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Consumer Federation of America

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CONSUMER GROUPS TO FED: STOP ABUSIVE CREDIT CARD PRACTICES

Call to Action in Response to Fed's Revamp of Credit Card Disclosure Rules

WASHINGTON, DC – National consumer groups issued a call to the Federal Reserve Board asking it to do more to protect credit card consumers. The appeal was made in response to the Fed's proposal revamping the rules for credit card disclosures under the Truth in Lending Act (TILA).

The National Consumer Law Center, Center for Responsible Lending, Center for Consumer Affairs, Consumer Action, Consumer Federation of America and National Association of Consumer Advocates submitted [comments](#) late Friday, October 12, in response to the Fed's proposal. As part of their response, the national consumer groups asked the Fed to take stronger action by banning or restricting abusive practices, and to recommend that Congress pass laws to protect credit card consumers.

According to Chi Chi Wu of the National Consumer Law Center, "the Fed proposal makes some improvements in credit card disclosures, but the Fed has done nothing to ban some of the worst credit card abuses. It is fundamentally unfair:

- To hike the interest rate on a card that the consumer is paying on time, just because her credit score has dropped for unrelated reasons;
- To apply interest rate hikes retroactively to purchases made before the new rate;
- To charge over-the-limit fees on approved purchases;
- To use hair trigger tactics to impose penalty fees and rates, such as treating payments received after 1 PM on the due date as a late payment;
- To bind a consumer to the credit card contract while the credit card company can change the terms at any time for any reason, or no reason at all."

The consumer groups noted that the Fed has the authority to ban or restrict abusive practices under the Federal Trade Commission Act, but has not used that power. "All the disclosure in the world cannot protect consumers from the many unfair and deceptive practices

used by card companies. The Fed and Congress must pass strong rules and laws to even the playing field for consumers,” said Linda Sherry of Consumer Action.

The consumer groups also criticized some of the Fed’s proposed disclosure rules. The Fed refused to require disclosure on applications of a “typical APR” that takes into account fees as well as interest, and is even considering eliminating the “fee-inclusive APR” on billing statements that lets consumers know the all-in-one price of credit when non-interest fees are charged.

“Credit card companies will be able to continue advertising deceptively low APRs and then hitting you on the back end with fees that are not included in the interest rate,” said Lauren Saunders, an attorney at NCLC. The groups also criticized other disclosures:

- Creditors will be able to disclose a broad range of Annual Percentage Rates (APRs), such as “8.99% to 19.99%,” in credit card solicitations, then wait until the account is opened to tell the consumer what her actual APR will be.
- Creditors will only have to disclose certain fees when an account is opened. They won’t need to tell consumers about other fees until right before these fees are imposed, and won’t even need to provide the notice in writing.

The consumer group comments did note some improvements in the new rules, including proposals that:

- Require an easier-to-read table to be used for critical credit card disclosures.
- Require creditors to provide 45 days notice before changing important terms of the account.
- Require creditors to provide 45 days notice before imposing a penalty interest rate.
- Improve disclosures for subprime credit cards.
- Prohibit creditors from using the term “fixed” unless an interest rate really is fixed forever, or for a certain period of time that creditors must tell consumers.

A copy of the consumer groups’ comments is posted at www.NCLC.org.

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NCLC is a non-profit organization specializing in consumer issues on behalf of low-income people. NCLC works with thousands of legal services, government and private attorneys, as well as organizations, who represent low-income and elderly individuals on consumer issues.

Consumer Action (www.consumer-action.org) is a national non-profit consumer education and advocacy organization founded in San Francisco in 1971. Consumer Action serves consumers and its members nationwide by advancing consumer rights, referring consumers to complaint-handling agencies and training community group staff on the effective use of its educational materials. Consumer Action also advocates for consumers in the media and before lawmakers and compares prices on credit cards, bank accounts and long distance services.