CFA

Consumer Federation of America

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STATEMENT OF TRAVIS PLUNKETT ON PASSAGE OF THE CREDIT CARDHOLDERS' BILL OF RIGHTS BY THE SENATE

This afternoon, the United States Senate passed the Credit Cardholders' Bill of Rights Act (H.R. 627) with huge bipartisan support by a vote of 90-5. The bill would curb some of the most arbitrary, abusive and unfair credit card lending practices that trap consumers in a vicious cycle of debt, including:

- **Unjustified and retroactive interest charges**. Card companies could not hike interest rates retroactively on balances accrued before a rate increase takes effect (with minor exceptions) unless the cardholder is more than 60 days late in paying a bill. If such interest rate increases occur, card issuers must lower the rate after six months of on-time payments following the increase. Card companies would not be able to raise interest rates in the first year after a card account is opened.
- **Universal default on existing balances**. Credit card issuers could not increase a cardholder's interest rate on existing balances based on adverse information not related to card behavior.
- **Excessive and growing penalty fees**. Penalty fees would have to be reasonable and proportional to the late or over-limit violation. Card issuers could not charge over-limit fees unless the cardholder has affirmatively agreed to allow over-limit transactions.
- **Deceptive and costly payment application methods**. Card companies would have to apply payments in excess of the minimum amount to the credit card balance with the highest rate of interest.
- **Unfair billing practices**. Card companies could not use "double-cycle" billing or impose interest charges on any portion of a balance that is paid by the due date.
- **Pay-to-Pay**. Card companies could not charge a fee for any payment method that is allowed, except for expedited service provided by a service representative.
- **Irresponsible lending and aggressive marketing to young consumers who do not have the ability to repay debt.** Credit card issuers could not extend credit to consumers under the age of 21 unless the person has an independent means to repay the loan, or there is a cosigner who has such ability. Consumers under the age of 21 could choose whether to receive credit card solicitations.

Enactment of this legislation is particularly timely as large credit card companies have unjustly raised their rates recently, affecting millions of Americans. Many consumers are very angry that the banks they have been supporting with their tax dollars have rewarded that assistance by continuing to use a variety of abusive practices to overcharge them.

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The traps and tricks that credit card companies use to increase their profits 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, which represents an average debt of over $17,000 for the approximately 50 million households that do not pay their credit card balances in full every month. The number of families that are behind in paying their credit card bills – a sign of serious financial problems to come – is now approaching the highest level on record.

The Consumer Federation of America applauds Senators Christopher Dodd and Richard Shelby, the lead sponsors of this important bill, for working so hard for its passage. We also commend other leading members of the Senate for their long-term efforts to reform the credit card marketplace, including Senators Carl Levin, Robert Menendez, Charles Schumer, and Jon Tester. We now call on the House to conform the strong credit card legislation it has already passed to the high standards in the Senate bill and pass final legislation as soon as possible.

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For more information:
http://www.consumerfed.org/pdfs/credit_cards_Dodd_bill_'09_Floor_substitute_group_letter.pdf

The Consumer Federation of America (CFA) is a non-profit association of some 300 consumer groups that was founded in 1968 to advance the consumer's interest through advocacy, research, and education.