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SENATE COMMITTEE PASSES LANDMARK CREDIT CARD BILL

—Consumer Groups Praise Senator Dodd for Progress on Bill to Curb Unfair Practices—

WASHINGTON – Leaders of national and Connecticut-based consumer organizations today lauded comprehensive legislation passed by the Senate Banking Committee to curb predatory credit card lending practices. The groups praised committee Chairman and bill sponsor Christopher Dodd for his strong efforts to enact the legislation.

Introduced by Chairman Dodd and 18 co-sponsors, the Credit Card Accountability Responsibility and Disclosure (CARD) Act would ban a number of practices that credit card issuers have used to unjustifiably increase interest rates, fees and other charges. It passed the Senate Banking Committee yesterday, moving to the Senate Floor for a final vote.

“This is the first time ever the Senate has moved legislation to rein in abusive credit card practices,” said Travis Plunkett, legislative director of the Consumer Federation of America. “We applaud Senator Dodd for his efforts to pass this sweeping bill in the face of strong opposition from the credit card industry.”

“The CARD Act recognizes that credit card companies target unsuspecting college students for overpriced credit cards even when they don't have jobs or an ability to repay," said Ilicia Balaban of ConnPIRG. "The bill requires them to treat students like they are supposed to treat other consumers, fairly."

The Federal Reserve Board issued rules to stop unfair credit card practices, giving the industry until July 1, 2010, to implement the new practices. A number of major card issuers are now increasing fees and interest rates on millions of Americans before the new rules take effect. The House of Representatives passed legislation last year that was similar to the Federal Reserve Rules and is likely to do so again this year.

The Credit CARD Act has a number of protections that extend beyond those of the Federal Reserve rules and House legislation. It requires credit card companies to stop:

- Applying unfair interest rate hikes retroactively to balances incurred under the old rate.
- Hitting consumers with high penalty fees that are not related to the costs that credit card companies incur.
- Assessing hidden and unjustified interest charges on balances already paid off.
- Piling on the debt that consumers owe by requiring them to pay off balances with lower interest rates before those with higher rates.
- Offering credit to students and young consumers without considering their ability to repay the loan.

"Senator Dodd's bill picks up where the Fed's rules leave off, protecting all Americans from unjustified or excessive fees and stopping retroactive interest rate hikes that only bury struggling families in insurmountable debt," said Lauren Saunders, Managing Attorney at the National Consumer Law Center.

“This bill will put the force of law behind the Federal Reserve’s new rules, and will protect consumers by strengthening these reforms,” said Pam Banks, senior attorney for Consumers Union. “Credit card lenders are trying to take advantage of the fact that the Federal Reserve’s rules don’t go into effect until 2010 by maximizing short-term income from credit card interest payments, even if the consequences are harmful to their own customers.”

“We know that there is a battle ahead to preserve the strong consumer protection standards in this legislation, but we are ready for the challenge and grateful that Senator Dodd is with us in fighting the unfair, anti-consumer practices of credit card companies,” said Linda Sherry, director of national priorities for Consumer Action.

For more information about credit card reform, visit the Consumers Union website www.CreditCardReform.org.

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Attachment Below

The Consumer Federation of America is a nonprofit association of over 280 pro-consumer groups, with a combined membership of 50 million people. CFA was founded in 1968 to advance consumers' interests through advocacy and education.

ConnPIRG is a statewide, nonprofit, nonpartisan public interest advocacy group with both citizen members and student chapters (ConnPIRG.org and truthaboutcredit.org.)

Consumers Union is a nonprofit membership organization chartered in 1936 under the laws of the state of New York to provide consumers with information, education and counsel about good, services, health and personal finance, and to initiate and cooperate with individual and group efforts to maintain and enhance the quality of life for consumers. Consumers Union's income is solely derived from the sale of Consumer Reports, its other publications and from noncommercial contributions, grants and fees. In addition to reports on Consumers Union's own product testing, *Consumer Reports with more than 5 million paid circulation, regularly, carries articles on health, product safety, marketplace economics and legislative, judicial and regulatory actions which affect consumer welfare. Consumers Union's publications carry no advertising and receive no commercial support.*

The National Consumer Law Center, Inc. (NCLC) is a non-profit Massachusetts Corporation, founded in 1969, specializing in low-income consumer issues, with an emphasis on consumer credit. On a daily basis, NCLC provides legal and technical consulting and assistance on consumer law issues to legal services, government, and private attorneys representing low-income consumers across the country. NCLC publishes a series of sixteen practice treatises and annual supplements on consumer credit laws, including Truth In Lending, Unfair and Deceptive Practices, and Cost of Credit: Regulation, Preemption, and Industry Abuses.

Consumer Action (www.consumer-action.org) is a national non-profit organization founded in San Francisco in 1971. During its more than three decades, Consumer Action has served consumers nationwide by advancing consumer rights, referring consumers to complaint-handling agencies through its free hotline, publishing educational materials in Chinese, English, Korean, Spanish, Vietnamese and other languages, advocating for consumers in the media and before lawmakers, and comparing prices on credit cards, bank accounts, telephone plans and other consumer goods and services.

Credit Card Facts

- **Credit Cards in the U.S.: 1.22 billion.** (663 million bank cards, 555 million retail/gasoline cards.) *Source: CardTrack.com.*

- **Revolving Consumer Credit Outstanding in the U.S.: $969.9 billion**, as of July, 2008. *Source: Federal Reserve Statistical Release, Consumer Credit Outstanding, Table G. 19, September 8, 2008.*

- **Credit Card Debt Held by Consumers in the U.S.: about $850 billion**, as of July, 2008. *Source: CFA calculation,[1] based on the data above reported by the Federal Reserve Board.*

- **Average Credit Card Debit per Household: $7,430.** *Source: 114.4 million households; U.S. Census Bureau, "American Families and Living Arrangements 2006."*

- **Average Credit Card Debt per Card-Holding Household that Carries a Balance: $17,103.** *Source: 74.9 percent of households (about 85.7 million) have a credit card. 58 percent of households with a credit card[2] (about 49.7 million) do not pay their balance in full every month; Federal Reserve Board, "2004 Survey of Consumer Finances."[3]*

- **Credit Card Solicitations mailed in 2007: 5.2 billion.** *Source: Synovate Mail Monitor, "US credit card mail volume declined in 4th quarter 2007 as troubled issuers pull back," February 2008.*

- **Credit Card Solicitations per Household: 36**.

- **Credit Card Accounts that Pay a Late Fee: 35 percent**, representing about 242 million cards.[4]

- **Income from Penalty Fees for Six Largest Credit Card Issuers: $7.4 billion.**[5]

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[1] Revolving credit outstanding is often used as a proxy for credit card debt, but most experts believe that outstanding credit card debt is slightly less. Approximately 5 percent of consumer revolving credit is not on credit cards. Between 4 to 9 percent of the debt does not truly revolve. It is repaid to the credit card issuer before the next billing cycle starts. Taking these two factors into account, outstanding credit card debt is likely to be between $834.1 and $882.6 billion.
[2] This means that about 43 percent of all households carry all of the credit card debt that is outstanding.
[3] Bucks, Brian K., Kennickell, Arthur B. Moore, Kevin B., "Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances," p. 31, http://www.federalreserve.gov/PUBS/oss/oss2/2004/bull0206.pdf.
[4] "Credit Cards: Increased Complexity in Rates and Fees Heightens Need for More Effective Disclosures to Consumers," U.S. Government Accountability Office, September 2006, pg. 5. Thirty-five percent of the credit card accounts from the six largest issuers that the GAO examined had at least one late fee in 2005.
[5] "Credit Cards: Increased Complexity in Rates and Fees Heightens Need for More Effective Disclosures to Consumers," U.S. Government Accountability Office, September 2006, pg. 72. This figure is for 2005.