Feinstein, Kyl, Brownback Offer Amendment to Warn Consumers About Impact of Making Minimum Credit Card Payments

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Washington, DC – U.S. Senators Dianne Feinstein (D-Calif.), Jon Kyl (R-Ariz.) and Sam Brownback (R-Kans.) today offered an amendment to the bankruptcy bill before the Senate which would require credit card companies to inform consumers about the consequences of making only the minimum payment each month.

"Too many consumers are uninformed about how they are affected by simply paying the minimum on their credit card bills," Senator Feinstein said. **"Many of these consumers end up debt-ridden or bankrupt as a result."**

The average American household possesses seven credit cards, pays $1,100 annually in credit card interest, and, in 2003, had a credit balance of $9,450. If making only minimum payments on $10,000 of credit card debt at 18% interest, it would take a family 56 years and cost $28,079 in interest to pay off the debt.

The Feinstein-Kyl-Brownback amendment would compel credit card companies to increase notice to credit card holders regarding the consequences of making only minimum-payments. Specifically, the amendment would require:

- Credit card companies to send a general notice warning about increased interest payments and a description of expected payments and timetables based on:
  - Structured debt sizes, or
  - The consumer's own debt and interest rates if only minimum payments are made for six months.

- The creation of toll free numbers for consumers to call for individualized interest and timetables, and for referrals to non-profit groups for credit counseling.

The disclosure requirement would not apply if the credit card company requires consumers to pay 10 percent or more of the cardholder's debt each month or the card holder's balance is below $500.

"The real reason why the credit card industry does not want to place individualized minimum payment disclosures on their billing statements is not because it is too difficult or too expensive," Senator Feinstein said. **"It is because they are afraid that they will lose profits if people pay off their debts sooner."**

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