

Credit card companies hike rates to 30+% to beat new laws that will limit their ability to take advantage of consumers

Rep. Israel announces support for a plan to cap credit card interest rates

Hauppauge, NY – On Monday, Rep. Steve Israel (NY-02) joined with an Islip woman suffering from a 32 percent credit card interest rate. Rep. Israel called on credit card companies to end the price gouging and announce support for a plan in Congress to cap credit card interest rates.

“Recently I received a letter from a woman in Islip suffering from rising credit card interest rates. Ellen Rasmussen had taken on some debt because of unexpected medical expenses and now her credit card company is charging her a sickening 32 percent interest rate. When I read Ellen’s letter, I was disgusted. Ellen knows what too many families are quickly learning: these credit card companies are bloodsuckers. They are ruining lives with their predatory practices,” said Rep. Israel. “We must end the abuses – which is why I’m supporting a cap on credit card interest rates. Long Island families just can’t take it anymore.”

Rep. Israel received a letter from Ellen Rasmussen of Islip on November 20 explaining that because of unexpected medical expenses she had taken on some credit card debt and her credit card company is hitting her with a 32 percent interest rate making it difficult to ever get out from under the original debt. Rep. Israel responded by announcing that he would join Rep. Louise Slaughter’s (NY-28) efforts to cap credit card interest rates at 16 percent by co-sponsoring Rep. Slaughter’s Renewing America’s Commitment to Consumers Act. The bill will also cap contingency fees, such as late fees, at \$15.

According to the Federal Reserve, half of all banks recently said they were increasing interest rates and reducing credit lines on borrowers with good credit scores. Forty percent of banks said they were imposing higher fees. According to ABC News, Bank of America, JP Morgan, Citigroup and American Express have all increased rates on consumers within the last year.

Earlier this year, Congress passed the Credit Card Accountability Responsibility and Disclosure Act of 2009 (H.R.627), also known as the Credit Cardholders’ Bill of Rights. That legislation, which was signed into law, prohibits arbitrary interest rate increases on existing balances, increases disclosure requirements to customers and prohibits credit card issuers from charging a fee to pay a credit card debt. The bill will take effect in February 2010. However, ahead of this, credit card companies have rushed to increase their interest rates.

A study by the Pew Charitable Trusts, released late last month, concluded that the 12 largest banks, issuing more than 80 percent of the nation’s credit cards, were continuing to use practices that the Federal Reserve concluded were "unfair or deceptive" and that in many instances had been outlawed by Congress.

The Center for Responsible Lending reports that the number and importance of fees charged to consumers has also grown, with penalty fees up 69% between 2003 and 2007. According to a recent survey by Rasmussen Reports, half of all of Americans say interest rates on their credit cards have been raised in the past six months.

The Restoring America's Commitment to Consumers Act, which will be introduced by Reps. Slaughter, John Tierney (MA-06) and Mike Capuano (MA-08) and co-sponsored by Rep. Israel, would cap credit card interest rates at 16 percent, limit exorbitant and unnecessary fees, and cap contingency fees – such as late fees - at \$15 per fee.

Rep. Israel serves on the House Appropriations Committee. He previously served on the House Financial Services Committee.