Marginal Successes, Revised Expectations, Broken Promises – A Presidency in Review –

Part 2: Obama Signed Credit Card Reform Legislation into Law

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While campaigning, Obama promised to make credit card reforms to provide greater consumer protections for Americans, and he came through on this promise. The Credit Card Accountability Responsibility and Disclosure Act– the Credit CARD Act of 2009 – was signed into law on May 22, 2009. Pub.L. 111-24, 123 Stat. 1734. The Credit CARD Act, which went into effect on February 22, 2010, amended the Truth in Lending Act (TILA), Fair Credit Reporting Act (FCRA), Electronic Fund Transfer Act (EFTA), and Omnibus Appropriations Act of 2009.

Credit card reform was long overdue, it was certainly a popular cause for the President to champion. The increased consumer protections under the Credit CARD Act are far-reaching, but still do not go far enough. This is where President Obama directed his influence, instead of at the Chapter 13 cramdown reform legislation discussed in Part 1 of this series.

Obama Promised Reform: Increasing Consumer Credit Card Rights

While campaigning, Obama's promises included a consumer credit cardholders' bill of rights that would put an end to obfuscated contract provisions and "any time, any reason" arbitrary rate increases.

On May 14, 2009, President Obama reiterated his consumer credit cardholders' bill of rights reform message at a Rio Rancho, New Mexico, town hall:

> *"It's time for strong and reliable protections for our consumers. It's time for reform that is built on transparency, accountability, and mutual responsibility, values fundamental to the new foundation we seek to build for our economy."*

Obama's "critical elements of reform" included the following:

- *Ban Unfair Rate Increases*
- *Prevent Unfair Fee & Interest Rate Charges*
- *Plain Sight /Plain Language Disclosures*
- *Market Transparency*
- *Accountability*
- *Protections for Students and Young People*

Does the Credit Card Act of 2009 Go Far Enough?

The Credit CARD Act prohibits penalizing cardholders for late payments made on unrelated accounts, ending the universal default rate increase. The credit card companies are now required to post their credit terms online, so the information is readily available to comparison-shopping consumers. Interest rates on balances cannot be increased until the cardholder's bill has gone unpaid for at least 60 days. Card applicants under age 21 must establish their ability to pay with proof of income or have a co-signer. Cardholder's must receive 45-day advance notice of an interest rate increase, fee change, or other significant alteration to the credit terms. Double-cycle billing practices during the grace period are prohibited. Limits apply to over-limit fees. When cardholders pay more than the minimum amount due each month, the overage goes toward reducing the higher interest balances first. Credit card companies must send statements 21 days before the due date (instead of only 14 days, as was standard). Gift and store cards cannot expire less than 5 years from purchase. These are only some of the Credit CARD Act reforms, and they are all very beneficial for consumer cardholders.

However, the Credit CARD Act does not set rate caps on the annual percentage rate (APR) that banks may charge and does not prohibit interest on over-limit and late fees charged to cardholders. Many consumer advocates believe these concerns are insignificant, and perhaps that is so statistically. But is it insignificant to the individuals struggling to regain some semblance of control over their account balances?

Sources:

MSNBC: Dispelling Myths on Credit Card Legislation

PolitiFact.com: Establish a Credit Card Bill of Rights

Credit Card Act of 2009: Bill Summary & Status, 111th Congress, HR 627 CRS Summary

empowernewsmag.com: Town Hall Meeting Focuses on Credit Card Reform