

Legislative Highlights

Democrats Continue Push to Curb Credit Card Abuses

Congressional Democrats served notice that they want to move legislation curbing some credit card practices they consider abusive, even while regulators write rules to rein in such activities. House Financial Services Chairman Barney Frank (D-Mass.) said he wants to mark up legislation that would require the industry to give cardholders the right to cancel their cards and pay off their balance at their current interest rate if it is set to increase, among other provisions.

The “Credit Cardholders Bill of Rights” (H.R. 5244), sponsored by Rep. Carolyn Maloney (D-N.Y.), would prohibit other practices such as double-cycle billing, in which a bank assesses interest on the entire amount charged during one month unless the bill was

paid in full; and universal default, a practice in which customers are charged a higher interest rate if they miss a payment on another card or if their credit score drops by a specified amount. Frank and other House members have chastised the banking industry for insisting that it can change card terms retroactively. Companion bills by Sens. Carl Levin (D-Mich.) and Ron Wyden (D-Ore.) are pending on the other side of the Capitol.

Meanwhile, the Federal Reserve is writing rules to ban unfair and deceptive credit card practices as well as adopting better marketing and disclosure standards. Republicans on both sides of the Hill tend to favor a regulatory rather than legislative approach. Banks argue that the Maloney bill would prohibit them from

structuring card terms based on a particular customer’s credit risk, resulting in higher annual fees and interest rates across the board.

Proponents of tougher standards were clearly trying to influence regulators testifying at an April 17 hearing to do more when the agencies issue final rules later this year. The Fed has already proposed to simplify credit card statements by requiring banks to provide a 45-day advance notice of any change of interest rates or other key terms, instead of the current 15 days. Maloney has a similar provision in her bill. The Office of Thrift Supervision is examining the use of retroactive rate increases to purchases and double-cycle billing. Any final rule would apply equally to banks, thrifts and credit unions. ■