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U.S. House passes legislation to curb credit card rate increases

Dubbed the Credit Card Holder's Bill of Rights, it would require card issuers to give customers 45 days notice before their interest rates are increased. This provision would go into effect 90 days after final passage.

By Diane C. Lade

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Responding to a wave of consumer anger over credit card practices, the U.S. House on Thursday overwhelmingly approved a bill that would curtail sudden credit card interest rate increases and higher fees.

Dubbed the Credit Card Holder's Bill of Rights, it would require card issuers to give customers 45 days notice before their interest rates are increased. This provision would go into effect 90 days after final passage.

But other measures, such as prohibiting interest rate increases on previous balances and a ban on fees for making monthly payments online or by phone, would not go into effect for a year.



That leaves South Floridians drowning in debt now little choice but to try to stop using credit cards or negotiate hardship payment plans if they are unemployed, said Jessica Cecere, president of the Consumer Credit Counseling Service of Palm Beach County/Treasure Coast.

She advises consumers, especially those with good credit payment histories, to contact the card issuer if they get hit with a huge rate increase after a slightly overdue payment and ask for a break. "You generally are given a free pass once, although once usually is it," Cecere said.

Hyman Schechet had a simple way to fend off his credit card costs, which he noticed started rising last year.

"When the rates get into double digits, I just pay off the card," said the 81-year-old Hollywood retiree. Yet, despite what Schechet said was a perfect record with Target Corp., the discount retailer hit him with a \$39 late fee on a \$308 balance this month this because his payment posted one day late. "It seemed like gouging and I was offended by it," said Schechet, who could not get the retailer to drop the charge.

Meanwhile, the House bill comes weeks after the Senate passed its own credit card legislation. It's similar to the Senate version, which also prohibits card issuers from changing contract terms as long as

the card holder pays on time. President Barack Obama, who met at the White House last week with credit card industry executives, made it clear he wants a final compromise bill that would protect consumers from "abusive fees and penalties."

While many of these practices have been going on for years, consumer advocates say they became particularly egregious -- and more apparent -- as families who had paid their bills on time fell behind in recent months.

"We had hundreds, if not millions, of people who were doing fine and then, whack, they lost their jobs. Then credit card price increases came down on them," said Linda Sherry, spokeswoman for Consumer Action, one of several groups that promoted the House bill championed by Rep. Carolyn Maloney, D-N.Y.

Similar but stronger legislation is before the Senate, where Sherry anticipates more opposition as members work toward a compromise with the credit card industry. Supporters want to get a final congressional package to Obama's desk by the Memorial Day holiday.

Banking industry executives have said more regulations could prompt card lenders, already dealing with a growing number of default accounts, to restrict credit in an already tight market.

The credit card changes could cost the banking industry more than \$10 billion a year in interest payments, according to a study by the law firm Morrison & Foerster.

U.S. credit card debt has jumped 25 percent in the past 10 years, reaching \$963 billion in January, according to figures from the White House. The average outstanding credit card debt for households that have a card was \$10,679 at the end of 2008, according to CreditCard.com, a Web site for people to compare credit card rates.

Both the Senate and House bills have provisions targeting young card holders. The House version prohibits issuing cards to anyone under 18 and the Senate bill would not allow cards to be issued to those under 21 unless they could prove they could repay the debt or complete a certified financial literacy course.

Wesley Causey, 25, an environmental science student at Florida Atlantic University in Boca Raton, thinks both proposals are good, even though he faithfully pays off his two credit cards monthly.

"They make it easy to sign up without explaining, 'Oh, and then there are these fees and we can change the rates,'" Causey said.

Information from The Associated Press was used in this report.

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