

R003-0607

10 **A RESOLUTION CONCERNING CREDIT CARD REFORM AND FINANCIAL**
20 **EDUCATION**

30 **WHEREAS:** According to the U.S. Payment Card Information Network, the average
40 American household with at least one credit card has \$9,300 in credit
50 card debt, up from \$3,200 twelve years earlier; and,

60 **WHEREAS:** At an 18% interest rate, it would take over 14 years and almost \$5,500
70 in interest payments to pay off a \$9,300 credit card debt making
80 payments of 4% of the principal each month; and,

90 **WHEREAS:** According to the Center for American Progress, the average family
100 pays more than \$800 a year in credit card penalty fees and interest
110 payments, totaling to more than \$90 billion per year across the country;
120 and,

130 **WHEREAS:** According to the U.S. Commerce Department, in 2005, the personal
140 savings rate was below zero for the first time since the Great
150 Depression; and,

160 **WHEREAS:** The U.S. Payment Card Information Network reports that credit card
170 companies have increased the number of solicitations sent to
180 prospective customers by 500% between 1990 and 2004 to 5.2 billion a
190 year; and,

200 **WHEREAS:** So-called 'high risk' customers are often the most profitable for credit
210 card companies, since they can charge higher interest rates and impose
220 greater penalties; and,

230 **WHEREAS:** According to the U.S. Payment Card Information Network, the credit
240 card industry made \$30 billion in profits in 2004; and,

250 **WHEREAS:** The Better Business Bureau receives more complaints regarding the
260 credit card industry than from any other industry; and,

270 **WHEREAS:** Currently, credit card companies are allowed to raise interest rates on
280 customers with perfect payment records if a consumer's credit score
290 changes or if the consumer misses a payment with another creditor;
300 and,

310 **WHEREAS:** The Jump\$tart Coalition for Personal Financial Literacy found that
320 many college administrators believe that more students drop out due to
330 credit card debt than academic problems; and,

340 **WHEREAS:** A nationwide survey administered to twelfth graders by the Jump\$tart
350 Coalition finds that the average high school graduate lacks basic skills
360 in the management of personal financial affairs; and,

370 **WHEREAS:** The National Endowment for Financial Education High School
380 Financial Planning Program has found that as little as ten hours of
390 classroom instruction can impact how young people spend their money;
400 and,

410 **WHEREAS:** U.S. Senator Robert Menendez of New Jersey introduced the ‘Credit
420 Card Bill of Rights’, made up of two bills, S.2654, the Protection of
430 Young Consumers Act of 2006, and S.2655, the Credit Card Reform
440 Act of 2006; and,

450 **WHEREAS:** The Credit Card Reform Act prohibits ‘universal defaults’, in which a
460 credit card company charges raises interest rates due to information that
470 does not relate to the consumer’s payment history, such as information
480 in a consumer report or a change in the consumer’s credit score; and,

490 **WHEREAS:** The Credit Card Reform Act also prohibits late payment fees and
500 over the limit fees that exceed an amount that is reasonably related to
510 the cost to the card issuer for the violation; and,

520 **WHEREAS:** The Credit Card Reform Act also forces credit card companies to use
530 the postmarked date of payment (or date of electronic payment, if paid
540 electronically) to determine when late fees will be imposed, and to state
550 said date and amount of late fees to be imposed clearly on the billing
560 statement; and,

570 **WHEREAS:** The Credit Card Reform Act also requires credit card companies to
580 verify ability to pay before extending credit (or more credit) to a
590 consumer; and,

600 **WHEREAS:** The Protection of Young Consumers Act forbids credit card
610 solicitations to consumers under age 21 unless they are at least 18 years
620 old and have opted in to such solicitations; and,

630 **WHEREAS:** The Protection of Young Consumers Act also establishes a financial
640 literacy and education program in secondary and elementary schools;
650 and,

660 **WHEREAS:** U.S. Senator Daniel Akaka of Hawaii introduced S. 393, the Credit
670 Card Minimum Warning Act of 2005, which requires credit card
680 statements to state that making the minimum payment will increase the
690 amount of interest a consumer will pay and the time it will take to
700 repay the outstanding balance; and,

710 **WHEREAS:** Statements would also be required to tell consumers, if they make only
720 the minimum payment, the number of years and months it will take the
730 consumer to pay off the entire balance and the total cost of principal
740 and interest payments needed to pay off the current debt; and,

750 **WHEREAS:** In addition, statements would be required to tell consumers the monthly
760 payment required to pay off the current debt in 36 months and a toll
770 free number the consumer can call for information about accessing
780 credit counseling and debt management services; and,

790 **WHEREAS:** The protection and well-being of individual consumers is necessary for
800 a healthy economy.

810 **THEREFORE BE IT RESOLVED:** That the Maryland Student Legislature urges
820 Congress to pass S.2654, the Protection of Young Consumers Act of
830 2006, S.2655, the Credit Card Reform Act of 2006, and S. 393, the
840 Credit Card Minimum Warning Act of 2005; and,

850 **BE IT FURTHER RESOLVED:** That the Maryland Student Legislature urges
860 Congress to also consider legislation that would require credit card
870 companies to allow consumers to link their credit card account with
880 their checking account, when possible, in order to make automatic
890 payments, as a way to facilitate prompt payment of credit card bills;
900 and,

910 **BE IT FURTHER RESOLVED:** That the Maryland Student Legislature urges
920 Congress to also consider legislation that would prohibit credit card
930 companies from making due dates for payments on a Sunday or U.S.
940 Federal holiday, a tactic used by credit card companies to promote late
950 payments; and,

960 **BE IT FURTHER RESOLVED:** That the Maryland Student Legislature urges the
970 President to sign such legislation and to encourage Americans to
980 educate themselves on the responsible use of credit.

990 **MANDATES:** Robert Menendez, U.S. Senator and Sponsor of S.2654 and S.2655
1000 Daniel Akaka, U.S. Senator and Sponsor of S.393
1010 George W. Bush, President of the United States
1020 J. Dennis Hastert, Speaker of the U.S. House of Representatives
1030 John Boehner, Majority Leader of the U.S. House of Representatives
1040 Nancy Pelosi, Minority Leader of the U.S. House of Representatives
1050 Bill Frist, Majority Leader of the United States Senate
1060 Harry Reid, Minority Leader of the United States Senate
1070 Richard C. Shelby, Chairman of the Senate Committee on Banking,
1080 Housing and Urban Affairs
1090 Michael B. Enzi, Chairman of the Senate Committee on Health,
1100 Education, Labor and Pensions

SPONSOR:

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