

# Demos

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Dear Senator:

I urge you to support S. 414, the Credit Card Accountability, Responsibility and Disclosure (CARD) Act of 2009, which is expected to come before the full Senate in the coming days. The legislation, introduced by Banking Committee Chairman Chris Dodd (D-CT), would outlaw several abusive lending practices in the credit card market.

Demos research shows that inequitable credit card underwriting practices have shifted the cost of credit to individuals least able to afford it, while at the same time generating some of the highest profits in the entire banking sector. Low-income families and households of color, primarily African Americans and Latinos, bear the brunt of the cost of credit card deregulation in the form of painfully high interest rates and excessive penalty fees. As economy has faltered and unemployment has risen, more and more families are forced to rely on credit card debt to cover shortfalls in income. In short, the absence of basic regulation in the credit card market is making this recession deeper for those already on the bottom.

The Credit CARD Act would level the playing field between borrower and lender by putting an end to some of the most arbitrary, abusive, and unfair credit card lending practices that trap consumers—particularly disadvantaged and minority borrowers—in an unending cycle of costly debt. The bill would:

- End the practice of retroactively raising the interest rate on existing balances;
- Rein in excessive fees and penalties;
- Require responsible lending standards for young consumers;
- Allocate payments equitably; and
- Protect cardholders who pay on time.

Besieged borrowers cannot hold on much longer. Still reaping the consequences of the subprime debacle, banks are openly increasing interest rates and fees on their credit card customers in order to cover losses in other areas. As lenders attempt to balance their books on the backs of battered cardholders, delinquencies have reached an all time high.

This is why the need for fair standards in credit card lending has never been more pressing. A rule proposed by the Federal Reserve and other bank regulators to prohibit many of the same unfair practices elicited over 60,000 public comments. On April 30, 2009, the House of Representatives passed its own credit card reform bill, H.R. 627, by an overwhelming, bipartisan vote of 357-70. Now is the time for the Senate to take strong action on the behalf of beleaguered consumers.

I encourage you to support the Credit CARD Act and the critical protections it would establish for millions of Americans struggling to stay afloat in the midst of the worsening economic crisis.

Sincerely,



Tamara Draut

Vice President for Policy and Programs  
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