ON INTRODUCTION OF CREDIT CARD LEGISLATION

## HON. MARK UDALL

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

*Thursday, May 11, 2006*

Mr. UDALL of Colorado. Mr. Speaker, I am today introducing legislation to add some common-sense rules to the laws governing issuance of credit cards.

Americans benefit from the widespread availability of consumer credit, and their use of that credit has been important to our economy. But there are some warning signs that signal a need for some additional legislation.

Overall, during the last decade, total credit-card debt rose by about 70 percent, and this clearly has an effect on consumers. Some polls have reported that about 70 percent of surveyed families said the quality of their lives is adversely affected by the extent of their debts, and young people are more worried about going deeply into debt than about a terrorist attack.

For many Americans, consumer credit is more than a convenience. It is something that many people need to use to pay for their everyday needs. For them, it is a necessity.

And, of course, another word for credit is debt.

In its most recent report on family finances, the Federal Reserve says that from the third quarter of 2001 to the same period in 2004, inflation-adjusted household debt increased by more than 26 percent. During the same period, when incomes remained about the same, more families carried a credit-card balance and the average balance owed on a card rose nearly 16 percent, to $5,100.

Some have argued that much of this debt was caused by recklessness and an erosion of financial responsibility. That was one of the main arguments advanced in support of the legislation to revise the bankruptcy laws that Congress passed last year.

There was something to that argument, but it was not the whole story and it put too much emphasis on borrowers alone.

Instead of just focusing on borrowers, Congress should also do more to promote responsibility by those who provide the credit—and one place to start is with credit card companies.

For example, let's talk about interest rates.

Credit is not free, and it should not be. But consumers should be treated fairly.

We have all seen print ads and commercials that advertise very low interest rates, but don't make clear that these rates can change, sometimes without warning, and that higher rates can apply even if a consumer gets a warning and then acts to cancel a card.

The bill would address that by requiring that a credit card company provide advance notice of any increase (unless the increase results from the expiration of an introductory rate for new accounts or a change in another rate to which the credit-card rate is indexed) and notice of the right to avoid paying the higher rate by cancelling the card before the new rate takes effect. And it says that if the consumer does cancel the card in time, any remaining amounts owed on that card will be subject to the terms and conditions that applied at the time of cancellation.

Similarly, the bill would require that card holders be more fully informed about the relationship between the monthly minimum payments and the full amounts owing on their cards and what monthly payment would be required to eliminate the outstanding balance in 36 months if they do not use their cards to make additional purchases.

Further, the bill would require that card holders be given clear notice of any fees, other charges, or increases in interest rates that would result from their making late payments.

For payments made by mail, card holders would have to be given a reasonable time for their payments to be received and would have be to told the date on which a mailed payment must be postmarked in order to avoid fees, charges, or increased interest rates.

And if a card issuer accepts payments made in person, a payment made at least one day before the due date would mean that no late-payment penalties would be in order.

The bill also would bar charging fees or other penalties because a card holder pays more than the monthly minimum or pays in full an existing account balance.

And it would bar imposing a fee for a charge that would mean a card holder has gone over the total credit authorized on a card if the card issuer has authorized that charge either in advance or at the time of a purchase.

The bill also would limit issuance of credit cards to people under the age of 18.

People under that age applying for a credit card will need one of three things—the signature of a parent or guardian willing to take responsibility for the applicant's debts; information indicating that the applicant has some other means of repaying any debt; or a certification that the applicant has completed a credit counseling course by a qualified nonprofit budget and credit counseling agency. These requirements would apply to issuance of both regular credit cards and college "affinity cards."

And, finally, the bill increases the amounts people injured by violations of the rules can collect from card issuers.

Mr. Speaker, like a similar (but not identical) bill introduced by Senator DODD, the bill I am introducing today takes some simple, common-sense steps to stop abusive practices, educate cardholders, and stiffen the penalties for violations. I think it deserves to be enacted.

For the benefit of our colleagues, I am attaching a short digest of the bill's provisions.

OUTLINE OF THE BILL

*Section One* provides a short title and table of contents. The short title is "Credit Card Accountability, Responsibility, and Disclosure Act of 2006 or 'Credit CARD Act of 2006' ".

*Section Two* authorizes the Federal Reserve's Board of Governors to issue rules or publish model forms to implement the bill and the changes it makes in existing law.

TITLE I

*Title I amends the Truth in Lending Act regarding certain credit card rates and fees.*

Section 101 requires at least 15 days' notice of certain increases in interest rates and requires card holders to be told of their right to cancel an account before the increases take effect.

Section 102 imposes a freeze on interest-rate terms and fees applicable to accounts closed or canceled before a scheduled rate increase.

Section 103 bars charging penalty fees for on-time payments or for either full payment of a balance owed or a payment larger than the minimum required amount.

Section 104 bars imposing fees for a purchase that exceeds a credit card's limit if the lender approves the charge in advance or at the time the card holder makes the purchase.

TITLE II

*Title II amends the Truth in Lending Act's provisions regarding disclosures to card holders.*

Section 201 specifies information that must be provided regarding outstanding balances, required monthly minimum payments, grace periods for avoiding additional charges, and the monthly payments needed to pay off the balance in 36 months.

Section 202 requires that card holders be told the date by which mailed payments must be postmarked to avoid late fees, whether (and by how much) interest rates will be increased because of one or more late payments, whether (and if so, where) a payment can be made in person and when it must be made to avoid late fees (which must be no sooner than one business day before the payment is due).

TITLE III

*Title III adds provisions to the Truth in Lending Act dealing with issuing credit cards to people under age 18 and amends the Act's provisions regarding penalties.*

Section 301 requires that a credit card can be issued to someone under 18 only if the application includes either (1) the signature of a parent, legal guardian, spouse, or other person willing and able to be jointly liable for amounts charged on the card before the card holder becomes 18; or (2) financial information showing the applicant has enough independent means to be able to repay amounts charged on the card; or (3) proof that the applicant has completed a credit-counseling course by a nonprofit budget and credit counseling agency meeting certain specified requirements.

Section 302 allows borrowers injured by violations of credit card rules to collect increased amounts from card issuers. Current law says they can recover at least $200 but no more than $2,000. This section would increase that to at least $500 or twice the amount of an improper finance charge (whichever is higher), with an overall limit of $5,000 for isolated violations or appropriately higher amounts for established patterns or practice of violations.

Section 303 makes the rules specified in section 301 for regular credit cards apply as well to college "affinity cards" (a card with the logo or name of an institution of higher education in addition to that of the lender) issued to someone under age 18.

TRIBUTE TO SANDY KING

## HON. SHELLEY MOORE CAPITO

OF WEST VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, May 11, 2006*

Mrs. CAPITO. Mr. Speaker, I rise today to recognize Sandy King as the recipient of the 2006 Weston Democrat Citizen of the Year Award. Sandy is receiving this award in recognition for her life long commitment and commendable service to Lewis County by enhancing the dignity and worth of all of its citizens.

Sandy has always been known as ready and willing to help neighbors and friends in need. She has long been involved with the community through Our Neighbor, CEOS activities, and the Irish Spring Festival. Sandy is currently the president of the Shamrock CEOS Club and attends the Ireland United Methodist Church. She also works as a liaison between