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Push To End Unfair Credit Card Interest Rate Hikes and Fees Gains Momentum

Thousands of Consumers Send Valentine's Day Message to Congress: "Kiss Credit Card Abuses Goodbye!"

WASHINGTON, D.C. – Congress got a special Valentine's Day message today from Americans fed up with unfair credit card interest rates and fees. Consumers Union, Service Employees International Union, and the Consumer Federation of America delivered over 120,000 "Kiss Credit Card Abuses Goodbye" Valentine's Day postcards along with Hershey's Kisses to members of Congress signed by constituents demanding credit card reform.

The Valentine's Day delivery is part of an intensifying push by consumer groups and lawmakers in Washington to rein in egregious credit card lending practices that unfairly penalize Americans and contribute to increasing debt during an economic downturn. The effort comes amid new reports that some banks are arbitrarily and sharply raising credit card interest rates.

"Consumers are sick and tried of credit card company gotchas that result in unfair penalties and interest rates that climb through-the-roof," said Jeannine Kenney, senior policy analyst at Consumers Union, the nonprofit publisher of *Consumer Reports*. "These practices have always been abusive, but now consumers are being hurt even more at a time when the economy is worsening and they can least afford it."

In mid-January, Bank of America reportedly sent notices of steep rate hikes to many of its cardholders. The move has prompted a storm of protest from consumers who face rate hikes even though they're in good standing with Bank of America.

A 2006 report by the General Accounting Office (GAO) found that credit card fees have risen much faster than inflation and that late fees were assessed on 35 percent of all credit card accounts in 2005. That year, the six largest credit card issuers collected $7.4 billion in penalty fees. The GAO concluded that current fee disclosures are difficult to understand, bury important information, and often fail to convey to cardholders when late fees would be charged and what actions could result in penalty interest rates.

The Consumer Federation of America estimates that Americans' total credit card debt amounted to approximately $850 billion at the end of 2007. According to CFA, the average credit debt per household is $7,430. Many Americans are finding themselves crushed by debt because credit card companies are quick to raise interest rates for even minor infractions like a single late payment.

"While the government plans a $150 billion stimulus for the economy, credit card companies are on pace to take that money right back out of the pockets of working people through outrageous fees and interest rates," said Stephen Lerner, SEIU Assistant to the President and Director of SEIU's Private Equity Project. "Committing to any stimulus package while allowing the biggest banks in the country to continue to drain the wallets of consumers is like trying to jumpstart a car without using jumper cables."

Consumer groups have urged Congress to pass legislation that eliminates some of the worst credit card lending practices, including:

- Hiking interest rates and fees for any, *or no reason* at all
- Charging interest on balances already paid off
- Requiring consumers to pay off balances with lower interest rates before applying any payments to balances with higher interest rates, allowing debt to accumulate at the more expensive rate
- Charging late fees when consumers mail their payments well in advance of the due date
- Applying unfair interest rate hikes <u>retroactively</u> to balances incurred under the old rate
- Raising interest rates to cardholders in good standing due to behavior unrelated to the credit card
- Charging over the limit fees when the issuer approves the transaction that exceeds the limit
- Assessing excessive penalty fees that exceed the actual costs incurred by the issuer

A number of credit card reform bills have been introduced in Congress to curb many of these abusive practices. Last week, Congresswoman Carolyn Maloney, Chairwoman of the House Financial Institutions Subcommittee, introduced HR 5244, the Credit Cardholders Bill of Rights, which limits hidden interest rate charges, reins in unfair rate hikes and provides other protections. In the Senate, S. 1395, sponsored by Senator Carl Levin (D-MI), prohibits a range of credit card lending abuses.

"Too many credit cards are designed to trip up consumers and trap them in debt," said Travis Plunkett, legislative director of the Consumer Federation of America. "Congress should not let another year go by without acting to prohibit abusive credit card fees and practices."

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