Congress of the United States
Washington, DC 20510

October 6, 2009

The Honorable Ben Bernanke
Chairman
Board of Governors of the Federal Reserve System
Twentieth and Constitution Avenue, NW
Washington, DC 20551

Dear Mr. Chairman:

Earlier this year, Congress enacted the Credit Card Accountability Responsibility and Disclosure Act (the "CARD Act"), P.L. 111-24, to strengthen fair and transparent practices in the credit card industry. Among other provisions, the statute requires the Board of Governors of the Federal Reserve System ("the Board") to conduct a biannual review of the consumer credit card market, in part to gauge the impact of the statute on credit card terms and practices. The purpose of this letter is to provide our understanding of some steps that need to be taken in the near term to ensure a useful and comprehensive review.

To complete the biannual review, Section 502 of the CARD Act requires the Board to compile and analyze a variety of data elements, including "the terms of credit card agreements and the practices of credit card issuers," "the cost and availability of credit," "the safety and soundness of credit card issuers," and the "use of risk-based pricing." This factual information, which is key to evaluating the impact of the law on the credit card market, can be difficult to acquire as shown by the fact that the Government Accountability Office (GAO) required nearly a year to compile, analyze, and present such information in its popular 2006 report, "Credit Cards: Increased Complexity in Rates and Fees Heightens Need for More Effective Disclosures to Consumers." The Board's task is made harder by the statutory language requiring the Board to conduct its review "within the limits of its existing resources available for reporting purposes."

To meet this mandate, carry out the required review, and provide policymakers and the public with useful information on credit card interest rates, fees, and revenue streams, the Board should use its existing authority under Section 136 of the Truth in Lending Act, 15 U.S.C. 1646, to require credit card issuers to provide additional specific information in the semiannual reports that they now file with the Board. The Truth in Lending Act currently enables the Board to collect from credit card issuers "the annual percentage rates charged for representative types of nonsale credit" and "credit card price and availability information." In addition, the Board should collect data from credit card issuers that is similar to the data presented in the 2006 GAO report, so that the Board can make comparisons to the interest rates, fees, and revenues identified in the GAO report prior to enactment of the CARD Act.

Specifically, we believe the Board should require credit card issuers to provide the following information in the issuers' semiannual reports.

(1) **Credit card interest and fee data.** To evaluate credit card terms and practices, the cost and availability of credit, and the use of risk-based pricing, the Board should require credit card issuers to provide the following specific information on credit card interest rates and fees in each semiannual report:

A. a list of each type of transaction or event during the relevant semiannual period for which one or more card issuers has imposed a separate interest rate upon a cardholder, including purchases, cash advances, and balance transfers;
B. for each type of transaction or event identified above--
   i. each distinct interest rate charged by the card issuer to a cardholder during the semiannual period; and
   ii. the number of cardholders to whom each such interest rate was applied during the last calendar month of the semiannual period, and the total amount of interest charged to such cardholders at each such rate during such month;
C. the extent to which higher interest rates were applied to cardholders with existing balances, including the average difference in the rate between the old and the new higher interest rate, the total dollar amount of the balances subjected to a higher interest rate, and the total number of cardholders whose balances were made subject to a higher interest rate;
D. the extent to which cardholders whose balances were subjected to a new higher interest rate were able to restore their former lower interest rate after paying the minimum amount owed each month over a six-month period, including the total dollar amount of the balances whose prior lower rates were restored and the total number of cardholders whose balances had a prior lower interest rate restored;
E. a list of each type of fee that one or more card issuers has imposed upon a cardholder during the relevant semiannual period, including any fee imposed for obtaining a cash advance, making a late payment, exceeding the credit limit on an account, making a balance transfer, or exchanging United States dollars for foreign currency, and the imposition of any annual fee to make use of a credit card;
F. for each type of fee identified above, the number of cardholders upon whom the fee was imposed during each calendar month of the relevant semiannual period, and the total amount of fees imposed upon cardholders during such month;
G. the total number of cardholders that incurred any interest charge or any fee during the relevant semiannual period;
H. whether the credit card issuer changed any fee or charge under Section 149 of the CARD Act requiring reasonable credit card penalty fees and charges; and
I. any other information related to interest rates, fees, or other charges that the Board deems of interest to conduct its review.

(2) **Revenue analysis.** To evaluate credit card practices, the cost and availability of credit, the safety and soundness of credit card issuers, and the use of risk-based pricing, the Board should require credit card issuers to provide the approximate, relative percentage of their revenues derived from:

A. the imposition of interest rates on cardholders, including separate amounts for:
   i. interest with an annual percentage rate of less than 25 percent, and
   ii. interest with an annual percentage rate equal to or greater than 25 percent;
B. the imposition of fees on cardholders;
C. the imposition of fees on merchants; and
D. any other material source of revenues, while specifying the nature of that income.

Most of this information was collected by GAO in its 2006 report, which provided useful data for policymakers, academics, public interest groups, industry, and others examining credit card issues. Gathering similar data over the next two years would enable the Board to compare the relevant credit card practices with those in place prior to enactment of the legislation. To do so, however, the Board will need to act quickly to notify credit card issuers of the need to assemble additional, specified information in their upcoming, semiannual reports.

Over the next six months, the CARD Act requires a number of significant changes in credit card practices. To gauge the impact and effectiveness of the law, new data and analysis are essential. In responding to this letter, please describe the steps that the Board plans to take to meet its biannual reporting obligation under Section 502 of the CARD Act, its reaction to the data collection changes identified in this letter, and whether it plans to require credit card issuers to provide additional, detailed information on credit card interest rates, fees, and revenues in the semiannual reports to be filed with the Board.

Thank you for your assistance on this important matter.

Sincerely,

Barney Frank

Carl Levin

Carolyn Maloney

Claire McCaskill