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ISSUE UPDATE



DATE: October 7, 2008
TO: Concerned Parties
FROM: Hilary O. Shelton, Director, Washington Bureau

NAACP-Supported Legislation to End Predatory Lending Type Credit Card Abuses Passes US House

THE ISSUE

On September 23, 2008, the US House of Representatives passed H.R. 5244, the *Credit Cardholders' Bill of Rights Act*. The legislation, which was strongly supported by the NAACP won overwhelmingly 312 yeas to 112 nays. If enacted, this legislation would outlaw several predatory lending style credit card practices deemed “unfair and deceptive” by federal regulators.

Specifically, the legislation would require that credit card holders be given at least 45 days’ notice of any interest rate increase on an account. This means that credit cards would no longer be able to double, or in some cases even triple, the interest rate on a credit card with little or no notice. The bill would also bar “double-cycle billing,” in which charges are computed on outstanding balances for more than one cycle. Lastly, the bill would prohibit the practice of “universal default” in which a credit card’s interest rate is raised, oftentimes significantly, because of behavior related to other creditors – even if the cardholder is and has always been in good standing with the card in question.

Equal access to credit is a vital step in helping families move out of poverty, and into the middle class and greater financial security. Rising delinquencies in the home, auto, and credit card markets are putting a strain on working families across the country. Minority families, who are routine targets for unfair and abusive lending practices, are especially hard-hit. Much like the targeting and discrimination that occurs with home loans, racial and ethnic minority Americans, and especially African Americans are steered toward credit cards with the highest fees and interest rates and most complicated payment terms. In fact, one report showed that 15% of African-American and 13% of Latino card users have cards with interest rates over 20%, compared to only 7% of White card users – many of whom are responding to credit card solicitations with preset terms and conditions. Other research has shown that most households rely on their credit card to cover their family budget in times of financial emergencies, such as family car repairs or medical expenses. Instead of providing relief or a financial bridge, credit cards with abusive features and practices often create vicious cycles of debt.

While unfortunately the bill’s prospects for enactment are not bright this year, with Congress set to adjourn for the year in the very near future and the Senate has not even begun to hold hearings on the issue, this is a major victory in that it sets the groundwork for next year, it puts lawmakers on record as opposing these abuses and it puts the credit cards on notice that they need to play fair.

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