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## **Credit CARD Act Saves Consumers \$12.6 Billion**

***On the anniversary of the successful Credit CARD Act of 2009, advocates call on lawmakers to take the same bold action on debit, prepaid cards***

On the fifth anniversary of the Credit CARD Act of 2009, consumer advocates applaud the Act's success in saving Americans billions of dollars in predatory and excessive fees. By one estimate, the CARD Act has saved consumers \$12.6 billion annually in lower fees and interest charges; a recent report from the Consumer Financial Protection Bureau identifies nearly \$4 billion annual savings in fees alone.

Now it is time, advocates urge, to address abusive fees on debit and prepaid cards.

"The CARD Act has been hugely successful in banning the biggest unfair credit card gotchas like retroactive interest rate hikes and excessive penalty fees," says Linda Sherry, director of national priorities at Consumer Action. "Now it's time to tackle the missing protections, like limits on fees and credit features, on the other payment cards like debit and prepaid."

"More reform is needed in order to rein in abuses on prepaid and debit cards and continue the effort to protect American consumers," says Rachel Anderson, program director with the Center for Responsible Lending.

For debit card transactions, overdraft fees are particularly destructive. For debit cards, the typical overdraft fee exceeds the size of the overdraft itself. At \$35 per overdraft, these fees can quickly overwhelm customers, particularly when multiple fees are applied in a short period of time. Even following a 2010 "opt-in" requirement intended to curb such abusive charges, CRL research found that overdraft fees on ATM and debit card transactions cost consumers at least \$5.8 billion per year.

"One of the biggest money-savers in the CARD Act was a requirement that penalty fees be reasonable and proportional; overdraft fees for checks and electronic payments should be

subject to the same requirement,” stated Chi Chi Wu, staff attorney for the National Consumer Law Center. “Right now, we estimate that banks make about \$25 in pure profit from each overdraft fee, giving banks an incentive to push consumers into overdrafting.”

“Overdraft fees should be completely banned on debit and prepaid card transactions,” said Lauren Saunders, associate director at the National Consumer Law Center. “Debit card transactions can be denied without a fee if the account is empty, and then the consumer can decide whether to pay on credit or skip the purchase. Keeping overdraft fees off of prepaid cards is especially important to keep those cards safe for people who have been shut out of bank accounts.”

While the debit card market has been subject to some oversight, the quickly expanding prepaid card market has not. Despite the market’s rapid recent growth, there are no federal laws or regulations protecting consumers from hidden fees, expensive credit features, and other hazards; moreover, there are no requirements to clearly disclose all the costs and fees of prepaid cards to consumers. Currently, the Consumer Financial Protection Bureau (CFPB) is considering rules on prepaid and debit cards.

The CARD Act demonstrated that good regulation can make financial services more transparent and cheaper for consumers without reducing access. The same kind of thoughtful, forward-thinking reform is needed to bring clarity and fairness to debit cards and prepaid cards.

“Before the CARD Act passed, card issuers ratcheted down the thumbscrews on honest consumers. Increased late fees were not enough as issuers also imposed penalty interest rates on consumers who were as little as one hour late, often due to unfair practices, such as making bills due on a Sunday,” said Ed Mierzwinski, Consumer Program Director for U.S. PIRG. “By all accounts, the CARD Act is a government success story that aligned the interests of the banks with their customers.”

“The CARD Act is proof that upfront pricing and strong consumer protections can work together to give consumers safe choices in a competitive marketplace,” concluded Tom Feltner, director of financial services at Consumer Federation of America. “Protecting consumers from unpredictable or hidden fees is the clear way forward in the debit and prepaid card markets because we know it works.”

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