



David A. Paterson
Governor

STATE OF NEW YORK
EXECUTIVE DEPARTMENT
CONSUMER PROTECTION BOARD

Mindy A. Bockstein
Chairperson and Executive

March 23, 2009

Congresswoman Carolyn B. Maloney
2331 Rayburn HOB
Washington, DC 20515-3214

Re: HR 627, "Credit Cardholders Bill of Rights Act of 2009"

Dear Congresswoman Maloney:

On behalf of the New York State Consumer Protection Board (CPB), I am pleased to offer our continued support of your efforts to better regulate the credit card industry. The CPB applauds Congresswoman Maloney on her sponsorship of HR 627, the "Credit Cardholders Bill of Rights Act of 2009." As consumers continue to be beleaguered with costly and ever changing credit card terms, I commend your tireless and diligent advocacy in this field. The federal government needs to act now to protect consumers and afford them safeguards against unfair credit card practices.

In the past year, the CPB received more than 1,500 card-related complaints and inquiries. The nature of these complaints include billing disputes and erroneous charges, exorbitant fees, changes in interest rates, and late payment fees. We have successfully mediated and resolved more than 1,200 of these complaints.

Unfortunately, credit cardholders remain at a disadvantage because often times the real cost for the use of a credit card is hidden. The practice of enticing consumers with promises of special no-interest introductory rates, low-interest rates and rewards programs is still prevalent. While such incentives are advantageous to consumers, the subsequent practices of the credit card issuers to then impose additional fees and unilaterally change contract terms with little or no notification to consumers acts as a clear "bait and switch" tactic. Likewise, consumers are still blindsided by the perplexing terms and conditions under which fees are generated, which is causing more and more consumers to fall into a cycle of debt. As you aptly pointed out in "Forever in Debt," these practices, coupled with inadequate regulations, have contributed to the current severe downturn in the economy. Once signed, HR 627 will make great strides in creating a more level playing field to enable a consumer to responsibly maintain a credit card.

Specifically, HR 627 addresses critical needs in credit card reform by (1) prohibiting creditors from increasing any annual percentage rate (APR) applicable to an existing balance on a credit card account except in limited circumstances; (2) outlawing double-cycle billing practices; (3) requiring creditors to either proportionally allocate excess payments to each APR balance or to the highest interest balance on credit card accounts accruing interest at two or more



different APRs; and, (4) mandating creditors to send periodic statements to cardholders no less than twenty one days before the due date.

In addition, HR 627 goes further by including provisions to protect cardholders from misleading terms, requiring creditors to offer consumers the option of having fixed credit limits that cannot be exceeded, and limiting the amount of over-the-limit fees that a creditor may charge. Moreover, unlike the Federal Reserve, Office of Thrift Supervision and National Credit Union Administration credit card rules issued in December 2008, this proposal provides consumers with this essential relief within three months of enactment. Prompt action is necessary for credit cardholders who are struggling to survive against the creditors that have responded to the federal regulatory plan by reducing available credit, increasing interest rates and imposing greater fees.

In conclusion, the many practices used by credit card issuers continue to perpetuate burdensome and often crushing consumer credit card debt. These practices, coupled with the decline in our economy, create an urgent need for Congress to act and protect consumers from hidden fees and exorbitant contract terms.

The adoption of the Credit Cardholders Bill of Rights Act of 2009 will assist in the stabilization of our declining economy and empower consumers to be more educated and accountable for their credit card debt. Thus, the CPB has posted a link on our website urging consumers to join us in supporting your efforts and asking other leaders to do the same. The CPB remains committed to lending our full support to these important reforms, and welcomes any suggestions on how we may further aid you and your staff in advancing this important legislation.

On behalf of New York's consumers, thank you for your leadership and efforts.

Sincerely,


Mindy A. Bockstein
Chairperson and Executive Director

