September 19, 2008

Dear Representative:

The undersigned consumer, civil rights, small business, community and labor organizations representing tens of millions of Americans strongly urge you to vote for H.R. 5244, the Credit Cardholders' Bill of Rights Act, when it is brought to a floor vote next week. We also urge you to vote against any amendments to weaken the bill's provisions.

H.R. 5244 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 suggests 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. (Please see the attached for a description of the key provisions of the "Credit Cardholders' Bill of Rights Act" that will help restore fairness to the credit card marketplace.)

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.

Although it does not include all of the reforms for which our organizations have advocated, H.R. 5244 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 on existing balances if a cardholder is more than 30 days late in paying, or reduce or freeze credit lines that are offered. Importantly, the bill includes the most significant regulatory changes proposed by the Federal Reserve Board. Codifying these proposals is crucial so they are not weakened by regulators before they are adopted at the end of the year or in the future.

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

Sincerely,

ACORN
American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)
California Reinvestment Coalition
Campus Progress
Center for American Progress Action Fund
Center for Responsible Lending
Consumer Action
Consumer Federation of America
Consumers Union

Dēmos: A Network for Ideas & Action
International Union, United Auto Workers
Jewish Association for Services for the Aged
Joint Public Affairs Committee for Older Adults
Leadership Conference on Civil Rights
National Association of Consumer Advocates
National Community Reinvestment Coalition
National Consumer Law Center (on behalf of its low-income clients)
National Council of La Raza
National Small Business Association
Public Citizen
Service Employees International Union
U.S. Public Interest Research Group
Woodstock Institute

cc: The Honorable Barney Frank
The Honorable Carolyn Maloney

H.R. 5244, THE CREDIT CARDHOLDERS' BILL OF RIGHTS: AN IMPORTANT STEP FORWARD IN PROTECTING CONSUMERS

Ending Arbitrary and Unfair Interest Rate Increases on Existing Balances

H.R. 5244 prohibits card issuers from applying rate hikes retroactively to prior balances borrowed at a lower rate unless the borrower pays more than 30 days late, has a promotional rate that ends, or receives a variable rate increase. This will stop card issuers from using the discredited practice of "universal default" to arbitrarily increase the interest rate of borrowers in good standing, to as high as 30 percent, on their existing debt because of supposed problems with other creditors or a declining credit score. It will also prevent retroactive interest rate increases on cardholders who make minor mistakes, such as paying late by a day or two. Consumers with a perfect payment history or a minor blemish with their credit card company are understandably outraged when their interest rates double or triple for these reasons. Moreover, the financial consequences of sharp retroactive rate increases can be devastating for many families: minimum monthly payments will rise, sometimes dramatically; the time it takes to pay off the balance increases, sometimes by many years; and the total cost of the debt skyrockets. H.R. 5244 limits these impacts by prohibiting the retroactive application of interest rates unless the borrower is truly late in paying the creditor.

Preventing Credit Card Companies from Gaming Consumer Payments

H.R. 5244 prevents card companies from piling on the debt that consumers owe by requiring them to pay off balances with lower interest rates before they can pay down higher rate balances. When consumers accept card offers for short-term teaser rates for balance transfers, or incur higher interest rates for cash advances, credit card companies apply payments *first* to the lower-rate balance, preventing consumers from paying off higher interest balances and imposing unwarranted and costly finance charges. Issuers refuse to apply *any* portion of a consumer's payment to the higher interest rate balance, preventing consumers from paying down *any* portion of the high-cost balance until the lower interest rate balance is repaid. H.R. 5244 restores an element of fairness by ensuring that cardholders who receive promotional offers will be able to pay down their highest rate debt first. In other situations where cardholders may carry balances at different interest rates, payments must be allocated either to the highest rate debt or proportionately to each debt.

Prohibiting Unfair and Hidden Interest Rate Charges on Balances Repaid During the Grace Period

H.R. 5244 prohibits credit card companies from using "double cycle billing" to charge interest on balances repaid during the grace period. That practice allows credit card issuers to sap unwarranted finance charges from the wallets of consumers who usually do not carry balances. Although some credit card issuers have disavowed this practice, others still use it. This legislation makes clear that a grace period is a grace period.

Ending Unfair Late Fees for On-Time Payments

H.R. 5244 ends the classic late-fee gotcha. Consumers who mail their payments well in advance are often socked with a late fee of up to $40 because of card companies' own processing delays or arbitrary deadlines. The abuse has been exacerbated as credit card companies have shortened the time period in which consumers can make an on-time payment. Other consumers make electronic payments on the due-date, only to be hit with a late fee because they posted their payment five minutes after the issuer's arbitrary deadline on that day. The legislation provides that consumers demonstrating payment 7 days before the due date are presumed to have paid on time and cannot be charged a late fee. It also sets a single uniform time of no earlier than 5 p.m. at the payment center by which payments must be received on the due date to prevent companies from setting earlier deadlines that result in late fees. Issuers must also mail credit card bills 25 days before the bill is due, instead of the current rule requiring only 14 days, to help ensure that consumers will have enough time to pay.