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The Honorable Christopher Dodd, Chairman
Senator Richard C. Shelby, Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Dodd and Ranking Member Shelby:

On behalf of our low income clients, I am writing to offer our strong support for the Credit Card Accountability, Responsibility and Reform Act, S. 414.

Our office focuses on the needs of vulnerable families, especially those struggling with their debt. S. 414 is particularly important because it helps those who have lost income due to the financial crisis, who were entrapped by abusive mortgage lending and are at risk of foreclosure, or who were enticed to incur unsustainable levels of credit card debt and are now vulnerable to credit card issuers tricks and traps.

It is important to note the connection between credit card abuses and the foreclosure crisis. Many consumers succumbed to predatory mortgage practices in order to finance their way out of credit card debt. Conversely, valiant efforts to keep a home can jeopardize the ability to make credit card payments every month.

The recent rules issued by the Federal Reserve Board address some abusive practices and provide help to many consumers, but they do little for these families who need help the most. S. 414 goes farther to add these important protections for struggling families:

- ***No retroactive rate increases.*** No one today would justify a mortgage lender who doubles the interest rate when a homeowner misses a payment, and we should not tolerate this abusive practice for credit cards issuers. Retroactive rate increases only push families further under water and prevent them from getting on top of their debt.
- ***Payment allocation abuses.*** The Fed's rules do not fully address practices that prevent a family from paying off high rate balances or that permit issuers to transform a 0% promise into a higher rate. S. 414 provides a complete solution.
- ***Help on abusive fees.*** S. 414 addresses abuses with over limit fees, fees for making a telephone payment, and other fees that are back-end means of hiding the true expense of a card, not covering legitimate costs. The Fed rules do not address most fees.
- ***Right to cancel a card and pay off over time.*** S. 414 allows a family to get on top of debt or reject rate increases by closing an account and paying it off without changes in

the rate or minimum payment terms. Without this protection, families who cannot afford to pay off a card in full are trapped.

- ***Protections for students so they do not start life under a debt burden.*** S. 414 protects students from seductive credit card debt unless the student or a responsible adult has the means to pay it. Debt is a particular problem for students today, who are having difficulty finding jobs.

For these and other reasons, S. 414 gives the low income consumers who we represent essential protection against credit card abuses and unsustainable debt. Thank you for introducing this important bill.

Yours very truly,

Lauren K. Saunders
Managing Attorney

cc: Members of the Senate Banking, Housing and Urban Affairs Committee