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“Gold Standard” Credit Card Principles

**Proposed by Congresswoman Carolyn B. Maloney
Chair, Subcommittee on Financial Institutions and Consumer Credit**

The Principles

The following “Gold Standard” Principles provide guidance to credit card issuers. I have provided some examples of ways in which issuers could implement each principle.

1. Issuers Should Issue Credit Cards on Terms that the Individual Can Repay. Strong underwriting is key to sound credit. A rigorous and careful underwriting process must be used to evaluate a potential customer’s ability to handle credit before issuing them a card, and to provide terms and credit limits appropriate to their situation.

- Eliminate any-time any-reason repricing.
- Eliminate universal default.
- Offer the option of a card with a fixed rate for a fixed period of time.
- Provide cardholders notice of all rate increases, including default and non-default based increases, and the right to cancel the card and pay off the balance at the original rate.

2. Issuers Should Clearly Explain Account Features, Terms, and Pricing at Relevant Times. Credit card issuers should provide clear and easily understandable explanation of account terms before a card is accepted or used, and throughout the customer’s relationship. Although the new Reg Z addresses disclosure, issuers can and should take steps on their own to improve transparency.

- Provide customers clear information in their statement on how to get a loan payoff balance unless the balance displayed on the statement is a loan payoff balance.
- Provide cardholders clear notice in advance of what behavior on their part may cause an interest rate increase and how to return to a lower interest rate.
- Provide easy cardholder access to account specific information, fraud assistance, and live customer service, including workout assistance, 24-7.
- Provide information on the statement that helps customers understand implications of making minimum payments or low payments. Provide calculators and other assistance to enable cardholders to have a personalized analysis of the time it will take to pay off their balance making minimum payments.
- Eliminate billing practices such as double-cycle billing that are confusing and misleading, especially those that regulators deem too complex to explain.

3. Issuers Should Provide Customers Notice and Choice with respect to Changes in Terms. Issuers should be required to provide cardholders notice and the opportunity to opt out when rates increase for any reason. Issuers should offer cardholders tools to effectively manage their accounts, control spending, make payments on time, and avoid fees and rate increases.

- Allow customers to select their own monthly due date and statement date.
- Allow customers to cap or lower their credit limits
- Offer customers the option of a “block” on his/her account that would stop approval of charges that would take them over their credit limit.
- Offer customers personalized “account alerts” to remind them when payment due dates are approaching or when they are nearing their credit limit
- Provide cardholders notice of all rate increases, including default and non-default based increases, and the right to cancel the card and pay off the balance at the original rate.
- Allow cardholders to make on-line payments, telephone payments, or automatic payments without charge

4. Issuers Should Encourage Responsible, Successful Credit Use, Especially Among New Credit Entrants and Customers With Special Needs. Issuers should help consumers who are new to unsecured credit build good financial habits and a credit history. Credit card issuers should proactively contact customers who may need special support and provide workout assistance.

- Use specialized underwriting standards to deal with groups with special needs or limited incomes such as students or the elderly.
- Increase credit lines only with good credit behavior and proven ability to repay.
- Provide access to credit education for all sectors of their market and incentives to complete courses.
- Accurately report credit information, including credit limits, to credit bureaus.
- Offer short or long-term payment programs to assist customers facing serious financial difficulty.
- Make available customer service in common languages other than English, such as Spanish.
- Exempt active-duty military during deployment from foreign currency or similar fees for transactions originated in a foreign currency, and do not report their missed payments to credit bureaus.
- Do not report personal information on persons under 18 to credit bureaus.

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