

Congress Moves to Supplement Fed on Credit Cards

March 5, 2009

In yet another reminder to credit card providers that they need to continue monitoring government attempts to legislate and regulate credit card products, services and policies, two pieces of credit card legislation have been introduced that could significantly impact your business. The legislation follows recent action by the Federal Reserve Board, which on December 18, 2008, approved [final regulations](#) regarding credit card and other consumer banking practices that will take full effect by July 1, 2010. Those final rules virtually mirror the Fed's May 2008 draft rules (summarized in this [Kelley Drye Advisory](#)).

First, on January 22, 2009, Rep. Maloney (D-NY) re-introduced the Credit Card Holders' Bill of Rights ([H.R. 627](#)), a prior version of which passed the House in 2008 but did not make it through the Senate. Then, on February 11, 2009, Chairman of the Senate Banking Committee Chris Dodd (D-CT), re-introduced The Credit Card Accountability, Responsibility and Disclosure Act ([S. 414](#)). That legislation likewise had a prior life, though it did not make it out the Senate Banking Committee during the 110th Congress.

The apparent purpose of the legislation is to attempt to fill perceived gaps in and to expedite implementation of the changes offered by the Fed rules. As a representative from the American Bankers Association [testified](#) during a recent Senate hearing regarding Senator Dodd's bill, the legislation goes beyond the Fed rules in certain respects. For example, among other things, that bill would prohibit card companies from charging customers for paying their bill by phone, it would attempt to control charges for late payments or other violations of the cardholder agreement, and it would prohibit the issuance of cards to consumers under 21 years of age. These and other measures would significantly restrict institutions' abilities to manage their business and offer choices to consumers. Further, in attempting to bring about reform more quickly, both pieces of legislation would shorten the implementation period needed by financial institutions to alter their business practices and comply with the new rules.

With so much government and public attention on financial services and given the consumer protection focus of the Obama Administration and Democrats on the Hill, credit card legislation may pick up substantial support and momentum in the current Congress. Whether lawmakers can agree on how to move forward, and whether they can do so before the Federal Reserve rules take effect, remains to be seen. In any event, credit card providers should stay tuned!