

## Dodd pushes credit card reform

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WASHINGTON -- Backed by a cadre of consumer advocates, Senate Banking Committee Chairman Chris Dodd on Wednesday unveiled sweeping reforms to the rules governing the nation's credit card industry that he claims are needed to end deceptive and fraudulent practices that cost American families billions each year.

Credit Card Debt | Debt Consolidation | Credit Debt

"When the average family has \$10,000 in revolving debt, that is a staggering burden. It is a loadstone around their necks," he said.

Soon after taking control of the committee in January 2007, Dodd held a hearing that put the credit card industry on notice that he intended to see reforms -- either voluntarily or statutorily.

"Some heeded that call and have improved the way they do business. But very regrettably, far too few have embraced this call," Dodd said Wednesday at a press conference unveiling his legislation.

The bill would:

- Ban so-called 'universal defaults' that allow credit card issuers to jack up interest rates on cardholders in good standing.
- Prohibit unilateral changes to card agreements, and require issuers to give 45-day notice of any interest rate increase.
- Require interest rate changes to apply only to future credit card debt, and block interest charges on debt paid on time, late fees and overlimit fees.
- Require full disclosure in billing statements of payment due dates and applicable late payment penalties. - Impose stricter standards for issuing credit cards to people under 21.

Most of the proposals have been included in one form or another in legislation offered by lawmakers over the last decade with little success.

In 1999 and 2000, Dodd unsuccessfully tried to amend the "Truth in Lending Act" to require credit card issuers to provide cardholders with better information about payment terms and conditions.

In 2005, Dodd offered amendments to a bankruptcy reform bill that would have prohibited extensions of credit to underage consumers and required prior notice of rate increase. Both amendments were withdrawn for lack of support.

Dodd noted that the bill faces no less of a challenge this year, given industry opposition and a reluctance on the part of Republican senators to do much more than talk about the issue.

Sen. Carl Levin, D-Mich., who strongly supports the reforms, suggested Republicans would come around once they got on the campaign trail and heard from their constituents.

"This is an election year," he said.

American Bankers Association president and CEO Ed Yingling, whose organization represents most of the nation's credit card providers, said he has "serious concerns" that the legislation could hurt much-needed consumer access to credit.

"We are concerned that the changes outlined in this legislation would have serious, unintended consequences such as unfairly raising the cost of credit for consumers -- even those who have a record of managing their credit well," Yingling

said.

"Many of the practices this bill attempts to curtail allow credit card issuers to provide worthy borrowers with low-interest rates, no annual fees and broad access to credit."

Steve Verdier, director of congressional affairs for the Independent Community Bankers Association, also expressed concerns that the legislation could have unintended consequences for the more than 2,000 community banks that provide credit cards to their customers.

"I think we offer pretty common-sense products without a lot of the high-cost bells and whistles. We certainly wouldn't want additional details and regulations that would discourage banks from offering credit cards," Verdier said.

Elizabeth Warren, a professor at Harvard Law School, said Dodd's bill could save American families "more than a billion dollars each year" by eliminating unfair penalties and sky-high interest rates.

Warren said the 50 million families who carry a monthly balance on their credit cards pay about \$82 billion in interest and penalties each year -- an average of \$1,640 per family.

"That \$1,640 disappeared into the hands of basically a dozen credit card companies," she said.