



Auto Safety Group • Congress Watch • Energy Program • Global Trade Watch • Health Research Group • Litigation Group
Joan Claybrook, President

September 22, 2008

Dear Representative:

Public Citizen is a national non-profit organization that represents the interests of consumers and the public in matters before state legislatures, the courts, executive branch agencies, and Congress. We strongly support the Credit Cardholders' Bill of Rights, H.R. 5244, which ends some of the most unfair and abusive practices of the credit card industry.

While corporations on Wall Street are being bailed out of a mess that they created themselves, many consumers on Main Street have been left to drown in a sea of debt. Americans are struggling to stay current on their mortgage payments, the unemployment rate is at a staggering 6.1 percent, and gasoline and home utility prices are increasing. In this difficult financial climate, consumers are relying increasingly on credit cards to make essential purchases.¹ According to credit reporting agency TransUnion, the average credit card debt was \$1,717 per borrower for the second quarter of this year.²

For years the credit card industry has been allowed to run wild. The last substantive credit card reform legislation was passed in 1987. The Office of the Comptroller of Currency (OCC) has an undistinguished record of credit card oversight and enforcement. We have seen the effect of a lack of regulation and accountability on the accounting and mortgage industries. A similar collapse in the credit card industry would be equally devastating.

Opponents of H.R. 5244 argue that it would be best to allow the Federal Reserve and other regulatory agencies to reform the credit card industry through regulations. This argument is disingenuous. The credit card industry opposes the Federal Reserve's proposed regulations as well, and it is applying intense pressure to weaken them. The Federal Reserve's proposal already offers consumers less protection than H.R. 5244. Unlike the Federal Reserve's proposal, H.R. 5244 limits companies' use of "over-the-limit" fees, restricts the fees associated with subprime credit cards, and prohibits companies from issuing credit cards to persons under the age of 18. These essential reforms address some of the most unfair credit card company practices. Furthermore, the Federal Reserve could weaken its proposal under industry pressure. Even if it were to pass a strong set of rules, it could easily repeal them at a later date.

In addition to passing H.R. 5244, Congress can remedy abuses in the credit card industry by prohibiting binding mandatory arbitration in credit card contracts. Most consumers are unaware that arbitration clauses in the fine print of credit card contracts bind card holders into a system of biased,

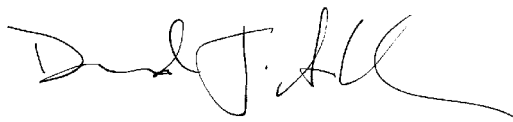
¹ E.g., Kathy Chu, *More Americans Using Credit Cards to Stay Afloat*, USA TODAY, Feb. 29, 2008, at 1A.

² Associated Press, *Credit Card Debt, Delinquencies Rise*, Sept. 15, 2008, at <http://money.cnn.com/2008/09/15/pf/bc.creditcard.delinquenci.ap/index.htm>.

private, for-profit dispute resolution, stripping them of the ability to hold their credit companies accountable for violations of the law. For years, credit card companies have used binding mandatory arbitration as a debt-collection tool and a method of evading accountability in court for violations of the Truth in Lending Act and other consumer protection laws. The Arbitration Fairness Act, H.R. 3010, will restore fairness for consumers by eliminating these forced clauses in all consumer, employment, franchise, and civil rights disputes. We support H.R. 5244 because it will help Americans dig themselves out the hole that credit card companies have created through unfair lending practices. We ask you to support H.R. 3010 because the task of protecting consumers from abusive credit card practice will never be complete until credit card companies can be held accountable for wrongdoing.

The United States Congress has come to the aid of Wall Street. Now it is time to come to the aid of Main Street. We strongly urge Congress to pass the Credit Cardholders' Bill of Rights, H.R. 5244.

Sincerely,

A handwritten signature in black ink, appearing to read "David Arkush". The signature is fluid and cursive, with a long horizontal line extending to the right.

David Arkush
Director
Public Citizen's Congress Watch