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Obama signs credit card bill into law

www.chinaview.cn 2009-05-23 03:24:49

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STORY HIGHLIGHTS

- U.S. President Barack Obama Friday signed into law a landmark credit card bill.
- It will eliminate sudden interest rate increases and excessive fees to protect consumers.
- Credit card companies are expected to impose \$20.5 billion of penalty fees this year.

WASHINGTON, May 22 (Xinhua) -- In the most sweeping changes to the U.S. credit card industry in 40 years, President Barack Obama Friday signed into law a landmark credit card bill that will eliminate sudden interest rate increases and excessive fees to protect millions of consumers.



US President Barack Obama (C) signs the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act in the Rose Garden at the White House in Washington, May 22, 2009. (Xinhua/Reuters photo)

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Both the Senate and House approved the legislation by wide margins and with broad bipartisan support earlier this week. As millions of credit card holders struggle with high balances amid a deep recession, Obama has been pushing for more actions to give consumers greater protections.

"With this new law, consumers will have the strong and reliable protections they deserve," Obama said this afternoon before the signing ceremony.

"We will continue to press for reform that is built on transparency, accountability, and mutual responsibility -- values fundamental to the new foundation we seek to build for our economy," said the president.

The legislation prohibits card companies from raising interest rates on existing balances unless the borrowers is at least 60 days late paying a bill. If the cardholder pays on time for the following six months, the company will have to restore the original rate.

The legislation also requires those under 21 who seek a credit card to prove first that they

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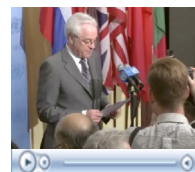
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can repay the money or that a parent or guardian is willing to pay off their debt if they default.

Consumers would have to be notified of rate increases 45 days in advance.



US President Barack Obama (C) signs the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act in the Rose Garden at the White House in Washington, May 22, 2009. (Xinhua/AFP Photo)
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"We're not going to be giving people a free pass and we expect consumers to live within their means and pay what they owe. But we also expect financial institutions to act with the same sense of responsibility that the American people aspire to in their own lives," said Obama.

Christopher Dodd, chairman of the Senate's Banking Committee, who authored the law, said that it "cements a victory for every American consumer who has ever suffered at the hands of a credit card company."

"Many Americans depend on credit cards to get by in this economy, and today they have won a giant victory that ensures they are protected from practices that would drive them further into debt, while also making our economy stronger," Dodd said.

Treasury Secretary Timothy Geithner also said on Tuesday that the bill will help create "a more fair, transparent and simple consumer credit market."

Credit card companies, however, have argued that new regulations may make economic situation even worse by shrinking lenders' ability, resulting in less credit available to consumers at just the wrong time.

"What has been a short-term revolving unsecured loan will now become a medium-term unsecured loan, which is significantly more risky," said Edward Yingling, president and CEO, American Bankers Association.

"It is a fundamental rule of lending that an increase in risk means that less credit will be available and that the credit that is available will often have a higher interest rate," he said on Tuesday.

The legislation "is not going to be a hanging for banks, but I think Congress has collared them and are bringing them in," said Robert McKinley, founder of CardTrack.com, which consults with banks. "It's been the Wild West for the card industry for a long time."

Robert hammer, who runs a credit-card consulting firms, predicted that the new law will subtract 10 billion dollars in revenue from the industry's overall interest income.

Credit card companies are expected to impose 20.5 billion dollars of penalty fees this year, up from 19.1 billion dollars in 2008. But analysts warned that many portfolios that are skewed toward late payment fees, over-limit fees and penalty repricing will be most at risk.

Almost 80 percent of U.S. households have credit cards. Credit-card debt has increased by

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25 percent in the past 10 years, reaching 963 billion dollars by January, according to figures released by the White House.

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U.S. Senator Christopher Dodd (D-CT) holds up a copy of a stalled plan for dealing with the current financial crisis as he hold a news conference at the U.S. Capitol in Washington, Sept. 26, 2008. (Xinhua/Reuters, File Photo)

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WASHINGTON, May 20 (Xinhua) -- The U.S. House of Representatives on Wednesday gave a final approval to a landmark credit card bill that will eliminate sudden interest rate increases and excessive fees to protect millions of consumers.

The 361-64 vote, following a 95-5 vote in the Senate on Tuesday, ensured that President Barack Obama could sign it into law by week's end. [Full story](#)

[U.S. Senate passes credit card bill to protect consumers](#)

WASHINGTON, May 19 (Xinhua) -- The U.S. Senate on Tuesday passed a credit card bill to eliminate sudden interest rate increases and excessive fees in order to protect millions of consumers.

The 90-5 vote, following a 357-70 vote in the House last month, made it likely that President Barack Obama could sign it into law by week's end. [Full story](#)

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