SMALL BUSINESS LEGISLATIVE COUNCIL

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CONSUMER CREDIT PRACTICES

Last week the President brought a group of banks and credit card "companies" to the White House to take them to task for some of their consumer credit practices. While the President can talk about it, the primary authority for regulating credit practices falls within the jurisdiction of the Federal Reserve. Agencies that cover small "pockets" of credit providers like the credit unions also have authority but they generally work closely with the Fed.

The Fed had issued a significant new rule back in January, 2009 making changes to what is known as "Regulation Z" which implements the requirements of the Truth In Lending Act. Regulation Z gives us most of the disclosure language found on the back of our credit card statements. The Fed also outlined some unfair or deceptive credit practices. The Fed et al put an effective date of July 2010 on the new changes.

Congress has its own thoughts on the subject. First, they would like many of the changes scheduled to take effect in July, 2010 to take effect sooner. Second, they would like to "beef up" some of the changes and add some new ones.

The Senate Banking Committee has approved a bill, S. 414, but I do not believe the proponents can overcome a filibuster and it has not been brought to the floor. The House is poised to take up its own version, H.R. 627. The Senate bill is considered to provide more consumer protections.

What's in these bills you ask?

H.R. 627 would:

- Protect cardholders against arbitrary interest rate increases
- Prevent cardholders who pay on time from being unfairly penalized
- Protect cardholders from due-date gimmicks
- Prevent companies from using misleading terms and damaging consumers' credit ratings
- Empower cardholders to set limits on their credit
- Require card companies to fairly credit and allocate payments
- Prohibit card companies from imposing excessive fees on cardholders
- Protect vulnerable consumers from high-fee subprime credit cards
- Bar issuing credit cards to vulnerable minors
- Starting 90 days after enactment, no APR increase (except for certain limited rate increases) could take effect unless the creditor provided a written notice at least 45 days before such increase.
- Require the Federal Reserve, in consultation with the other federal banking agencies and the FTC, to report to the House Financial Services Committee and the Senate Banking Committee, within 6 months of enactment, the extent to which creditors over the previous 3 years have reduced credit card limits or raised interest rates for individual consumers for reasons relating to general characteristics of their credit transactions, such as where or with whom they shop or how much they pay.

BUDGET RESOLUTION

The congressional majority's leaders say they are ready to rock and roll and approve a budget resolution. Apparently, it will include reconciliation instructions to allow for consideration of health care reform later this year without having to worry about a filibuster.

The budget will allow for at least a couple of years additional extension of the Alternative Minimum Tax (AMT) patch. How many years will depend on how much of the patch extension must be covered by offsetting tax revenues. The patch raises the income thresholds at which the AMT kicks in.

I do not know what the budget resolution may provide for estate tax relief.

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