

(Mr. PRICE of Georgia addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

#### CREDIT CARDHOLDERS' BILL OF RIGHTS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 18, 2007, the gentlewoman from New York (Mrs. MALONEY) is recognized for 60 minutes as the designee of the majority leader.

Mrs. MALONEY of New York. Madam Speaker, I wish to address the Chamber tonight on the Credit Cardholders' Bill of Rights.

In recent years, the playing field between credit card companies and credit cardholders has become very one-sided. It is no surprise that it is average American cardholders and not the credit card companies who are getting the short end of the stick.

A credit card agreement is supposed to be a contract. But what good is a contract when only one party has any power to make decisions, and one party makes all the decisions? Cardholders deserve more bargaining power. The United States Congress can and should help level the playing field between card companies and cardholders.

I introduced the Credit Cardholders' Bill of Rights, H.R. 5244, to give American credit cardholders a fair deal. We now have over 155 cosponsors in this body. My comprehensive credit card reform bill takes a balanced approach to reforming major industry abuses and improving consumer protections for cardholders.

Put simply, the Credit Cardholders' Bill of Rights protects cardholders against arbitrary interest rate increases any time and for any reason; prevents cardholders from being unfairly penalized; protects cardholders from due date gimmicks; shields cardholders from misleading terms, and empowers them to set limits on their own credit and to better control their own credit; prevents card companies from giving subprime credit cards to people who cannot afford them; and requires Congress to provide much better oversight of the credit card industry in general.

The Credit Cardholders' Bill of Rights fosters fair competition and free market values. It sets no price controls, no rate caps, and no fees. It merely requires the card companies to let consumers know when they are jacking their fees up and increasing their rates. I believe the free market works best when consumers are empowered to make their own choices, and my bill would give cardholders the information and the rights they need to make choices about their own credit.

The balanced provisions in my bill are the deliberative result of over a year of careful study and analysis. Over the last 2 years, I held numerous congressional hearings and meetings to determine how Congress, Federal regu-

lators, and credit card companies could work together to help improve services and protections for cardholders.

There is no doubt that credit cards are very important to our economy. They offer cardholders instant access to a convenient and flexible source of financing, and have enabled many people to start new businesses, pay for tuition, or make other major purchases. Credit cards also provide many people with a safety net to help solve cash flow problems or cover unexpected expenses. But cardholders are increasingly confronting problems with unfair industry practices embodied in one-sided contracts, and this must be changed.

In recent months, the House of Representatives, under the leadership of Financial Services Chairman BARNEY FRANK, succeeded in passing major mortgage reform legislation and an economic stimulus plan. The Senate is now following suit. Both of these important steps will help get our economy back on track, but we cannot overlook credit card reform. It is a critical part of the equation, and one Congress will be turning its attention to.

Over 155 of my colleagues have already signed on as cosponsors of this important legislation. In the coming months, I plan to continue to build on the support this bill has gained, and I plan to work with BARNEY FRANK to get this marked up in committee so we can bring it to the floor for a vote.

Consumers deserve to know where their elected officials stand on credit card reform that affects their lives. This is a critical issue of importance to my constituents, and we must show them that Congress is ready to restore some balance between consumers and credit card companies.

When I started to work on this issue, one of the first things I did was hold a roundtable discussion with many of the stakeholders, major credit card issuers, as well as leading consumer advocates. From this discussion, I developed a series of principles that have guided the development of the legislation. I am going to take a few minutes to describe each of these principles, explain what the bill does to achieve them, and provide real-world examples of what this means to the average credit cardholder.

The first principle is that cardholders deserve protection against arbitrary interest rates any time and for any reason. Right now, credit card companies have the right to raise a customer's interest rate for any reason. This has made it very difficult for many consumers to understand how and why they have had their interest rate changed and hiked up on their credit cards.

Compounding this problem is that when a new higher interest rate is applied, it not only affects future purchases, it also raises the interest rate on existing balances. Consumers are often only made aware of these new

higher interest rate increases only after they have gone into effect.

To counter this problem, the Credit Cardholders' Bill of Rights requires credit card companies to give a customer 45 days' notice of any and all interest rate hikes, and allows them the option to just say "no," to opt out of the interest rate increase. In return, if the cardholder opts out of the new rate, they are required to close the card and pay off the existing balance at the payment schedule they agreed to.

And here is a real-world example. A person has a \$1,000 balance and a 9.9 percent APR interest rate. One month, she pays her utility bill one day late. The credit card company charges her a \$35 late fee and raises her interest rate from 9.9 percent to over 29 percent, but does not tell her about the rate increase until she gets her next statement in the mail. The new rate is applied to the entire existing balance of \$1,000. And the consumer can try and get a new card at a lower rate, but until then the \$1,000 debt will be growing at a 29.99 percent rate of interest.

Under the Credit Cardholders' Bill of Rights, the customer would still be charged the late fee, but they would be notified that, in 45 days, their interest rate would be raised from 9.9 percent to over 29 percent. This would give them more time to try to apply for a new credit card with a lower interest rate; or, they could decline the higher interest rate on the card, close the account, and pay off the balance at the old 9.9 percent rate.

I have got to say, under the Credit Cardholders' Bill of Rights, the customer could still be assessed the higher interest rate for missing payments on other bills, but that new higher rate would only apply to purchases and balances going forward and not retroactive on their existing balances. They would also have the ability to opt out of the rate increase, close the account, and pay off their existing balances at the old rate.

Another principle in the bill is that cardholders who pay on time and don't go over their limit should not be penalized. The so-called double cycle billing is a confusing practice that certain card companies employ to charge cardholders more interest. It affects cardholders who go from paying off their balances in full to carrying a balance. Here is how it works.

Most card companies charge interest on the remaining unpaid balance from a cardholder's previous billing cycle. Card companies that use double cycle billing, however, charge cardholders interest on the entire balance from the previous cycle even if the cardholder paid part of it off. Card companies that use double cycle billing are effectively charging interest on balances that have already been paid. How fair is that? The Credit Cardholders' Bill of Rights bans this really unfair practice called double cycle billing.

Here is a real-world example. A cardholder usually pays off her credit card

in full every month, but one month she charged \$100 and only paid \$50 by the due date. If she had a credit card that calculated payments on a single cycle, she would have been given credit for paying that \$50 and only charged interest in the next billing cycle on the remaining \$50 that she owed. But since her card company uses double cycle billing, she was charged interest on the \$100 from the previous billing cycle plus the remaining \$50 that she still owes. Under my bill, card companies would be prohibited from billing on a double cycle and charging interest on debt that has already been paid.

Another principle of this legislation is that cardholders should be protected from due date gimmicks. Currently, card companies are allowed to mail billing statements out as few as 14 days before the statement is due. Mail delays and a host of other problems mean that cardholders on that schedule find themselves with less than a week to get their payments back to their card company, increasing the likelihood that they will have a late payment.

The Credit Cardholders' Bill of Rights gives cardholders more time to pay their bills. It requires card companies to mail billing statements 25 calendar days before the statement's due date. It also requires that payments made before 5:00 p.m. eastern standard time on the due date are considered timely. The bill also prohibits card companies from charging late fees when a cardholder presents proof of mailing his or her bill within 7 days of the due date.

□ 1800

Another is that the bill and the cardholders should be protected from misleading terms and statements. Card companies can currently define the terms "fixed rate" and "prime rate" pretty much any way they want to. This can lead to obvious confusion among cardholders.

The Credit Cardholders' Bill of Rights prevents card companies from using these terms in a misleading or in a deceptive manner by establishing single set definitions that every company must use. For example, the term "fixed rate" must be a rate that will not change or vary for any reason over a defined period of time. The Credit Cardholders' Bill of Rights also gives cardholders who get pre-approval for a card the right to reject that card up until the moment they are to use it or to activate it without having their credit adversely impacted.

I would like to say that, also, another principle is that cardholders deserve the right to set limits, and card companies should not impose excessive fees on cardholders. Most card companies currently don't give cardholders the option of setting real limits on their own accounts. Instead, card companies allow the cardholder to exceed that amount and assess fees and/or a rate increase for doing so.

The Credit Cardholders' Bill of Rights would require card companies to offer consumers the option of having a fixed credit card limit that cannot be exceeded, and it would prevent card companies from charging over-the-limit fees on a cardholder with a fixed credit limit.

The bill also limits the amount of consecutive over-the-limit fees card companies can charge to a more reasonable number of three. Here is a real-world example.

A cardholder had a credit limit of \$2,000 on her card. Things got a little tight around the holidays, and she used her card more than normal, accidentally going over her limit by \$50. As a result, she was charged a \$39 late fee. In the next billing cycle, she sent the card company a check for \$60, but that still left her over her credit limit, so she was charged another \$39 over-the-limit fee.

Under the Credit Cardholders' Bill of Rights, the cardholder would be able to set his or her credit limit and wouldn't be able to make any purchases that put him over his fixed limit. If a cardholder did not want to set a fixed limit and did so accidentally go over his limit, a card company would only be allowed to impose more reasonable three consecutive, over-the-limit fees upon the customer.

Another principle of the bill is that card companies should fairly credit and allocate payments. When a credit card account has balances with different interest rates, a decision has to be made as to how to allocate payments. A cardholder pays the least amount of interest when any payment is allocated to the highest interest rate balance first, and a credit card company makes more in interest payments when the payment is allocated completely to the lowest rate balances. Currently, most credit card companies allocate payments to the lowest interest rate balance first while prohibiting payment on balances at higher interest rates until the lower rate balance is paid in full. This isn't very fair to the cardholder, however. In fact, many cardholders have no idea that their card companies are deciding to allocate their payments.

The Credit Cardholders' Bill of Rights directs card companies to fairly allocate payments on balances at different interest rates, making payments more equitable for both cardholders and card companies.

Here is a real-life example of that principle. A cardholder has a new credit card given with an introductory zero percent interest rate on all balance transfers. So he transferred a \$1,000 balance he had on another card. He then went out and bought \$2,000 worth of new equipment. When he made a \$250 payment on his new card that month, he noticed that his interest rate for new purchases was 24 percent, but all of his payment went to pay down the zero percent balance. He wanted to pay, obviously, on the \$2,000 balance

since it was at such a high interest rate, but he was told he could not start paying on that balance until the original zero balance was paid in full.

Under my bill, the \$250 payment would go towards paying off both the lower interest balance and the higher interest balance on a proportional basis.

I want to say that this bill has gained not only 155 of my colleagues in a bipartisan sense, but it has also gained over 45 editorials from across this Nation in support of the Credit Cardholders' Bill of Rights. I would like to share some of the comments from these editorials.

From the New York Times on May 3 of this year: "... consumers are already losing as their interest rates on the cards suddenly skyrocket. Fees appear mysteriously on their bills, and even the billing cycles get shortened to make it harder to pay on time. Congress needs to take up the issue now rather than wait for the Federal Reserve to create rules that can be too easily changed. The banking industry likes to boast that more than 90 percent of credit card customers have no problems with their little plastic cards. Given that there are more than 1 billion credit cards believed to be in use, that leaves a lot of people swamped by what is now called the 'tricks and traps' of the credit card business."

The Boston Globe reports on May 31: "Regulators and elected officials are starting to circle the credit card companies and not a moment too soon. The Federal Reserve reports that credit card debt rose more than 7 percent last month on top of the already burdensome average of \$8,000 per American family. Credit and debit card delinquencies are at their highest levels in 18 years, and all the while, credit card companies are employing practices that only dig consumers deeper and deeper into debt."

The Credit Cardholders' Bill of Rights is a modest reform to bar credit card companies from raising interest rates on outstanding balances because of some action or unpaid bill in another area. It deserves our support.

On May 6, USA Today reported: "For years, Congress ignored consumer outrage as the industry flooded the public with solicitations, then squeezed customers with escalating fees and high rates. Voters should pay close attention this year to who is trying to get the issuers to act more responsibly and who is defending some of their more outrageous practices."

The Staten Island Advance on May 16 stated: "In a sign that Americans are relying more on their credit cards, the total for revolving credit has grown in 2008 significantly faster than fixed-rate debt. During the past year, revolving debt has risen nearly \$6 billion per month, or almost 8 percent, one of the fastest growth rates since 2001. In the past 12 years, penalty fees for late payments have more than doubled, from an average of \$13 in 1995 to \$28 now."

Make just one late payment, and you can face a penalty interest rate of more than 30 percent. The fine print in most disclosure statements says that issuers can change the terms of the cardholder's agreement at any time, for any reason. There is no other contract in the world that can change its terms at any time."

In Tennessee, the Knox News reports: "The proposed regulations should curb some of the more unfair practices, and if effective, it may help consumers."

The St. Petersburg Times in Florida reports: "Americans owe more than \$800 billion in credit card debt, and more than 1 in 3 cardholders are unable to make timely payment on accumulated balances. What is troublesome for banks can be tragic for families. With falling home values, stagnant wages and rising prices for basics such as food and fuel, Americans are relying more on credit cards to pay for necessities. Some lenders have taken advantage of that situation by bumping up fees and interest rates on credit cards, even for those who pay on time. Somebody needs to regulate a market that is out of control and takes advantage of the most naive and vulnerable consumers and is threatening an already fragile economy."

Then in Pennsylvania, on May 10, the Daily and Sunday Review stated: "Intervention is necessary if Americans under the thumb of the credit card industry are to have any hope of solvency, and even though the Fed's proposals are welcomed, they should not supplant far broader relief envisioned in the credit card bill of rights."

The Charleston Gazette writes: "Yes, too many accepted cards they could not afford, and charged more than they earned. As the old saying goes, 'It's easier to sign a note than to pay for it.' However, tricking customers who carry a balance into paying dubious fees and penalties is unethical."

The Dallas Morning News says: "There's a huge difference between charging cardholders who have missed payments and willfully creating a system to generate unnecessary penalties. We deserve change. We should pass change."

On May 6, the Baltimore Sun said: "Amid a severe mortgage crisis and credit crunch, the rules should help prevent many cardholders from going under because of some of the industry's worst practices, including high interest rates and high fees. These proposals, which don't take effect until the end of the year, should not prevent Congress from acting on its own and passing needed credit card reform."

I would like to say that credit cards are important. They benefit many families, and I would say that some industry groups and some banks have instituted best practices and have said that they voluntarily will no longer impose any time/any reason increases on customers who pay on time and who don't go over their limits. They say they will no longer practice double cycle billing,

but many credit card companies still practice these really harmful and unfair policies, so we need to pass this legislation, and we need to give relief to consumers and level the playing field, not only between the consumer and the cardholder but between companies that are doing the right thing and those that are still abusing the consumers.

I would like to say that I thank my colleagues. One hundred fifty-five of my colleagues have joined me on the Credit Cardholders' Bill of Rights and over 45 editorials from across this country. I hope that my colleagues will read the bill, those who are not on it, and will join us in this effort to bring relief to America's working families.

I yield back the balance of my time.

#### THE IRANIAN THREAT

The SPEAKER pro tempore (Ms. WATSON). Under the Speaker's announced policy of January 18, 2007, the gentleman from Maryland (Mr. BARTLETT) is recognized for 60 minutes as the designee of the minority leader.

Mr. BARTLETT of Maryland. Madam Speaker, there was a very interesting editorial in the Wall Street Journal today. Let me read a bit from it. Talk about timing. It is, perhaps, fortuitous.

"On Tuesday, Secretary of State Condoleezza Rice was in Prague, signing an agreement that's a first step toward protecting Europe from ballistic missile attack. As if on cue, Tehran, yesterday, tested nine missiles, including several capable of reaching southern Europe as well as Israel and U.S. troops stationed in the Middle East. Remind us. Who says Iran isn't a threat?"

Yesterday's test offered no big surprises about Iran's missile technology, but they are a useful reminder of just how real the Iranian threat is and how rapidly it is growing. One of the missiles tested was the latest update, the Shahab-3, which has a range of about 1,250 miles. Replace the payload with a lighter one, say, a nuclear warhead, and the range gains 1,000 miles.

□ 1815

Add a booster, and the range can be extended even farther. North Korea did just that with its Taepodong-2 missile.

Technology that is passed along to Iran. U.S. intelligence estimates that Iran will have a ballistic missile capable of reaching New York or Washington by about 2015. But Iran may already have the capability to target the U.S. with a short-range missile by launching it from a freighter off the east coast. A few years ago, it was observed practicing the launch of Scuds from a barge in the Caspian Sea.

This would be especially troubling if Tehran is developing EMP, electromagnetic pulse technology. A nuclear weapon detonated 100 miles over U.S. territory would create an electromagnetic pulse that would virtually shut down the U.S. economy by de-

stroying electronic circuits on the ground. William Graham, head of a congressional commission to assess the EMP threat, testifies before the House Armed Services Committee this morning. We hope someone asks him about that.

I attended that hearing. And he was asked about that.

Let me give you a few quotes from his testimony this morning.

"Several potential adversaries of the capability to attack the United States with a high altitude nuclear weapon generated electromagnetic pulse, and others appear to be pursuing efforts to obtain that capability. A determined adversary," he says, "can achieve an EMP attack capability without having a high level of sophistication. For example, an adversary would not have to have long-range ballistic missiles to conduct an EMP attack against the United States. Such an attack could be launched from a freighter off the U.S. coast using a short- or medium-range missile to loft a nuclear warhead to high altitude.

"Terrorists sponsored by a rogue state could attempt to execute such an attack without revealing the identity of the perpetrators.

"Iran, the world's leading sponsor of international terrorism, has practiced launching a mobile ballistic missile from a vessel in the Caspian Sea. Iran," he says, "has also tested high altitude explosives of the Shahab-3, a test mode consistent with EMP attack, and Iran described the test as being 'successful.' Iranian military writings explicitly discuss a nuclear EMP attack that would gravely harm the United States.

"While the Commission," he says, "does not know the intention of Iran in conducting these activities, we are disturbed by the capability that emerges when we connect the dots."

Dr. Graham was the principal author of a report produced by the Commission to assess the threat to the United States from electromagnetic pulse attack.

And let me read a single statement from the introduction to this study. "The electromagnetic pulse generated by a high altitude nuclear explosion is one of a small number of threats that can hold our society at risk of catastrophic consequences."

And a little later we'll have a chance to note what those catastrophic consequences are.

Here is a report, the CRS report for Congress. "High Altitude Electromagnetic Pulse, HEMP, and High Power Microwave, HPM, devices threat assessments." And they discuss also this electromagnetic pulse.

The first chart shows us a quote from one of our now Senators that I had the privilege of serving with on the Armed Services Committee in the Congress before he went to the Senate, JOHN KYL. He says, "Last week the Senate Judiciary Committee's Subcommittee on Terrorism, Technology and Homeland Security, which I chair," he says,