



Consumer Federation of America



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CONTACT:
Travis Plunkett, CFA, 202-387-6121
David Butler, Consumers Union, 202-462-6262

SENATE PANEL TO CONSIDER LANDMARK CREDIT CARD BILL MARCH 31
—Consumer Groups Urge Support for Bill to Curb Unfair Credit Card Practices—

WASHINGTON -- As the Senate Banking Committee prepares to consider legislation that would curb predatory credit card lending practices on March 31, national consumer organizations today called on members of the committee to support the bill and to send it to the Senate floor for passage.

The Consumer Federation of America and Consumers Union said that S. 414, the Credit Card Accountability Responsibility and Disclosure (CARD) Act introduced by Chairman Chris Dodd and 18 co-sponsors, targets the most abusive practices used by credit card issuers.

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.

Travis Plunkett, legislative director for the Consumer Federation of America, said, "Congress is taking a strong stand against the traps and tricks that many credit card companies use to increase their profits at the expense of financially vulnerable consumers. We applaud Senator Dodd for introducing this important bill and urge the members of the Senate Banking Committee to vote for it."

Pam Banks, senior attorney for Consumers Union, said, "This bill will put the force of law behind the Federal Reserve's new rules, and will protect consumers by strengthening these reforms. 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."

The "Credit CARD Act" 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.

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

-30-

****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.

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 goods, 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.

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 85.7million) have a credit card. 58 percent of households with a credit card² (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

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.