

**Consumer Action * Consumer Federation of America
Credit Card Nation * U.S. PIRG**

**Joint Recommendations of Consumer Group Witnesses Before the
U.S. Senate Banking Committee Oversight Hearing on Unfair Credit Card Practices:
17 May 2005**

Eliminate reckless and abusive lending by credit card companies

No unsound loans: Make issuers offer credit the old fashioned way, using sound underwriting principles based on the ability of consumers to pay and that ensure the cardholder is not overextending financially by taking on more debt.

Protect young creditors: Prohibit the reckless extension of credit to college students. When issuing credit cards to young adults under age 21, credit card issuers should have to obtain the signature of the young person's parent or guardian or determine that the youth has a job or other income sufficient to pay credit card charges.

No abuse of consumers in bankruptcy: Stop issuers from collecting on particularly abusive loans in bankruptcy.

End unjust interest rates and fees

Ban Retroactive Changes In Terms: Stop issuers from changing the rules in the middle of the game by raising interest rates on past purchases.

No adverse changes in terms for no reason: Credit card company contracts currently claim the right to change terms for any reason, including no reason.

Ban universal default: Prohibit punitive "universal default" interest rates based on alleged missteps with another issuer but involving no missed payments to the credit card company itself. It is unfair to impose a penalty rate on a consumer who has not made a late payment or otherwise defaulted.

- No interest rate hikes allowed for activity not directly linked to specific credit card account.
- No interest rate hikes for minimal drop in credit score or minor problem with other creditor.
- No interest rate hikes for activity not directly linked to specific account without affirmative permission of consumer and right to pay off account at existing rate.)

Postmarked By The Due Date Means Payment Is On-time. Require credit card companies to follow the Internal Revenue Service (IRS) and accept the postmarked date as proof of on-time payments. This will also eliminate the tawdry practice of assessing late payment fees when payment is received on the due date, but after some time (such as 11 am).

Relate Fees to Cost: Ensure that all fees and other charges closely match the true cost borne by the card issuer.

Ban roll-over or repeat late and over-limit fees charged in consecutive months that are based on a previous late or over the limit transaction, not based on an additional transaction offense, even if the consumer remains over the previous limit.

Ban over-limit fees when the issuer approves the over limit transaction.

Ban deceptive and unfair practices.

During the life of a card, ban issuers from changing terms without at least one billing cycle's advance notice to the consumer and the consumer's affirmative permission during the life of the card.

Ban pre-dispute binding mandatory arbitration.

Ban deceptive advertising and "invitation to apply" solicitations that do not make a truly firm offer of credit. These deceptive offers lead consumers to believe that they are pre-approved for or have a good chance of getting certain interest rates. Most consumers instead receive cards at much less favorable interest rates and terms.

Empower consumers with more detailed information.

Real Minimum payment warning: Give each consumer a personalized warning on his or her monthly statement calculating the length of time—in months and years—and the total interest costs that will accrue, if the consumer makes only the requested minimum payment.

Ban Unfair Teasers: Stop issuers from downplaying permanent interest rates in advertisements and solicitations and from trumpeting temporary rates as "fixed rates."

Enhance Schumer Box: Include a "Schumer box" disclosure table in all cardholder agreements containing personalized information about the terms of the card granted. Include the APR including fees, the credit limit, and the amount of all fees, including late charges, cash advance fees, over limit fees and any other applicable miscellaneous fees to the table.

Increase penalties to deter illegal acts

Toughen Truth In Lending Act (TILA) penalties, which have stagnated since 1968.

Give aggrieved consumers a private right of action to enforce the Federal Trade Commission Act to challenge unfair or deceptive practices by businesses, including banks.

Information:

Consumer Action, Linda Sherry, 202-588-3440, www.consumer-action.org

Consumer Federation of America, Travis Plunkett, 202-387-6121, www.consumerfed.org

Credit Card Nation, Professor Robert Manning, [301-237-5599](tel:301-237-5599), www.creditcardnation.com

U.S. PIRG, Ed Mierzwinski, 202-546-9707, www.truthaboutcredit.org