Detroit Free Press
www.freep.com

Financial headlines

May 16, 2007

AIRLINES: NWA's last bankruptcy hearing today

Today is an important day for Northwest Airlines. After spending 20 months restructuring in bankruptcy, the airline's last Chapter 11 court hearing is to start this morning in Manhattan. The airline will ask a judge to approve its reorganization plan, which has already won the support of most of the airline's creditors.

Meanwhile, Northwest plans to pay Gary Wilson, its outgoing board chairman, $2 million when the company leaves bankruptcy protection. Wilson plans to step down from Northwest's Board of Directors when the company exits bankruptcy, which is expected next month. Unions for flight attendants and pilots -- who agreed to wage and benefit concessions -- filed objections to the plan.

Check www.freep.com today for coverage of the hearing.

CREDIT CARDS: Bill covers billing and rate practices

Legislation proposed Tuesday would outlaw some credit-card billing and interest-rate practices that critics say confuse consumers and can push them deeper into debt. The bill authored by Sens. Carl Levin, D-Mich., chairman of the Homeland Security and Governmental Affairs Committee's investigative panel, and Claire McCaskill, D-Mo., would ban interest from being charged on any portion of a credit card debt that the consumer paid on time during a grace period.

It also would limit penalty increases in interest rates, which are imposed when a payment is made after the due date, to a maximum 7 percentage points above the current rate. Many lawmakers have expressed reluctance to impose mandates on how banks do business.

Copyright © 2007 Detroit Free Press Inc.

Return to regular web page

detnews.com This is a printer friendly version of an article from **The Detroit News**

To print this article open the file menu and choose Print.

May 16, 2007

Stabenow and Levin push debt help

Bills from Michigan senators aim to rein in credit card bill practices, give mortgage tax break.

Gordon Trowbridge / Detroit News Washington Bureau

WASHINGTON -- Consumer advocates praised a pair of bills introduced by Michigan's U.S. senators Tuesday that would protect credit card customers from some billing practices and give a tax break to homeowners whose mortgage companies forgive some of their debt.

Sen. Carl Levin, who for months has criticized credit card companies for socking customers with what he calls "abusive" penalties and billing practices, introduced a bill that would bar many of those practices.

His fellow Michigan Democrat, Sen. Debbie Stabenow, introduced the Senate version of a House bill that would stop the IRS from treating as taxable income mortgage debt that lenders forgive. Currently, if borrowers in financial distress negotiate a deal with their lender to wipe out some of their debt, they must pay income tax on the waived amount.

Levin's bill is the product of several months of investigation by the Senate Permanent Subcommittee on Investigations, a powerful panel he chairs. At a March hearing, the committee heard testimony from an Ohio man who was charged more than $7,000 in fees and penalties because he overcharged his card by $200. While card issuers announced some changes in policy before that hearing, Levin said legislation is the only certain protection for consumers.

"For the banking world, these profits are enormous, and they're unlikely to give up most of these abusive practices," he said.

The bill, co-sponsored by freshman Sen. Claire McCaskill, D-Mo., would address several common practices:

Card companies would be barred from charging interest on bills paid during grace periods, and from increasing interest rates more than 7 percentage points as a penalty for late payments.

Interest charges on penalties and fees would be banned, as would fees for paying bills on time by phone, Internet or mail.

Card firms would be required to apply payments to the portion of a customer's balance carrying the highest interest rate.

The bill Stabenow introduced would address what consumer advocates describe as an IRS Catch 22. If a borrower in financial trouble swings a deal with their mortgage company to forgive part of their debt, the canceled amount is treated as income.

MediaNews Group Staff Writer Peter Urban contributed to this report.

Return to regular web page

CURRENT NEWS

Congress-Credit-Cards
Bill Would Ban Some Credit Practices

Bill Would Ban Some Credit Practices

By MARCY GORDON
AP Business Writer

WASHINGTON (AP) _ Legislation proposed Tuesday would outlaw some credit-card billing and interest-rate practices that critics say confuse consumers and can push them deeper into debt.

The bill authored by Sens. Carl Levin, D-Mich., chairman of the Homeland Security and Governmental Affairs Committee's investigative panel, and Claire McCaskill, D-Mo., would ban interest from being charged on any portion of a credit card debt that the consumer paid on time during a grace period.

It also would limit so-called penalty increases in interest rates, which are imposed when a payment is made after the due date, to a maximum 7 percentage points above the current rate.

The legislation was heralded by consumer groups. Many lawmakers, however, have expressed reluctance to impose mandates on how banks do business.

Sen. Christopher Dodd, D-Conn., who heads the Senate Banking Committee, which has jurisdiction on the issue, said he will examine the proposal "in a careful and thoughtful fashion."

Heightened scrutiny of credit card practices has come from the new Democratic-controlled Congress, which has put a number of consumer issues on its legislative agenda. With Americans weighed down by some $850 billion in consumer debt, the practices of the robustly profitable credit card industry are a compelling subject for scrutiny.

Amid the congressional focus, several major banks recently began to eliminate or temper some of the practices.

An investigation by Levin's subcommittee found abusive and confusing practices, and repeated penalties imposed by credit card issuers that are said to amplify the financial woes of many Americans while bringing in tens of millions of dollars for the companies.

The bill also would:

_Require increased interest rates to apply only to future debt on a credit card account, not to debt incurred prior to the increase.

_Prohibit charging of interest on credit card account fees, such as late payment fees and fees for going over the credit limit.

_Prohibit charging of repeated over-limit fees for a single

instance of exceeding a credit limit, and allow the fees to be charged only when the consumer's action, rather than a penalty, causes the limit to be exceeded.

_Ban so-called "pay-to-pay" fees, often charged when consumers make payments on their accounts by telephone. Such fees would be prohibited for any form of payment, including mail or electronic transfer.

_Require payments to be applied first to the portion of the account balance with the highest interest rate.

AP-NY-05-15-07 1921EDT

Powered by InfoDesk

CURRENT NEWS

Democrats aim to rein in credit card abuses

May 15, 2007

WASHINGTON (Reuters) - Two U.S. Senate Democrats introduced a bill on Tuesday that would limit credit card fees and interest rate hikes that can bury consumers in debt.

"I'm afraid these practices have become too entrenched and too profitable to the credit card companies for the companies to change them on their own," Carl Levin of Michigan said in a statement. "Congress needs to enact pro-consumer legislation to put an end to these unfair practices."

The bill, sponsored by Levin and Claire McCaskill of Missouri, calls for an end to abusive practices that can result in a downward spiral of mounting debt for some card holders.

It would prohibit interest rate hikes on a credit card account unless the card holder agrees to them and would limit penalty interest rate hikes to no more than a 7 percent increase.

The legislation would also ban a credit card issuer from repeatedly charging over-limit fees for a single instance of a card holder exceeding a credit card limit, and prohibit interest charges on transaction fees such as late fees and over-the-limit fees, Levin said.

"Credit card companies are so profitable that they can afford to give up unfair practices," Levin said.

Levin introduced the bill after holding a March hearing, where a senior executive with JPMorgan Chase & Co.'s Chase Bank USA apologized to a 29-year-old Ohio man who repaid twice the amount of a $3,200 bill because of interest and fees.

Outstanding U.S. credit card debt total $750 billion in November, according to Federal Reserve estimates. The industry has more than 640 million credit cards in circulation.

Levin said the bill would be sent to the Senate Banking Committee for consideration.

2007-05-15 17:38:01 GMT (Reuters)

(c) Reuters 2007. All rights reserved. Republication or redistribution of Reuters content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Reuters. Reuters and the Reuters sphere logo are registered trademarks and trademarks of the Reuters group of companies around the world.

http://www.reuters.com

Powered by InfoDesk

CURRENT NEWS

Levin, McCaskill Introduce Legislation To Limit Credit Card Charges, Rate Hikes



Daily Report for Executives

The Bureau of National Affairs, Inc.
Publication Date: 2007-05-16

Financial Institutions

Levin, McCaskill Introduce LegislationTo Limit Credit Card Charges, Rate Hikes

Sen. Carl Levin (D-Mich.), chairman of the Senate Permanent Subcommittee on Investigations, introduced legislation (S. 1395) May 15 to prohibit credit card practices that he said make it hard for consumers to dig themselves out of debt.

The Stop Unfair Practices in Credit Cards Act, co-sponsored by fellow subcommittee member Sen. Claire McCaskill (D-Mo.), would limit hikes in interest rates, restrict other charges such as fees for late payments, and require card issuers to adopt more consumer-friendly practices in other areas.

In a statement accompanying introduction of the bill, Levin said the time is past for voluntary reforms by card companies.

"I'm afraid these practices have become too entrenched and too profitable to the credit card companies for the companies to change them on their own. Congress needs to enact pro-consumer legislation to put an end to these unfair practices," he said.

Introduction of the bill is the latest move by Levin, who has made credit card practices a key agenda item for the subcommittee since the Government Accountability Office released a report in 2006, prepared at Levin's request, that criticized industry practices.

Next Move Is Dodd's.

However, the bill's progress will depend on Senate Banking Committee Chairman Christopher Dodd (D-Conn.), whose panel has jurisdiction over credit cards.

Dodd, who also has criticized a range of practices by card issuers while pressing for voluntary changes by the industry, released a statement May 15 saying he will "examine the ideas of Senator Levin, Senator McCaskill, and others in a careful and thoughtful fashion."

"I intend to continue to spotlight these important issues in the Banking Committee and I am committed to looking at any and all ways—including introducing legislation—to ensure that consumers are adequately protected from unfair credit card practices," Dodd said.

A coalition of consumer advocacy groups quickly endorsed the Levin-McCaskill measure.

Bill Would Mandate Wide-Ranging Changes.

According to a summary of the bill by Levin's office, The Stop Unfair Practices in Credit Cards Act would:

- prohibit interest charges on any portion of a credit card debt that the cardholder paid on time during a grace period;

- prohibit extra interest charges on card debt that the cardholder already paid on time and in full;

- limit interest rate increases to 7 percent, and even then only if cardholders agree;

- apply rate hikes only to future credit card debt, and not to debt incurred prior to the increase;

- prohibit interest on credit card transaction fees, such as late fees and over-the-limit fees, and restrict fees for charges made in excess of the cardholder's borrowing limit;

- allow cardholders to make payments by any means without paying extra fees for using a particular method, such as electronic transfers, and prohibit late fees if the card company's action caused a delay in crediting a payment;

- require currency exchange fees to "reasonably reflect the credit card issuer's actual costs";

- require card issuers to apply a customer's payments to the card balance with highest interest rate first, and;

- require card issuers to give consumers the option of an account with a fixed credit limit that cannot be exceeded.

Fed Reviewing Credit Card Rules.

Credit card billing and rate practices also have been on the radar of the House Financial Services Committee, where Chairman Barney Frank (D-Mass.) has heard testimony on the matter (81 DER A-10, 04/27/07) .

However, any action by the House and Senate panels is likely to be affected by the Federal Reserve Board, which is expected to release findings soon from a comprehensive review of Regulation Z.

That regulation implements the Truth in Lending Act, which governs important aspects of credit card transactions.

Consumer Groups Applaud Measure.

In a statement, several consumer groups applauded the action by Levin and McCaskill.

"This important legislation will stop credit card companies from using a variety of traps and tricks that harm consumers and illegitimately pump up profits," said Travis B. Plunkett, legislative director of the Consumer Federation of America.

"We commend Chairman Levin for sending a strong message to the credit card industry that Congress will no longer allow unwarranted fees and outrageous interest rates that push consumers to the financial brink," Plunkett said in a statement issued jointly by his group and the National Consumer Law Center, Consumers Union, Consumer Action, U.S. Public Interest Research Group, and Center for Responsible Lending.

By R. Christian Bruce

Copyright 2007, The Bureau of National Affairs, Inc. All Rights Reserved.

Powered by InfoDesk

This is a printer friendly version of an article from the **Courier-Post**
To print this article open the file menu and choose Print.

Back

Bill targets credit card rates

By FAITH BREMNER
Gannett News Service

WASHINGTON

Consumer watchdog groups applauded a proposal Tuesday that would rein in various charges credit card companies assess their customers.

Legislation introduced by Democratic Sens. Carl Levin of Michigan and Claire McCaskill of Missouri would prohibit credit card companies from raising interest rates on cardholders' unpaid balances and from charging interest on late fees and over-the-limit fees. It also would prohibit card companies from charging their customers a fee for paying their bill over the phone or the Internet.

The legislation comes on the heels of three Capitol Hill hearings earlier this year in which consumer organizations complained that credit card companies trap borrowers under a mountain of debt with unfair interest-rate increases, penalties and fees.

Industry officials have promised lawmakers they would do a better job of disclosing their billing practices to their customers.

Levin and McCaskill's bill addresses some of the industry's most egregious practices, said Ruth Susswein of Consumer Action. She said the flurry of activity in Congress over credit card company practices since the Democrats took charge is the most that industry watchers have seen in a long time.

"It's very refreshing," she said. "Consumer groups like ours are hopeful that there will be some protection of consumers, which we haven't seen in a good long time."

Ken Clayton, managing director of the American Bankers Association's card policy, said the bill would micromanage companies' prices, which could have the unintended consequence of causing card issuers to cut back on their lending. The key to resolving consumer complaints is for companies to do a better job of disclosing their fees and charges, he said.
[liPublished]: May 16. 2007 3:10AM

NATIONAL BRIEFING

LEGISLATION

More Hedge Fund Rules Proposed

Sen. Charles E. Grassley (R-Iowa) proposed legislation that would subject hedge funds to stricter oversight and routine inspections, reinstating rules struck down by a federal court last year. The measure would require hedge fund managers with at least 15 investors and more than $50 million in assets to register with the Securities and Exchange Commission.

Credit-Practices Bill Introduced



Sens. Carl M. Levin (D-Mich.) and Claire McCaskill (D-Mo.), right, introduced a bill that would outlaw some credit-card billing and interest-rate practices that critics say confuse consumers and can push them deeper into debt.

The bill would prohibit charging interest on any portion of a credit card debt that a customer pays in a grace period. It also would limit "penalty increases" in interest rates, which are imposed when a payment is made after the due date, and ban universal default, in which credit card issuers raise interest rates for customers because they're late on payments to other creditors.

House Votes to Delay Truck Pilot

The House voted 411 to 3 to delay a pilot Transportation Department plan to allow Mexican trucks full access to U.S. highways. The trucks would have to be declared safe first, the lawmakers said, and Mexico would have to give U.S. truckers the same access south of the border.

The pilot program would restrict opening the border to 100 carriers based in Mexico allowed to use a maximum of 1,000 vehicles.

AIRLINES

Continental Adds $10 Fee

Continental Airlines, the fourth-largest U.S. carrier, added $10 to the price of round-trip domestic tickets to help pay for higher fuel costs. American Airlines, United Airlines, Northwest Airlines and US Airways said they were studying whether to match the fuel fee.

LEGAL

Microsoft Wants Award Reduced

Microsoft asked a federal judge to reduce the record $1.52 billion in patent-infringement damages that a jury awarded Alcatel-Lucent or order a new trial. Lawyers for the company made the request in the wake of Supreme Court decisions last month that made patent suits harder to win and limited damage awards for software sold overseas.

A jury in February ordered Microsoft to pay Alcatel-Lucent over patents covering the MP3 digital-music standard.

New York Plans to Sue Dell

Dell said New York State Attorney General Andrew Cuomo plans to file a lawsuit over its customer practices. The state says Dell misleads customers with its financing offers and fails to honor warranties, service contracts and rebates, according to a copy of the complaint obtained by Bloomberg News.

"We are confident that our practices will be found to be fair and appropriate," said Bob Pearson, a spokesman for Dell.

TECHNOLOGY

MySpace Won't Turn Over Names

MySpace.com said it won't comply with a request by attorneys general from eight states to hand over the names of registered sex offenders who use the social-networking Web site.

MySpace's chief security officer said that the company regularly discloses information to law enforcement officials but that the Electronic Communications Privacy Act says it can do so only when proper legal processes are followed.

MySpace has "removed every registered sex offender that we identified out of our more than 175 million profiles," said the security chief, Hemanshu Nigam.

BANKRUPTCY

New Century Gets Examiner

New Century Financial, the large subprime mortgage lender in bankruptcy protection, must have its 2006 accounting reviewed by a court-appointed examiner, a bankruptcy judge said.

U.S. Bankruptcy Judge Kevin J. Carey also rejected a call to replace New Century's management with a court-appointed trustee.

EARNINGS

■ **Wal-Mart** said first-quarter profit rose 8 percent, to $2.83 billion from $2.62 billion in the comparable period a year earlier. Revenue rose 8.3 percent, to $85.4 billion. U.S. same-store sales rose 0.6 percent.

"Quite honestly, we're not satisfied with our overall performance," chief executive H. Lee Scott Jr. said in a pre-recorded conference call. Scott said, "You will see us be more committed than ever to price leadership."

■ **Home Depot** said first-quarter profit fell 29 percent, to $1.05 billion from $1.48 billion. Revenue rose 1 percent, to $21.6 billion. Chief executive Frank Blake blamed the slowing housing market and erratic weather for the slip.

Sales at stores open at least a year declined 7.6 percent.

Compiled from reports by Washington Post staff writers, the Associated Press and Bloomberg News.