

## State of Connecticut

RICHARD BLUMENTHAL  
ATTORNEY GENERAL



Hartford

February 22, 2010

Honorable Ben S. Bernanke  
Chairman, Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Honorable Jennifer J. Johnson  
Secretary, Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Dear Chairman Bernanke and Secretary Johnson:

I write to express my deep disappointment that the Federal Reserve Board has failed to meet today's deadline to issue rules requiring meaningful review of unfair credit card rate increases and prohibiting unreasonable and disproportionate penalty rates and fees. I respectfully request an explanation for the missed deadline, and an assurance that the regulation will be forthcoming within a specific time frame.

As you know, although many provisions of the Credit Card Accountability Responsibility and Disclosure Act (CARD Act) take effect today, the provisions mandating rate reviews and limiting penalty rates and fees will not be effective until August 10, 2010. The CARD Act, however, established today as the deadline for the Fed to issue final rules implementing those provisions -- a deadline the Fed has failed to meet. The missed deadline seems to reflect a continuing failure to protect consumers from abusive banking and credit card practices.

Since the beginning of 2009 credit card interest increases have led to rates approaching 30 percent charges and fee hikes have risen apace. Neither Congress nor CARD Act supporters like the President intended that consumers with good credit histories should be asked to shoulder the burden of recouping the banking industry's self-inflicted financial losses, caused by its own abysmal judgment. Such a "failure tax" imposed on consumers by the banks must be rolled back. Consumers who manage their credit properly and who prudently pay credit obligations on time should be rewarded, not saddled with arbitrary and abhorrent interest rate and fee hikes.

Honorable Ben. S. Bernanke  
Honorable Jennifer J. Johnson  
Page 2

No plausible economic justification has been offered by the banking industry, which apparently contends that these interest rate and fee increases are necessary to "ensure the flow of credit remains sufficient to promote economic growth." As you well know, one decreases interest rates to ease access to credit and encourage spending. Higher interest rates and burdensome fees harm consumer spending and suck cash from hard working families directly into the pockets of large banks.

As I have done on multiple previous occasions since December of last year, I strongly urge the Board to adopt rules to implement Section 101(c) of the CARD Act that will mandate a meaningful review of interest rate increases imposed by card issuers since January 1, 2009. Such rules must require that interest rate increases instituted since January 1, 2009 be rolled back where the statutorily required review indicates no adverse conduct by the card holder.

In addition, I continue to urge the Board to draft rules to implement Section 101(d) of the CARD Act that will prevent card issuers from imposing unfair and arbitrary penalty fees and charges for a consumer's omission or violation of the terms of a cardholder agreement. Specifically, the Board's rule must prohibit card issuers from imposing late payment fees, over-the-limit fees, or any other fees or charges that are not reasonable and proportional to the omission or violation to which the fee or charge relates.

Consistent with the Congressional intent behind the CARD Act, the Board's forthcoming rules should reflect the overarching goal of protecting consumers from unfair and abusive practices and policies of card issuers. I look forward to the opportunity to comment on the proposed rules once they are published in the Federal Register. If you have any questions regarding these important issues, please do not hesitate to contact me or Assistant Attorneys General Mathew Budzik and Joseph J. Chambers of my Finance Department at (860) 808-5270.

As always, I thank you for your consideration of my views.

Very truly yours,



RICHARD BLUMENTHAL