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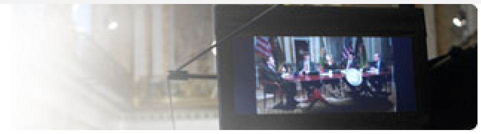

Protecting American Credit Card Owners Treasury Voices Support for HR 627, Discusses Need for Credit Card Reform with Civil and Consumer Organizations

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WASHINGTON– Today, Treasury Secretary Tim Geithner, joined by Congresswoman Carolyn Maloney, met with consumer groups, civil rights leaders and credit card consumers to discuss the national need for credit card reform. The discussion centered on the House Bill, Credit Card Holders Bill of Rights of 2009, (HR 627) which is set for a vote tomorrow and would significantly strengthen consumer protections in the credit card market.

For too long, credit card contracts have been deceptively complicated, often leading consumers to pay more than they reasonably expect due to unfair practices. Every year, Americans pay around $15 billion in penalty fees. This represents a problem in a major industry. Nearly 80 percent of American families have a credit card, and 44 percent of families carry a balance on their credit cards.

"Over the past three months, the Obama Administration has aggressively worked to get our credit markets flowing, get our economy back on track and get Americans back to work," said Secretary Geithner. "We have also begun laying the groundwork, through regulatory reform, to ensure that a crisis of this magnitude never happens again and that responsible consumers and investors are protected. That includes creating a more stable, more effective and more consumer-friendly credit card market -- one that protects our taxpayers."

In the Senate and throughout the campaign, President Obama called for measures to strengthen consumer protection in the credit card market. The Federal Reserve has taken a strong first step toward improving disclosures and ending unfair practices. Leaders in the House, including Chairman Frank and Representatives Maloney and Gutierrez, and in the Senate, including Chairman Dodd and Senator Levin, have drafted bills that will codify and strengthen these new regulations. The Administration strongly supports these efforts as key components of comprehensive consumer protection and overall regulatory reform.

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Principles for Long-term Credit Card Reform

- First, there has to be strong and reliable protections for consumers – protections that ban unfair rate increases and forbid abusive fees and penalties. The days of "any time, any reason" rate hikes and late fee traps have to end.
- Second, all the forms and statements that credit card companies send out have to have plain language that is in plain sight. No more fine print, no more confusing terms and conditions. We're going to require clarity and transparency from now on.
- Third, we have to make sure that people can shop for a credit card that meets their needs without fear of being taken advantage of. That means requiring firms to make all their contract terms easily accessible and giving consumers the information they need to go online and do some comparison shopping. It also means requiring firms to offer at least one simple, straightforward credit card that offers the strongest protections along with the simplest terms and prices.
- Finally, we need more accountability in the system, so that we can hold those responsible who do engage in deceptive practices that hurt families and consumers. To do that, we'll beef up monitoring and enforcement, and also penalties for any violations of the law.

· **Ban Unfair Rate Increases**

· **Prevent Unfair Fee & Interest Rate Charges**

· **Plain Sight /Plain Language Disclosures** _

· **Consumer Right to Know**

· **Accountability**

· **Protections for Students and Young People**

The Administration supports both of the credit card reform bills in the House and the Senate. We want to urge a strong bi-partisan vote tomorrow in the House for the Credit Card Holders Bill of Rights of 2009. Below we are highlighting the critical elements of reform in both chambers of Congress.

Key Elements for Credit Card Reform

1. **Ban Unfair Rate Increases:** Financial institutions must no longer raise rates in ways that are unfair or deceptive so that consumers will have confidence that the interest rate on their existing balances will not be unexpectedly hiked.

· **Ban Retroactive Rate Increases**: Ban rate increases on existing balances by ending the practice of retroactive rate hikes due to "any time, any reason," "universal default"

· **First Year Protection**: Contract terms must be clearly spelled out and stable for the entirety of the first year. Firms can continue to offer promotional rates with new accounts or during the life of an account, but these rates must be clearly disclosed and must last at least 6 months.

2. **Ban Unfair Fee Traps**:

· **End Late Fee Traps:** Companies must give people a reasonable time to pay the monthly bill from the time the statement is mailed – at least 21calendar days from time of mailing. We will also end late fee traps that penalize consumers with weekend deadlines, or use middle of the day deadlines to capture more consumers in late fees.

· **Enforce Fair Interest Calculation:** Credit card companies will be required to apply excess payments to the highest interest balance first, as consumers expect them to do. We will end the confusing and unfair practice by which issuers can use the balance in a previous month to calculate interest charges on the current month, so called "double-cycle" billing.

· **Require Opt-In to Over-Limit Fees:** We will make it easier for consumers to avoid over-limit fees by requiring firms to seek the consumer's permission to set up the account to process transactions that would place them over the limit.

· **Restrain Unfair Sub-Prime Fees:** We will substantially restrict fees on subprime, low-limit credit cards.

3. ***Plain Sight / Plain Language Disclosures:*** We need to ensure that credit card contract terms are disclosed in language that consumers can see and understand so they can avoid unnecessary costs and manage their finances.
    - **Plain Language in Plain Sight:** Creditors will give consumers clear disclosures of account terms before consumers open an account, and clear statements of the activity on consumers' accounts afterwards. For example, pre-opening disclosures will highlight fees consumers may be charged and periodic statements will conspicuously display fees they have paid in the current month and the year to date as well as the reasons for those fees. These disclosures will help consumers make informed choices about using the right financial products and managing their own financial needs. Model disclosures will be updated regularly based on reviews of the market and testing with consumers to ensure that disclosures remain clear, useful, and relevant.

· **Real Information about the Financial Consequences of Decisions:** Issuers will be required to show the consequences to the consumer of their credit decisions.

o Issuers will need to display how long it would take a consumer to pay off the existing balance if the consumer paid only the minimum due and the total interest cost in that situation.

o Issuers will also need to display the payment amount that would be necessary for a consumer to pay off the existing balance in 12, 24, and 36 months and the total interest cost in each situation.

4. **Market Transparency*:*** We will make it easier to monitor credit card contracts for unfair terms and to determine the rates and fees that consumers are actually paying.

· **Public posting of credit card contracts:** Today credit card contracts are usually available only in hard copy and not in plain language. We would require issuers to make contracts available on the Internet in a usable format. Regulators and consumer advocates will be better able to monitor changes in credit card terms and evaluate whether current disclosures and protections are adequate.

· **Public Disclosure on Actual Rates, Fees, and Terms on a National Web Site**: We will require card issuers to submit information on rates, fees, and key features on a periodic basis for posting on a national web site.

o Each creditor will have to disclose how many cardholders are receiving each of the rates it charges, the number of consumers who paid fees as well as the average and total amounts for the various fees. Regulators will ensure that the data is properly framed so that is the data are meaningful to the public.

5. **Accountability***:* We must ensure accountability from both credit card issuers and regulators who are responsible for preventing unfair practices and enforcing protections.

· **Step up enforcement:** Regulators and enforcement agencies should focus on bad practices in the credit card area and will be required to report annually to the Congress on their enforcement in this area.

· **Hold regulators accountable to keep current:**

o Regulators will be required to formally request public input on market trends and consumer protection on a biannual basis to determine what new regulations or disclosures might be needed

o Regulators will either update the applicable rules, or publish findings and rationale if no regulation is deemed necessary

6. ***Clean Up Credit Card Practices For Young People at Universities***
   - *Strengthen Responsible Lending Practices:* We need to strengthen responsible lending practices for credit card companies that market products to young adults – ensuring that students don't get saddled with long-term credit card debt that they can't manage.

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