

Castle Supports Effective Disclosure to Improve Credit Card Consumer Protection -- June 8, 2007

Washington, D.C. -- Delaware Congressman Mike Castle, a senior member of the House Financial Services Committee, highlighted the importance of transparency and more effective disclosures in a hearing yesterday on improving credit card consumer protection.

"Credit

cards have become a staple in today's marketplace. They provide enormous convenience, efficiencies and other benefits to consumers, businesses, and local and national economies. In fact, in a 2005 study the Government Accountability Office (GAO) reported that 691 million credit cards were being used by approximately 210 million credit active Americans. They have given many consumers access to affordable credit and have enabled consumers to build a credit history. Clearly, they have become an indispensable tool of our consumer economy. However, certain industry practices related to credit cards have received a considerable amount of scrutiny lately. While I have concerns with some of these practices, it is important to note that some in the industry have recently made significant changes regarding practices, and many credit card issuers have eliminated methods such as universal default and double-cycle billing.

"Consumers

have a choice among 6,000 credit card lenders. Competition among credit card lenders has lowered rates and eliminated annual fees for the majority of consumers. Enhanced disclosures will further increase competition and enable consumers to make informed choices regarding their decisions," Castle said.

The Federal Reserve recently released their new disclosure proposal, which is the first comprehensive review of the credit card provisions of Regulation Z since 1981. The Federal Reserve's proposed amendments to the Truth in Lending Act are meant to improve the effectiveness of the disclosures consumers receive in connection with credit card accounts. Litigation concerns among banks have compelled them to preserve highly technical and lengthy credit card disclosures. The Federal Reserve rules would simplify disclosures, putting the information into a readable table format. This proposal has been in the works for the past two and a half years, and with credit cards generating more than \$2.5 trillion in transactions a year in just the United States, Rep Castle believes it is important that we take the time to learn about these proposals and understand the potential consequences of any further regulation of the industry.

Highlights of the Federal Reserve
Board TILA Proposal:

- First comprehensive review of the credit card provisions of Regulation Z since 1981;
- Designed to improve consumer understanding of the disclosures-not just to assure that required information is provided to the consumer;
- New format requirements apply the Schumer Box concept to account opening disclosures and periodic statements, as well as solicitations;
- Disclosures are based on consumer interest, as well as statutory requirements, which include balance computation method moved out of the Schumer Box and new payment allocation disclosure;
- Simplified terminology for interest and fees vs. finance charges and other charges as well as the prime rate, which prohibits disclosing floors and ceilings;
- Increased advance notice of change in terms 45 days prior notice for changes in rates or fees, including changes due to delinquency or default and no statement stuffers;
- New disclosures with year-to-date fees;
- Provide clearer disclosures in more familiar terms for consumers as well as increased comparability and giving consumers time to act; and
- Require card issuers to provide all new disclosures and pricing will have to be changed to accommodate 45 days prior notice.

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