to rescue lending firms you are now considering.** This would ensure that cash-strapped consumers won't continue to be gouged by deceptive and unfair credit card interest charges and fees by many of the same financial institutions that will benefit from the "bailout" proposed by the Administration. We strongly urge the Senate to send the message that Wall Street isn't the only street in America that matters to Capitol Hill.

The traps and tricks that credit card companies use as part of their business model are causing credit card balances for many families to balloon out of control, pushing them towards financial catastrophe. Americans now carry about \$850 billion in credit card debt. The number of families that are behind in paying their credit card bills – a sign of serious financial problems to come – are at their highest level since the recession of 2002.

Abuses in the credit card market are intimately related to the mortgage crisis. Unaffordable credit card debt induced many Americans to refinance their homes, but the home equity escape valve can no longer mask abusive lending practices that contributed to this run up in debt. Rising mortgage costs have also pushed families to pay for necessities on their credit cards, such as food and medical care. Media reports indicate that some families are even forgoing payments on their mortgage loans in order to maintain a means of paying for these necessities.

However, the credit card industry has not learned the lessons of the mortgage crisis. Luring consumers into incurring debt with deceptively low offers and then dramatically escalating the cost of that debt once it is assumed is both unfair to consumers and an unsound banking practice, whether the debt incurred is a mortgage or a credit card loan. **Under the Administration's rescue plan, Treasury Secretary Paulson has asked for the authority to**

use taxpayer dollars to purchase not just mortgage debt, but bad credit card loans as well, many of which were issued recklessly.

We applaud those in the Senate who are working very hard to improve the rescue plan offered by the Administration to make it more accountable to taxpayers and to help homeowners who were sold abusive mortgage loans to avoid foreclosure. We would also urge you to propose including in rescue legislation protections for credit card consumers similar to those in Senator Dodd's bill, the Credit CARD Act of 2008 (S. 3252). Among other things, this strong and comprehensive legislation would eliminate unjustified interest rate charges, limit excessive penalty fees, eliminate hidden finance charges and stop irresponsible lending to young consumers.

Thank you for your consideration of this request.

Sincerely,

Campus Progress
Consumer Action
Consumer Federation of America
Consumers Union
Dēmos: A Network for Ideas & Action
Legal Assistance Resource Center of Connecticut, Inc.
Mid Minnesota Legal Assistance
Mexican American Legal Defense & Educational Fund (MALDEF)
National Association for the Advancement of Colored People (NAACP)
National Association of Consumer Advocates
National Consumer Law Center (on behalf of its low-income clients)
National Community Reinvestment Coalition
National Council of La Raza
National Small Business Association
Public Citizen
Public Justice Center
Service Employees International Union
U.S. Public Interest Research Group