American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)
Americans for Fairness In Lending
Association of Community Organizations for Reform Now (ACORN)
Campus Progress Action
Center for Responsible Lending
Consumer Action
Consumer Federation of America
Consumers Union
Dēmos: A Network for Ideas & Action
National Association of Consumer Advocates
National Community Reinvestment Coalition
National Consumer Law Center (on behalf of its low-income clients)
National Consumers League
National Council of La Raza
Public Citizen
Sargent Shriver Center on Poverty Law
Service Employees International Union
U.S. Public Interest Research Group

April 30, 2009

SUPPORT CREDIT CARDHOLDERS' BILL OF RIGHTS, H.R. 627

Support Gutierrez Payment Allocation and Maloney Over-Limit Amendments
Oppose Hensarling Weakening Amendments

Dear Representative:

The undersigned consumer, small business, labor and community organizations representing tens of millions of Americans strongly urge you to vote for H.R. 627, the Credit Cardholders' Bill of Rights Act (Rep. Maloney), on the Floor today. The bill passed the House on an overwhelming 312-112 vote, as H.R. 5244, in September 2008. It also cleared committee this year by a wide bipartisan margin. It enjoys broad public support.

We also urge you to support a number of amendments that would strengthen the bill, in particular those backed by the President to require credit card companies to apply payments made by consumers to the highest interest rate debt they owe (by Representatives Gutierrez, Gary Peters and Donna Edwards) and to prohibit card issuers from charging fees for over-limit transactions unless cardholders provide explicit permission (by Representatives Maloney and Watson.) We urge a "no" vote on amendments introduced by Representative Hensarling that would create huge exceptions to the bill's protections against unfair and deceptive practices. (Please see the attached for a full list of amendments we support and oppose.)

H.R. 627 rests on the basic rules of fair dealing that Americans expect everyone to play by. It curbs some of the most arbitrary, abusive, and unfair credit card lending practices that trap consumers in an un-ending cycle of costly debt. These tricks and traps have always been unfair, but they produce devastating financial repercussions in times of economic difficulty. Working families are particularly hard hit as they are paying more each year in unreasonable fees and credit card interest. Signs that credit card delinquencies and defaults are rising to historically high levels strongly suggest that many families cannot sustain the cumulative burdens of these abuses. The sub-prime meltdown demonstrates the importance of ending abusive lending practices when warning signs arise. Congress should take steps now to rein in these practices to forestall an even greater economic crisis.

National surveys have consistently found that Americans are highly critical of many current credit card industry practices, place very little trust in credit card companies, and are overwhelmingly supportive of strengthening regulation of the credit card industry. More than 50,000 consumers have written the Federal Reserve Board in support of eliminating abusive credit card practices. While the Federal Reserve and other agencies have finalized rules similar to the protections of H.R. 627, codifying these proposals into law as ensures that regulators will not weaken these protections in the future.

Although it does not include all of the reforms for which our organizations have advocated, H.R. 627 incorporates fair, common sense changes that target the most indefensible credit card abuses. The bill protects consumers from these abuses without stopping credit card companies from taking a number of steps to account for the financial risk of the consumers to whom they are loaning money. Issuers can set initial interest rates based on the risk of the borrower, increase the rate for future purchases or reduce or freeze credit lines that are offered.

We look forward to working with you toward final passage of this important legislation.

Sincerely,

American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)
Americans for Fairness In Lending
Association of Community Organizations for Reform Now (ACORN)
Campus Progress Action
Center for Responsible Lending
Consumer Action
Consumer Federation of America
Consumers Union
Dēmos: A Network for Ideas & Action
National Association of Consumer Advocates
National Community Reinvestment Coalition
National Consumer Law Center (on behalf of its low-income clients)
National Consumers League
National Council of La Raza
Public Citizen
Sargent Shriver Center on Poverty Law
Service Employees International Union
U.S. Public Interest Research Group

URGE SUPPORT FOR THE FOLLOWING AMENDMENTS:

#4, Gutierrez, Gary Peters, Donna Edwards/ Supported by the President: Card issuers must allocate payments above the minimum payment amount first to cardholder debt at the highest interest rate, before the lower interest rate portion of the balance is paid off. Currently, cardholders must pay off lower interest rate balances first before the issuer will allocate payments to higher rate balances. This practice unfairly extends the length of time it takes consumers to pay down their balances and allows issuers to mislead consumers about the true cost of low-rate "teaser" offers, while increasing the finance charges that issuers earn. This important strengthening amendment will help consumers pay off their balances even quicker than the existing bill, which provides issuers with the option of allocating payments proportionately to higher and lower interest rate debt.

#8, Maloney, Watson/ Supported by the President: Card issuers must receive affirmative "opt-in" permission from cardholders before charging over-limit fees. Over-limit fees have become controversial because they are so expensive (currently averaging around $29), because some issuers have assessed multiple monthly over-limit fees on cardholders who have only exceeded their credit limit one time, and because issuers are charging very high fees for transactions they could easily deny if they really wanted to. This amendment reverses the presumption on a current provision in the bill that allows issues to charge a fee if they choose to allow over-limit transactions, unless the cardholder "opts-out." Studies are clear that inertia and the difficulty of understanding various options prevents the overwhelming number of consumers from opting out of questionable practices, even if they would be better off.

#12, David Price, Brad Miller, Moran, Quigley, Lowey, Stupak, Sutton: Improves disclosures required under current law regarding the consequences of paying only the minimum monthly amount required. Current minimum payment disclosures, which are to be implemented by card issuers next year, do not provide cardholders with any information regarding what their total costs will be if they pay only the minimum amount. They also do not require issuers to provide personalized information (rather than a general example) for each cardholder regarding how long it will take to pay off his or her actual balance and what the total costs for that balance will be. This amendment corrects both problems to provide useful information that should help many consumers decide to pay more than the monthly minimum if they can.

#13, Davis: Card issuers must notify customers 30 days before closing their accounts and provide information on: the reasons for the closure; options that may exist to keep the account open; programs that issuers may offer under existing terms and the resulting impact on consumers' credit scores. This amendment is particularly important at a time when card issuers are closing accounts in larger numbers because of higher losses and the recession. It will provide consumers with a few weeks to consider and pursue their options before their account is closed. Under current federal law, card issuers do not have to provide cardholders with any notice or information about their options.

#14, Perriello/ Supported by the President: If issuers offer low promotional rates, they must do so for at least six months. This amendment ensures that card issuers do not use "bait and switch" tactics, such as those seen in the mortgage market, to lure customers with low promotional offers that last only a few weeks or months.

#15, Schauer/ Supported by the President: Issuers must post cardholder agreements on their website and the Federal Reserve Board must compile these agreements on its website. This requirement will give millions of consumers access to information about the "fine print" in their credit card contracts before they agree to accept a card. Currently, it is virtually impossible for consumers, the media and lawmakers to get this crucial information before a card is issued. Access to this information will help increase awareness of credit card practices, highlight unsavory practices allowed in cardholder agreements that card issuers do not advertise and increase the ability of consumers to shop for cards with fair and safe terms.

URGE OPPOSITION TO THE FOLLOWING AMENDMENTS:

#9, Hensarling: Card issuers would not have to comply with the bill's prohibition on raising interest rates on existing balances, as long as they provide cardholders with 90 days notice of a rate increase. The biggest problem with interest rate increases on existing balances is not the lack of notice, although poor notice is a concern. The biggest problem is that these rate increases are often unjustified, make it more difficult for consumer to pay off their balances and can even hurt issuers by pushing consumers into default. Providing more warning regarding an illegitimate rate increase does not make the practice fair.

#10, Hensarling: Allows card issuers to use practices prohibited or restricted by the bill, including double cycle billing and retroactive and "universal default" rate increases, if the issuer offers at least one card without these options. This poorly conceived amendment would allow issuers to offer one token, "clean" card, probably with an unattractively high interest rate that they might or might not market or offer to anyone, while continuing to use a range of unfair and deceptive practices on all of their other cards that harm consumers.

#11, Minnick: Decreases the amount of time that issuers must give to consumers to receive and understand that a rate increase will apply to new transactions, from fourteen to seven days. Given that it will generally take three to five days for the notice to be delivered by postal mail (and up to seven days in some cases), that means the notice must be received, opened, read and understood by the consumer in just a few days. Seven days is too short, fourteen days gives consumers who may be out of town or dealing with other urgent matters enough time to receive and read the notice so they are informed that the next transaction on their credit card will carry a higher rate.

#17, Schock: Weakens an important provision of the bill that protects consumer from adverse impacts on their credit reports when they choose not to use or activate a card. This often happens because consumers are surprised to find that the terms of the card they have been issued are not as favorable as those in often-misleading solicitations they receive or advertisements they see. Instead, issuers under this amendment would be allowed to report the issuance of a card immediately to a credit bureau. In order to cancel a card the do not plan on activating and have it removed from their credit report, the amendment places a burden on cardholders to contact an issuer within 45 days of issuance.