



Credit Card Interest Rate Law Change?

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Legislation has been introduced in Congress to limit credit [card interest rates](#).

In other action, credit card companies, which already have made big moves in lowering the amount of [credit card debt](#) they will lend, are changing their rewards programs.

To offer more rewards? Same rewards for less money? No, fewer [credit card bonuses](#) for the same amount of credit card usage.

Years ago, the Supreme Court effectively gutted state usury laws, which limit the amount of interest lenders can charge, by ruling one state could not limit the interest rate charged by a lender located in another state.

So, Delaware and South Dakota set high interest rate limits, and, amazingly, credit card companies started locating there. See where you send your payments.

After sending billions of credit card solicitations per year, with teaser rates of 0% for balance transfers, and, like the mortgage lenders, lending too much money out, the credit card companies are trying to bail themselves out.

Well, they see the [credit card losses mounting](#), so they cut back the available credit, that is one remedy.

And, having these "contracts" with us, that allow them to raise rates whenever they want, they are whacking even people who are current with all their payments by upping the rate to the maximum.

This will have the effect of lowering consumer spending, as trillions less is available for us to spend, and, snowball effects.

It will lower FICO scores, as credit lines are eliminated, without

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borrowing any more money, your utilization rate goes up.

That is, you owe \$4,000 out of \$10,000 available to you on two \$5,000 limit cards.

Keeping it simple, let's say you owe \$4,000 on one and zero on the other. So, you have a 50% utilization rate, \$5,000 out of \$10,000.

Now, credit card company two cancels your card with the zero balance.

Now, you owe \$4,000 out of \$5,000 available, you are up to an 80% utilization rate, your FICO score goes down, it will cost you more money next time you borrow for a car or house or anything.

And, to go along with it, the other card raises its rate on you.

So responsible borrower pays for irresponsible credit card company mistakes.

Sound familiar?

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