

DAVID R. OBEY,
DAVID E. PRICE,
JOSE E. SERRANO,
CIRO D. RODRIGUEZ,
C. A. DUTCH
RUPPERSBERGER,
ALAN B. MOLLOHAN,
NITA M. LOWEY,
LUCILLE ROYBAL-ALLARD,
SAM FARR,
STEVEN R. ROTHMAN,

Managers on the Part of the House.

ROBERT C. BYRD,
DANIEL K. INOUE,
PATRICK J. LEAHY
(with a reservation
on the EB-5 agree-
ment),

BARBARA A. MIKULSKI,
PATTY MURRAY,
MARY L. LANDRIEU,
FRANK R. LAUTENBERG,
JON TESTER,
ARLEN SPECTER,
GEORGE V. VOINOVICH,
THAD COCHRAN,
JUDD GREGG,
RICHARD C. SHELBY,
SAM BROWNBACK,
LISA MURKOWSKI,

Managers on the Part of the Senate.

CREDIT CARD TECHNICAL CORRECTIONS ACT OF 2009

Mr. FRANK of Massachusetts. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3606) to amend the Truth in Lending Act to make a technical correction to an amendment made by the Credit CARD Act of 2009.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 3606

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Credit CARD Technical Corrections Act of 2009".

SEC. 2. TECHNICAL CORRECTION.

Section 163(a) of the Truth in Lending Act (U.S.C. 1666b(a)), as amended by section 106(b) of the Credit Card Accountability Responsibility and Disclosure Act of 2009, is amended by inserting "a credit card account under" after "payment on".

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Massachusetts (Mr. FRANK) and the gentleman from New York (Mr. LEE) each will control 20 minutes.

The Chair recognizes the gentleman from Massachusetts.

Mr. FRANK of Massachusetts. Mr. Speaker, I yield myself such time as I may consume. We made an error, Congress did, when we passed the credit card bill, not in passing the bill. The only error we made there was we didn't make it go into effect immediately because the abusive behavior by the credit card companies has been even worse than some people have feared, and I hope we will soon be trying to move up that effective date. But there was a drafting error in which the restrictions applied not just to credit cards if you read the bill literally, as you have to, with the bill, but all open-end credit agreements. Credit unions in America,

which have not been any part of a pattern of abuse of credit cards, were inadvertently swept into this.

The gentleman from Vermont (Mr. WELCH) and the gentleman from Missouri (Mr. SKELTON) called this to the attention of the committee, as did the National Credit Union Administration and the Credit Union National Association; the latter, of course, being the private association of credit unions, the former being the administrative agency. They asked us to fix it. They were quite correct.

Credit unions are a very important part of the structure of this country and it serves our consumers. And so this bill would correct that error and allow the credit unions to continue to perform their function.

I reserve the balance of my time.

Mr. LEE of New York. Mr. Speaker, I yield myself such time as I may consume.

I rise today in support of H.R. 3606, the Credit CARD Technical Corrections Act of 2009, and appreciate my friend from Vermont (Mr. WELCH) for his leadership in bringing this important measure to the floor.

Earlier this year, Congress enacted the Credit Card Accountability, Responsibility, and Disclosure Act in order to provide consumers with more transparency regarding their credit card accounts and protect them from potential predatory practices, including unwarranted rate increases on existing balances and short-cycle billing. One important provision of this new law required that financial institutions deliver credit card statements to customers no later than 21 days before the payment due date.

Unfortunately, between the time when the House passed the CARD Act and when it was signed into law, a change was made to suggest that this new requirement should be applied to all open-ended loan accounts, including home equity lines of credit, rather than just to credit card accounts.

This is especially problematic for credit unions who offer their members monthly consolidated statements covering all loan accounts, the flexibility of determining their payment dates, and the convenience of payroll deductions. Because these services will in many cases violate the new 21-day rule, financial institutions will be forced to discontinue these important benefits to customers.

In addition, if left as-is, the resources needed to comply with these new rules will no doubt force institutions to pass on increased costs to consumers through higher loan fees and interest rates and not to mention the confusion many will face, all from a law that was intended originally for their benefit. This is clearly an unintended consequence that needs to be rectified immediately. The legislation before us right now will correct this and ensure that credit unions and community banks can continue to offer quality service to their members and customers.

As a cosponsor of this important change which will simply ensure that the 21-day requirement only applies to credit card accounts, I urge immediate passage of H.R. 3606.

I reserve the balance of my time.

Mr. FRANK of Massachusetts. I yield 4 minutes to the gentleman from Vermont, the lead author of this bill, Mr. WELCH.

Mr. WELCH. I thank the gentleman from Massachusetts (Mr. FRANK) and my colleague. I thank the gentleman from New York (Mr. LEE) and Mr. SKELTON.

You know, Mr. Speaker, one of the things the American people have a right to expect of us in Congress is that when we pass legislation, we step back after its passage and listen to the people affected by it to see if there are some mistakes that we made that need correction, and in this case, there is a mistake. Mr. LEE just outlined what it is and the chairman did the same.

I think a number of us, including Mr. SKELTON, when we were home, heard from our credit card companies as to the over-inclusive nature of the legislation that would adversely affect the good work that they're doing. The CARD Act, as you know, had a number of very good provisions, including the 21-day notice requirement. That's intended to make sure that financial institutions give individuals enough time to pay a bill, and it established a minimum level of fairness. But for credit unions and their members, this change would actually have made things more difficult.

Credit unions use consolidated statements, so home loans, auto loans, savings accounts, checking accounts, and credit card bills are all in one package, and that's for the convenience of the consumer, not to create confusion for the consumer. This is the model, in fact, of how the system should work. It's straightforward and transparent.

The 21-day notice requirement would have had an unintended impact of requiring credit unions to split up those consolidated statements and transform transparency into confusion. This wouldn't help consumers and, obviously, wouldn't add to transparency. So the bill that has the support of Mr. SKELTON and Mr. LEE and myself would clarify the intention of the CARD Act and allow credit unions to continue the very commonsense and, I think, consumer-friendly approach of sending their customers a single statement every month.

Mr. LEE of New York. Mr. Speaker, I have no further requests for time and yield back the balance of my time.

GENERAL LEAVE

Mr. FRANK of Massachusetts. Mr. Speaker, first I would ask unanimous consent that all Members have 5 legislative days in which to revise and extend their remarks and submit extraneous material both on this bill, H.R. 3606, and the preceding bill, H.R. 1327.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. FRANK of Massachusetts. Finally, Mr. Speaker, this has been well-covered by the two Members, the gentleman from Vermont (Mr. WELCH) and the gentleman from New York (Mr. LEE), who have been major movers in it. I would just ask, although we have general leave, I would note that I am inserting in the RECORD a letter from the National Credit Union Administration, a letter from the Credit Union National Association, both asking for this, and then two documents which I hope will give people some sense of how this institution works at its best.

CREDIT UNION NATIONAL ASSOCIATION,
Washington, DC, October 7, 2009.

Hon. BARNEY FRANK,
Chairman, Committee on Financial Services,
U.S. House of Representatives, Washington,
DC.

Hon. SPENCER BACHUS,
Ranking Member, Committee on Financial Services,
U.S. House of Representatives, Wash-
ington, DC.

DEAR CHAIRMAN FRANK AND RANKING MEMBER BACHUS: On behalf of the Credit Union National Association (CUNA), I am writing regarding a specific issue that credit unions are experiencing with respect to the recently-enacted Credit Card Accountability, Responsibility and Disclosure (CARD) Act. CUNA is the nation's largest credit union advocacy organization, representing approximately 90% of America's 8,000 state and federal credit unions and their 92 million members.

Credit unions are currently reeling from an unintended consequence of the CARD Act. Section 106 of the CARD Act prohibits creditors from treating payments as being late unless the creditor adopts reasonable procedures to ensure that periodic statements are mailed or delivered to the consumer no later than 21 days before the payment due date. We believe this provision was intended to cover only credit card accounts; however, the provision, as enacted, applies to all open-end loans, including general lines of credit, lines of credit associated with share draft and checking accounts, signature loans, and home equity lines of credit (HELOCs) as well as multi-featured, open-end lending programs.

CONSOLIDATED BILLING MAY CEASE, INCREASING COSTS FOR CREDIT UNIONS MEMBERS

Most credit unions provide monthly consolidated membership statements that combine information on a member's savings, checking, and loan accounts, other than for credit cards. Since these statements may include a number of open-end credit plans with different due dates, changing these due dates to comply with the 21-day requirement may lead credit unions to discontinue the use of consolidated statements or send statements for each loan in addition to the consolidated one.

The alternative is to send separate statements for each loan. This will greatly increase both processing and mailing costs (in addition to the environmental impact), which credit unions have estimated will be \$1-\$2.25 per month per loan. Notwithstanding the additional costs, we are also very concerned that some credit unions currently do not have the capacity to print and mail these increased number of statements in order to meet the rule's timing requirements. Not only will credit unions need to pass on these costs to their members in the form of higher loan rates, lower deposit rates, or higher fees elsewhere, but credit union members will be very confused and

concerned when they receive multiple statements from their credit union, depending on how many loans they have outstanding. Credit union relationships with their members will suffer, all in an effort to comply with an unintended application of a law that is intended to benefit consumers.

CREDIT UNION MEMBERS MAY NO LONGER BE
ABLE TO CHOOSE THEIR PAYMENT DATE

For certain loans, particularly vehicle loans, credit union members are often permitted to choose the due date to best suit their financial needs; for example, members may choose due dates that coincide with pay days or to avoid other payment due dates. This practice will have to be discontinued if the member-chosen date no longer complies with the new 21-day requirement. Changing the express choice by members would not be consumer-friendly, and members will not understand that a Federal law requires this action.

Additionally, many credit unions provide their members with the convenience of automated payments, in which payments are automatically withdrawn from the credit union account on a certain date. Again, this may often be chosen by the member, who may choose a date that is related to when he or she receives a paycheck. This may now need to be changed based on the new 21-day requirement, imposing hardship and inconvenience if the new date no longer coincides with the receipt of a paycheck.

BI-WEEKLY PAYMENTS ARE NO LONGER
PERMITTED

Many loans are structured so that payments are made bi-weekly, which serve to minimize the amount of interest that is charged, as compared to loans in which payments are made monthly. These loans are often repaid through payroll deduction. If bi-weekly programs are no longer permitted under the new 21-day requirement, the result will be that these members will pay additional interest and may no longer have the benefit and convenience of payroll deduction.

HELOC TERMS AND CONDITIONS MUST BE
CHANGED

The 21-day requirement will also apply to HELOCs, the terms of which cannot be easily changed. Regulation Z lists exceptions for changing terms of HELOCs and although the Regulation Z commentary permits changing the due date, we note that the due date is often a contractual term, which adds to the difficulty of complying with these new requirements.

A TECHNICAL CORRECTION IS NECESSARY AND
APPROPRIATE

To address these concerns, Representative Peter Welch (D-VT) has introduced legislation, H.R. 3606, the CARD Act Technical Corrections Act. This legislation very simply inserts the words, "a credit card account under" to Section 106 of the CARD Act. These words were included in the House-passed version of the CARD Act, and we believe the effect of their omission in the enacted version of the legislation was unintended. We hope the Committee will agree that a technical correction is appropriate and will support passage of technical corrections legislation as quickly as possible.

On behalf of America's credit unions, thank you very much for your consideration.

Sincerely,

DANIEL A. MICA,
President & CEO.

NATIONAL CREDIT UNION
ADMINISTRATION,
Alexandria, VA, September 22, 2009.

Hon. BARNEY FRANK,
Chairman, House Committee on Financial Services,
Rayburn House Office Building, Wash-
ington, DC.

DEAR CHAIRMAN FRANK: I appreciate the opportunity to offer comments to you and your staff regarding credit union industry concerns about the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit CARD Act). More specifically, industry leaders tell me that the 21-day statement requirement (12 CFR 226.5(b)(2)(ii)) has resulted in unintended consequences and is proving burdensome for credit unions, and their service providers, regarding non-credit card open-end lending.

Historically, credit unions have worked closely with individual members to create loan repayment plans that are most beneficial to that member. For example, a member could elect to establish multiple payments within a month instead of one monthly payment. Generally, members use this type of payment arrangement to match their payroll distribution and to reduce their overall loan interest costs. I am advised that such arrangements will be difficult to continue given the 21-day statement requirement.

These leaders have also brought to my attention the increasing costs associated with modifying their processing systems to reach compliance with the Credit CARD Act and the Federal Reserve's interim final rule implementing the Credit CARD Act requirements. These additional costs will most likely be borne by the credit union members, a difficult burden which seems to conflict with the intent of the statute.

"Member choice" payment dates provide members with maximum flexibility in managing their finances. It is my hope that this option will continue unhindered. I am available for discussions with you and your staff to ensure that member service is not adversely impacted by unintended consequences of the Credit CARD Act. I also look forward to discussions on how member protections can be enhanced without imposing unnecessary costs and burden to credit unions or their members.

Thank you for any consideration you can give to this important credit union issue.

Sincerely,

DEBORAH MATZ,
Chairman.

□ 1600

On August 27, the Missouri Credit Union Association wrote to our colleague from Missouri (Mr. SKELTON) to urge him to act on this.

Today, about a month and a half later, I have the privilege of introducing into the RECORD the remarks from Mr. SKELTON in favor of this bill. Mr. SKELTON had to go off to a previous engagement.

So we have the Missouri Credit Union Association. And, Mr. Speaker, I know that is an organization that you work with as well. On August 27, they brought a problem to the attention to their Member of Congress, and a month and a half later he has the ability to talk about how we are resolving it. It also was, I think, a similar process with the gentleman from New York and the gentleman from Vermont.

So this is an example of how, in a bipartisan way, when we hear from responsible people in the community

about things that need to be done that could be done quickly, we could do them.

Mr. SKELTON. Mr. Speaker, during the August District Work Period, I traveled extensively throughout Missouri's Fourth Congressional district, meeting with residents who were eager to share their views on a variety of Federal matters. In separate visits with Missouri credit union officials and small town Missouri bankers, the state of the economy and Congress' efforts to make financial services more responsive to every day citizens were top priorities for discussion.

Earlier this year, Congress passed and the President signed into law the Credit Card Accountability, Responsibility, and Disclosure Act, bipartisan legislation to make credit card agreements more customer friendly. I supported this measure and am pleased it has become the law of the land.

But, when I met with credit union officials in August, they brought to my attention a technical error in the law that is making it difficult for them to provide lines of credit to some of their members.

When I returned to Washington in September, I immediately brought the credit unions' concerns to the attention of Financial Services Committee Chairman BARNEY FRANK. And, at the same time, my colleague from Vermont, Congressman PETER WELCH, drafted responsible legislation—which we are considering here in the House today—to correct this technical error so that credit unions can continue offering open-end credit plans that are popular with many of their members.

Chairman FRANK, Mr. WELCH, and their staffs have worked diligently to fix this problem for America's credit unions. I am pleased that they have moved this bill so quickly through the legislative process. I urge my colleagues to support Mr. WELCH's legislation and hope the other body will act to pass it soon.

MISSOURI CREDIT UNION ASSOCIATION,
St. Louis, MO, August 27, 2009.

Hon. IKE SKELTON,
Rayburn Building,
Washington, DC.

DEAR REPRESENTATIVE SKELTON: Thank you for taking time out of your busy schedule to meet with Missouri credit unions this month in the district. As discussed, Missouri credit unions are extremely concerned about unintended consequences created by the Credit Card Accountability, Responsibility and Disclosure (CARD) Act of 2009, and the serious implications for consumers in our state. We are asking for your help and support in a legislative solution.

Credit unions did not participate in the consumer abuses regarding credit cards that prompted passage of the CARD Act of 2009, and do not have an issue with complying with the provisions of the CARD Act that relate specifically to credit card accounts.

However, sections of the Act applying to open-end credit plans do affect credit unions and will disadvantage credit union members. Credit unions, working with their members, often set up open-end credit plans because of the flexibility it provides to members in managing their credit and adding future loans.

It is common for members who live paycheck to paycheck, or have trouble managing their money, to request a payment plan that has funds deducted from their checking account or payroll direct deposit that is credited to their loan. They may choose to have funds credited weekly, every two weeks, or twice a month. The CARD Act

requirement that the account holder receive a 21-day notice prior to payment due dates (§106(b)) becomes problematic for the credit union when the member has requested anything other than monthly payments.

When payment schedules occur more than monthly, we are not finding a reasonable solution that meets the 21-day notice requirement of the law. Credit unions report to our association that there are significant issues with data processors in complying with the new law. One of Missouri's smaller credit unions with \$19 million in assets has approximately 1,800 open-end loans that are not credit card accounts. Making the necessary changes to comply with the Act will mean additional ongoing expense. There would be additional costs for multiple mailings including postage and staff time. If the credit union incurs additional costs to comply with the CARD Act, those increases will be passed on to our member consumers. We are also concerned that it will cause our members considerable confusion if they begin to receive multiple notices every month. Many credit unions will be impacted to the extent that they will have to offer only closed-end loans, which eliminates the convenience and flexibility that members need and prefer.

If credit unions adjust all open-end credit plans to only allow one payment per month, we have taken options away from consumers that help them better manage their money. We believe that the intent of the CARD Act is to protect consumers and avoid confusing disclosures and abusive practices relative to credit card open-end programs. We do not believe that the intent was to disadvantage members and increase their costs to access open-end programs.

Section 106(b) is the only place in the Act where the wording "open end credit" is used to broadly apply beyond credit card programs. During our meeting, we provided you with suggested language that would correct this inconsistency. It is provided below. The words in *italics* are currently in the bill. The bold wording in brackets is the suggested replacement.

SEC. 106. RULES REGARDING PERIODIC STATEMENTS.

(a) In General.—Section 127 of the Truth in Lending Act (15 U.S.C. 1637) is amended by adding at the end the following:

(1) Due Dates for Credit Card Accounts—

(A) In general.—The payment due date for a credit card account under an open end consumer credit plan shall be the same day each month.

(B) Weekend or holiday due dates.—If the payment due date for a credit card account under an open end consumer credit plan is a day on which the creditor does not receive or accept payments by mail (including weekends and holidays), the creditor may not treat a payment received on the next business day as late for any purpose.

(C) Length of Billing Period.—

(1) In general.—Section 163 of the Truth in Lending Act (15 U.S.C. 1666b) is amended to read as follows:

SEC. 163. TIMING OF PAYMENTS.

(a) Time to Make Payments.—A creditor may not treat a *payment on an open end consumer credit plan* [replace italicized wording with: "payment on a credit card account under an open-end consumer credit plan"] as late for any purpose, unless the creditor has adopted reasonable procedures designed to ensure that each periodic statement including the information required by section 127(b) is mailed or delivered to the consumer not later than 21 days before the payment due date.

(b) Grace Period.—If an open end consumer credit plan provides a time period within which an obligor may repay any portion of

the credit extended without incurring an additional finance charge, such additional finance charge may not be imposed with respect to such portion of the credit extended for the billing cycle of which such period is a part, unless a statement which includes the amount upon which the finance charge for the period is based was mailed or delivered to the consumer not later than 21 days before the date specified in the statement by which payment must be made in order to avoid imposition of that finance charge.

(2) Effective date.—Notwithstanding section 3, section 163 of the Truth in Lending Act, as amended by this subsection, shall become effective 90 days after the date of enactment of this Act.

The 21-day notice period became law on August 20. On behalf of Missouri's 148 credit unions and their 1.3 million members, we are asking for your help in supporting a legislative solution. If we can assist with additional information on this issue, please contact me. Other contacts at the Missouri Credit Union Association regarding this issue are Peggy Nalls or Amy McLard.

Sincerely,

ROSHARA J. HOLUB,
President/CEO.

Mr. Frank of Massachusetts. With that, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Massachusetts (Mr. FRANK) that the House suspend the rules and pass the bill, H.R. 3606.

The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill was passed.

RECESS

The SPEAKER pro tempore. Pursuant to clause 12(a) of rule I, the Chair declares the House in recess until approximately 6:30 today.

Accordingly (at 4 o'clock and 1 minute p.m.), the House stood in recess until approximately 6:30 p.m.

□ 1830

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mrs. DAHLKEMPER) at 6 o'clock and 30 minutes p.m.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, proceedings will resume on motions to suspend the rules previously postponed.

Votes will be taken in the following order:

H.R. 3689, by the yeas and nays;

H.R. 3476, by the yeas and nays;

H. Res. 659, by the yeas and nays.

Votes on H. Res. 768 and H.R. 1327 will be taken later in the week.

The first electronic vote will be conducted as a 15-minute vote. Remaining electronic votes will be conducted as 5-minute votes.