

***NATIONAL AND STATE GROUPS URGE STRONG SUPPORT FOR
DODD/SHELBY CREDIT CARD BILL SUBSTITUTE***

May 12, 2009

Dear Senator:

The undersigned national and state consumer, civil rights, community, small-business, and labor organizations urge you to support the strong, comprehensive substitute for the Credit Card Accountability, Responsibility and Disclosure Act (H.R. 627/S. 414) currently being debated on the Senate Floor. The abusive credit card lending practices that would be reined in by this important legislation have always been unfair, but as the U.S. economy continues to decline, financially vulnerable families need the strong protections of the Credit CARD Act more than ever.

The Credit CARD Act substitute targets the most abusive practices used by credit card issuers, many of which are not addressed at all or in full by recent credit card rules finalized by federal regulators. Unfair and deceptive practices targeted by the bill include:

- **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.

These and other key provisions of the Credit CARD Act substitute restore fairness to the credit card marketplace and will do significantly more to eliminate abusive practices than rules

that were recently finalized by federal regulators. We look forward to working with you to see the Credit CARD Act enacted into law and implemented as quickly as possible.

Sincerely,

NATIONAL

American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)
Americans for Fairness in Lending
Association of Community Organizations for Reform Now (ACORN National)
Center for Responsible Lending
Consumer Action
Consumers for Auto Reliability and Safety
Consumers Union
Demos: A Network for Ideas & Action
Leadership Conference on Civil Rights
NAACP
National Association of Consumer Advocates (NACA)
National Community Reinvestment Coalition
National Community Tax Coalition
National Consumer Law Center (on behalf of its low income clients)
National Small Business Association
Privacy Rights Clearinghouse
Public Citizen
Service Employees International Union
Union Privilege
USAction
U.S. Public Interest Research Group

STATE

Alabama Appleseed Center for Law & Justice, Inc.
Alabama Arise/Arise Citizens' Policy Project
Arizona Consumers Council
Arizona PIRG (Arizona Public Interest Research Group)
California Reinvestment Coalition
Public Interest Law Firm, Law Foundation of Silicon Valley, California
Utility Consumers' Action Network (UCAN), California
Connecticut Association for Human Services
Connecticut Citizen Action Group
Connecticut Voices for Children
Legal Assistance Resource Center of Connecticut, Inc.
Consumer Federation of the Southeast
Florida Consumer Action Network
Jacksonville Area Legal Aid, Inc., Florida
Citizen Action/Illinois
Kentucky Asset Building Coalition
Kentucky Equal Justice Center

Maryland Consumer Rights Coalition
Public Justice Center, Maryland
Massachusetts Consumers' Coalition
Mid Minnesota Legal Assistance
Consumers Council of Missouri
Legal Aid Center of Southern Nevada, Inc.
Empire Justice Center, New York
Miami Valley Fair Housing Center, Inc., Ohio
Oregon Consumer League
Community Legal Services, Philadelphia, Pennsylvania
South Carolina Appleseed Legal Justice Center
Memphis Responsible Lending Collaborative, Tennessee
Coalition of Religious Communities, Utah
Virginia Citizens Consumer Council
Virginia Partnership to Encourage Responsible Lending
Virginia Poverty Law Center
La Casa De Esperanza, Wisconsin