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LEVIN BILL ATTACKS WIDESPREAD CREDIT CARD ABUSES

Momentum Builds for Congressional Action on Unjustifiable Credit Card Fees, Outrageous Interest Rates and Questionable Lending Practices

National consumer organizations today applauded Senator Carl Levin (D-Michigan) for introducing broad legislation to curb abusive credit card lending practices. The “Stop Unfair Practices in Credit Cards Act” would forbid practices recently exposed by Levin in hearings of the Permanent Subcommittee on Investigations that allow credit card issuers to assess unjustifiable fees and interest rate charges.

“This important legislation will stop credit card companies from using a variety of traps and tricks that harm consumers and illegitimately pump up profits,” said Travis B. Plunkett, Legislative Director of the Consumer Federation of America. “We commend Chairman Levin for sending a strong message to the credit card industry that Congress will no longer allow unwarranted fees and outrageous interest rates that push consumers to the financial brink.”

“The fact that a senior Senator is calling for major reform of credit card industry practices is evidence that momentum for change is building in Congress,” said Chi Chi Wu, Staff Attorney with the National Consumer Law Center. “Senator Levin's bill will stop some of the worst abuses by credit card companies, such as changing the interest rate on a credit card for any reason or no reason at all. This bill is an important step in the fight for fairness in credit card lending.”

“Consumers Union supports these much needed reforms,” said Norma P. Garcia, senior attorney at Consumers Union. “Without them, consumers are helpless to defend themselves against currently legal but abusive credit card practices that trap consumers into spiraling debt.”

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"Senator Levin's bill would go a long way toward prohibiting credit card industry shenanigans," said Linda Sherry, Consumer Action director of national priorities. "The Senator takes a steady shot across the bow at the most unfair and anti-consumer practices, including residual and two-cycle billing practices, payment allocation, penalty rate increases and unjustified over limit fees, and shines some much-needed light on the industry's fee-based profit center."

"Owning a credit card company is often a license to steal, but Senator Levin's legislation makes him the new sheriff in town," said Ed Mierzwinski, U.S. PIRG Consumer Program Director. "His bill bans some of the most unfair credit card company practices that strip money out of consumer pocketbooks and wallets."

"Senator Levin is to be commended for addressing credit card abuses that can trap families in increasing debt rather than provide a means toward economic security," said Mike Calhoun, President of the Center for Responsible Lending.

The bill would prohibit or restrict several credit card lending abuses that have received a great deal of attention in recent months, including:

- **Retroactive interest charges.** The bill would prohibit the widespread practice of charging higher interest rates on balances incurred before a rate increase went into effect.
- **Outrageous interest rate hikes.** It would limit "penalty" interest rate increases to 7 percent above the previous rate if the consumer fails, for instance, to make a payment on time.
- **Repeat over-limit fees.** Over-limit fees could only be charged once, unless additional charges increase balances above the account limit.
- **Fees for paying a bill.** Credit card companies could not charge a fee to allow consumers to pay a bill by telephone, on the internet or by mail.
- **Interest charges for on-time payment.** It would prohibit "double cycle billing" and other practices that result in interest rate charges on balances that have been paid on time