



## Consumer Federation of America

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FOR IMMEDIATE RELEASE:

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### **OVER 30,000 CONSUMERS FLOOD THE FEDERAL RESERVE BOARD WITH COMPLAINTS ABOUT ABUSIVE CREDIT CARD PRACTICES**

*—Huge Public Response Shows Need for Board to Adopt Strong Protections Quickly—*

Angry consumers have deluged the Federal Reserve Board's public comment system with more than 12,000 personal pleas for reform since banking regulators invited comments on a proposed new rule to curb unfair and deceptive credit card charges. In addition, about 19,000 more Americans have sent form letters urging action since banking regulators proposed the rules on May 2, 2008. The deadline for public comments on the proposal is August 4, 2008.

"The massive response in favor of these reforms shows that Americans are fed up with the many traps and tricks that card companies use to drive up the amount of debt consumers owe," said Travis B. Plunkett, legislative director of the Consumer Federation of America. "We urge the Federal Reserve Board to take heed of this overwhelming public reaction by finalizing strong rules to curb credit card abuses by the end of the year."

The proposed rules will curb a number of unfair practices, including:

- **Costly and Unjustified Interest Rate Increases.** Credit card companies could no longer charge higher interest rates on balances incurred before a rate increase went into effect, unless the cardholder is more than 30 days late in paying his or her credit card bill.
- **Hidden Payment Allocation Methods that Cause Debt to Escalate.** Card issuers would be required to more fairly apply the payments that cardholders make to balances with different interest rates. When consumers transfer balances with low, short-term "teaser" rates (that have higher rates for new purchases), issuers would be required to apply payments first to higher rate debt.
- **Interest Charges on Paid Debt.** Companies could not use "double cycle billing," which requires cardholders to pay interest on debts paid off the previous month during the grace period.

"The time for Americans to act is now if they want their credit card company to treat them better," said Plunkett. "Consumers have about two weeks to make their voices heard."

Americans can write the Federal Reserve Board about the proposal by e-mailing directly to [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov) and mentioning Docket No. R-1314 in the subject line.

Some examples of recent comments to the Federal Reserve Board include:

*"I support reform of credit card rules and regulations...The average consumer cannot afford to have their financial welfare in the hands of the credit card businesses."*

Mary, Borden, IN

*“Credit card fees are out of control and the total of all of the penalty fees, plus interest rate increases, does nothing to support the recovery of the economy or of the individual consumers who are struggling in today's economic hard times.”*

Kathleen, San Jose, CA

*“[They] raised my rate from 6.99% to 15.99% in August 07, for no apparent reason other than they could. In my opinion that's legalized loan sharking. I was fortunate enough to be able to pay it off. Others, I'm sure, aren't so lucky.”*

Pryor, Roswell GA

*“I think it is abhorrent that I make timely, substantial payments to my credit cards and NOTHING gets put towards my higher interest rate.”*

Elissa, Great Neck, NY

*“...charging interest on amounts which have been paid during the month should be curtailed. It's ridiculous that paying off the majority of the bill, but leaving a few dollars owed, can cause full interest on the previous month's balance to be levied.”*

Ingrid, Loma, CA

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The Consumer Federation of America is a nonprofit association of some 300 pro-consumer groups, with a combined membership of 50 million people. CFA was founded in 1968 to advance consumers' interests through research, advocacy and education.

**For More Information:**

View public comments received so far:

[http://www.federalreserve.gov/generalinfo/foia/index.cfm?doc\\_id=R%2D1314&doc\\_ver=1](http://www.federalreserve.gov/generalinfo/foia/index.cfm?doc_id=R%2D1314&doc_ver=1)

Summary of credit card proposal: <http://www.federalreserve.gov/newsevents/press/bcreg/highlightscredit20080502.htm>

Consumer group response to proposal: [http://www.consumerfed.org/pdfs/Fed\\_credit\\_cards\\_release\\_5-2-08.pdf](http://www.consumerfed.org/pdfs/Fed_credit_cards_release_5-2-08.pdf)