EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

September 22, 2008
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 5244 – Credit Cardholders' Bill of Rights Act of 2008

(Rep. Maloney (D) New York and 155 cosponsors)

The Administration is concerned about unfair and deceptive credit card practices and supports efforts to protect consumers. Credit card plans have become more complex, and it is important that disclosures are transparent and clear so that consumers can understand their contracts and compare products. Transparency alone is insufficient to protect consumers from all unfair credit card practices, and legislation likely to result in higher interest rates for consumers is not the answer; deceptive practices must also be prohibited.

The Federal Reserve, Office of Thrift Supervision, and National Credit Union Administration are currently finalizing regulations to prohibit unfair and deceptive credit card practices and make disclosures more transparent. The proposed regulations, which are expected to be finalized in December, address a number of goals of this bill. Those proposed regulations eliminate universal default, prohibit double-cycle billing, require advance notice of rate increases, and rein in over-the-limit fees. Regulations are better suited to addressing these problems than legislation because they can be adapted more readily to changes in market conditions. The proposed regulations are the result of extensive research and consumer input, have received extensive public comment, and should be finalized without legislation.

The Administration opposes H.R. 5244, particularly section 2 of the bill, because it would broadly constrain the ability of financial institutions to price risk, likely resulting in less access to credit and in higher interest rates for consumers. For the credit market to operate efficiently, creditors must have the flexibility to react to changes in customer risk and market conditions. Section 2 would restrict when lenders may change terms of the credit agreement, significantly constraining the ability of financial institutions to adapt to changing credit risks and market conditions.

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