

**FOR IMMEDIATE RELEASE:** March 28, 2013

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## **ADVOCATES EXPRESS CONCERN OVER ROLL-BACK IN SUBPRIME CREDIT CARD PROTECTIONS**

**WASHINGTON, D.C.** — Consumer advocates expressed concern regarding a [new rule](#) from the Consumer Financial Protection Bureau (CFPB) that dials back protection for consumers from high-cost subprime “fee-harvester” credit cards. The National Consumer Law Center, for example, has warned about these subprime credit cards for years and documented abuses [in a report](#) published in 2007. “We are extremely concerned that this rollback will allow abuses from fee-harvester credit cards to once again flourish,” said Chi Chi Wu, National Consumer Law Center staff attorney. “These high-cost cards target the most vulnerable consumers, gouging them with high fees for little credit.”

The CFPB final rule removes a requirement that the Credit CARD Act’s 25% limit on fees for a credit card account be applied to fees that the consumer is required to pay before account opening. The Federal Reserve Board (the Fed) had issued the requirement in April 2011 to include pre-account opening fees in the 25% limit after First Premier began charging a \$95 “processing fee” for its credit cards before the account was opened, as well as a \$75 annual fee, for a credit limit of \$300 (\$225 after the annual fee is subtracted). First Premier had successfully obtained an injunction from a South Dakota federal judge against the requirement to include pre-account opening fees.

Even if the CFPB felt it had to withdraw the rule in response to this court decision, consumer advocates noted it could proceed using other avenues to protect consumers from fee-harvester credit card abuses. The CFPB has more expansive authority to issue regulations that interpret the Truth in Lending Act (which includes the Credit CARD Act) than did the Fed, which had originally issued the requirement prior to the transfer of authority to CFPB. The Dodd-Frank Act added language allowing the CFPB to adopt “additional requirements” under the Truth in Lending Act.

“The CFPB should use its expanded authority to protect the most vulnerable of consumers,” stated Linda Sherry, director of national priorities at Consumer Action “Charging \$170 for a credit card with available credit of \$225 is exactly the sort of abuse that should be prohibited.”

“In enacting the Credit CARD Act and creating the CFPB, it was Congressional intent to give consumers more, not less, protection from unfair credit card practices,” said Ed Mierzwinski,

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consumer program director at U.S. PIRG. “In our view, the CFPB could have stopped these predatory practices that can now continue.”

Advocates noted other measures that the CFPB could take to address abuses by fee-harvester cards, such as finding that cards with high default rates violate the ability to pay requirement or requiring the fees charged before or at account opening to be included in the Annual Percentage Rate advertised to consumers.

### **Related Materials**

- **CFPB final rule:** <https://www.federalregister.gov/articles/2013/03/28/2013-07066/truth-in-lending-regulation-z>
- **National Consumer Law Center report** *Fee Harvesters: Low-Credit, High Cost Cards Bleed Consumers:* <http://www.nclc.org/images/pdf/pr-reports/report-fee-harvester.pdf>

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