

Congresswoman Louise M. Slaughter (D-NY-28), Chairwoman of the House Committee on Rules, announced that she and Rep. John Tierney (D-MA-6) have introduced [legislation to cap credit card interest rates at 16 percent](#)

. The legislation would limit unreasonable fees on credit card accounts and provide much needed relief to consumers who in some cases are facing 30 percent interest rates.

“The best gift we could give Americans in the new year would be to finally put an end to outrageous credit card interest rates that hurt hard-working people,” Slaughter said. “We must do what we can to help people who are trying to make ends meet in the face of card rates that suddenly jump to 20, 25, 30 percent or even more. It’s time for Congress to put the needs of people ahead of banks and card issuers. My intention is to hold a hearing at the Rules Committee on this legislation as quickly as possible.”

“With this legislation, the credit agencies - who have jacked up their interest rates to the detriment of the consumer - are no longer going to be allowed to put their greed for profits on the backs of the American people,” said Tierney.

Below is a summary of the legislation:

The Restoring America’s Commitment to Consumers Act

Section 1: Short Title

Provides that the title of the bill is the “Restoring America’s Commitment to Consumers Act”

Section 2: National Credit Card Usury Rate

National Consumer Credit Usury Rate Amends the Truth in Lending Act to create a National Consumer Credit Usury Rate, which provides that the annual percentage rate (APR) for an extension of credit or outstanding balance on any credit card account may not exceed 16%.

Fees included under the National Consumer Credit Usury Rate

The section provides that, in determining the APR applicable under this cap, any fee compensating a creditor or prospective creditor for opening or maintaining an account shall be included, such as membership fee, or an annual fee.

Adjustments to the Usury Rate by the Board of Governors of the Federal Reserve

The section further stipulates that the Board of Governors of the Federal Reserve may make adjustments to the maximum APR in the cap when that adjustment is in the public interest and economic conditions warrant. The bill provides that this modification may be made to the extent the cap, after the adjustment, continues to fully protect consumers from exploitive and unreasonable lending practices. The bill clarifies that any increase in the cap shall be presumed not to

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Congressional Involvement

The bill requires that upon making any adjustment to the maximum APR under the usury cap

the Board shall promptly submit a notice of the adjustment to Congress. The bill further requires that any increase to the maximum APR take effect only 90 days after Congress is notified. Further, as indicated in Section 4, the bill allows the Congress, within 60 days of receiving a notice on maximum APR adjustment from the Board, to enact a resolution of disapproval of the increase. Should such a resolution of disapproval be enacted, any increase by the Federal Reserve would cease to be effective immediately.

Clarification of Congressional Intent

The bill clarifies that no provision of the Act be construed as an endorsement by Congress of an interest rates of 16 percent on credit card accounts; that the maximum APR should merely serve as a ceiling on credit card interest rates, and that credit card issuers should strive to maintain the rates on consumer credit card account that are most advantageous to borrowers.

Unfair and Deceptive Act or Practice

This section stipulates that for any credit card account which, as of December 8, 2009, bears an annual percentage rate that is less than 16 percent, any increase in the annual percentage rate on such an account during the time from December 8, 2009 to 60 days after this bill is enacted, shall be treated by the agency with jurisdiction over the creditor as an unfair or deceptive act or practice.

Section 3: Cap on Certain Credit Card Account Fees

The bill amends the Truth in Lending Act to insert a new section capping any fee that a card issuer may impose with respect to a credit card account, such as a late fee, creditor-imposed not sufficient funds fee, over-draft fee, and over the limit fee, or other charge that a credit issuer may impose not exceed \$15.00. The section clarifies that this \$15.00 limit does not apply to those fees taken into account in determining the maximum APR, in section 2 of the bill.

Section 4: Congressional Disapproval of Increase in the Maximum Annual Percentage Rate Limitation Applicable to Consumer Credit Accounts

This section provides further clarifications on the rules for consideration of the joint resolution of Congressional disapproval in the House of Representatives and the Senate. It specifies that before the end of the 60-day period beginning on the date on which notice from the Board of Governors of the Federal Reserve System is received by the House and Senate, a joint resolution of disapproval may be introduced. This resolution would state that Congress disapproves of any increase in the maximum annual percentage rate limitation. As required in Section 2 of the bill, enactment of this resolution would immediately cease the effectiveness of the Board's increase.

Section 5: Clarification of Coordination with State Law

This section amends Section 1610 (a) (1) of the Truth in Lending Act to clarify the coordination with state law. Section 1610 of the Truth in Lending Act clarifies that the subtitles of the Truth in Lending Act pertaining to credit transactions and credit advertising do not annul, alter, or affect the laws of any State relating to "the disclosures of information in connection with credit transactions, except to the extent that those laws are inconsistent with the provisions of this subchapter and then only to the extent of the inconsistency." Section 5 of the bill strikes from this provision in current law "the disclosure of information in connection with," thereby broadening the scope of current law regarding clarification of state law to cover those amendments to the Truth in Lending Act made by this bill.

Section 6: Effective Date

This section clarifies that the amendments made to current law through sections 2 and 3 of the bill take effect immediately upon enactment of the Restoring America's Commitment to Consumers Act.