cancelling their co-branded credit cards for card holders who paid their monthly balances on time. This meant that their most responsible customers were suddenly deprived of the use of their credit cards. More recently, our colleague SID YATES brought to my attention a far more subtle, but equally effective, method that some credit card companies are using to exact fees payments from card holders who pay on time. This involves manipulation of the ''payment due'' date on the credit card statement to induce earlier payment of the monthly payment amount than is necessary to avoid any finance charges, thus allowing the card issuer more time to hold and earn interest on the payment.

Under the Truth in Lending Act, if a card issuer provides a ''grace period'' during which any credit charges can be repaid in full without incurring finance charges, it must be disclosed to the consumer in the initial card offering and in the monthly billing statement. There is no specific requirement, however, that the monthly ''payment due'' date be the same as this disclosed grace period, especially if no interest charge is actually charged until the end of the stated grace period. This has permitted, for example, one Chicago area bank to decrease the 25 day grace period it discloses in promotions and agreements with consumers to only 20 days in the payment due date it includes in statements of card holders who routinely pay off their monthly balances. This permits the bank an extra ''float'' on these payments of at least five days each month without the knowledge of the card holder. Court documents estimated that this band has used this tactic to induce card holders to advance nearly $600 million each month five days before it is actually necessary to avoid interest charges.

This manipulation of monthly payment due dates falsely induces card holders to transmit payments earlier than necessary every month, depriving them of the use of their own money up to 60 days each year! And it allows card issuers to benefit from the additional float on millions of dollars each month. Given the huge percentage of card holders who pay off their monthly bills, and the fact that large national credit card issuers are beginning to use this practice, this problem may affect millions of card holders across the United States with a credit card volume of potentially tens of billions of dollars annually.

I am pleased to join with Representatives KENNEDY and YATES in introducing legislation that would eliminate these unfair and costly practices that discourage responsible credit card use. The bill would make it a violation of the Truth in Lending Act for any credit card issuer to cancel the credit card account, or impose new fees, finance charges or other costs on any credit card account solely on the basis that the credit extended during billing periods is regularly repaid in full without incurring finance charges.

The bill also would make it a prohibited fee or charge for a card issuer to send card holders billing statements with payment due dates that are earlier than the date disclosed in promotions and card agreements and have the effect of inducing the card holder to send payments earlier than would otherwise be necessary to avoid finance charges. Taken together, these charges would preserve the accounts of the most responsible credit card users and save consumers potentially millions of dollars each year in unnecessary fee payments.

While I consider myself a strong supporter of legislation to modernize the banking industry, I cannot accept bank practices that impose unnecessary and unproductive costs on consumers. Imposing new charges and canceling the accounts of consumers who pay their credit card bills on time serves one purpose, and one purpose only—to increase the already record levels of bank fee income. These practices have no other economic or policy purpose or rationale.

At a time of escalating consumer debt and record levels of credit card delinquencies and personal bankruptcy, the banking industry should not engage in practices that discourage responsible use of credit and reduction in credit card debt. The practices I have outlined are discriminatory, they are unfair to consumers and they are wrong. I urge Congress to end these practices by adopting my legislation.

The text of the bill follows:

H.R.—

*Be it enacted by the Senate and House of Representatives of the United States in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the ''Credit Card On-Time Payment Protection Act of 1998.''

**SEC. 2. PENALTIES FOR ON-TIME PAYMENT PROHIBITED.**

Section 127 of the Truth in Lending Act (15 U.S.C. 1637) is amended by inserting at the end thereof the following new subsection:

''(h) PENALTIES FOR ON-TIME PAYMENT PROHIBITED—

''(1) IN GENERAL.—In the case of any credit card account under an open-end consumer credit plan, no creditor may cancel an account, impose a minimum finance charge for any period (including any annual period), impose any fee in lieu of a minimum finance charge or impose any other charge or penalty with regard to such account or credit extended under such account solely on the basis that any credit extended has been repaid in full before the end of any grace period applicable with respect to the extension of credit.

''(2) PAYMENT DUE DATES.—For purposes of paragraph (1), a creditor shall be deemed to have imposed a prohibited charge or penalty on an account under an open end consumer credit plan if the creditor regularly transmits to the obligor of such plan a statement for a billing cycle in which credit has been extended under such plan that includes a payment due date as required by subsection (b)(9) of this section—

''(A) that is different from and in advance of—

''(i) the date by which payment must be made for any credit extended under such credit plan to avoid incurring a finance change that was disclosed to such obligor pursuant to subsection (c)(1)(A)(iii) of this section;

''(ii) the actual date by which payment would otherwise have to be made to avoid incurring a finance charge if calculated on the same basis as the date by which or the period within which any payment must be made to avoid incurring a finance charge that was disclosed to such obligor pursuant to subsection (c)(1)(A)(iii); and

''(B) that has the purpose or effect of inducing the obligor of such plan to transmit payment to the creditor earlier than what otherwise would be required to avoid incurring a finance charge.

''(3) SCOPE OF APPLICATION.—Paragraph (1) shall not be construed as—

''(A) prohibiting the imposition of any flat annual fee which may be imposed on the consumer in advance of any annual period to cover the cost of maintaining a credit card account during such annual period without regard to whether any credit is actually extended under such account during such period; or

''(B) otherwise affecting this imposition of the actual finance charge applicable with respect to any credit extended under such account during such annual period at the annual percentage rate disclosed to the consumer in accordance with this title for the period of time any such credit is outstanding.''

**SEC. 3. REGULATIONS.**

The Federal Reserve Board, not later than 6 months after the date of the enactment of this Act, shall issue final regulations to implement the amendments made by this Act.

## PERSONAL EXPLANATION

### HON. FRANK RIGGS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 5, 1998*

Mr. RIGGS. Mr. Speaker, I was absent from the House of Representatives on July 30 and 31, 1998, pursuant to a leave of absence. During my absence, I missed a number of votes. Had I been present, the following is how I would have voted:

Rollcall No. 355: ''Yea''; Rollcall No. 356: ''No''; Rollcall No. 357: ''Yea''; Rollcall No. 358: ''Yea''; Rollcall No. 359: ''Yea''; Rollcall No. 360: ''Yea''; Rollcall No. 361: ''Yea''; Rollcall No. 362: ''No''; Rollcall No. 363: ''No''; Rollcall No. 364: ''No''; and Rollcall No. 365: ''Yea''.

Rollcall No. 366: ''Yea''; Rollcall No. 367: ''Yea''; Rollcall No. 368: ''Yea''; Rollcall No. 369: ''No''; Rollcall No. 370: ''Yea''; Rollcall No. 371: ''Yea''; Rollcall No. 372: ''Yea''; Rollcall No. 373: ''Yea''; Rollcall No. 374: ''Yea''; Rollcall No. 375: ''No''; and Rollcall No. 376: ''Yea''.

## DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, AND JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS ACT, 1999

SPEECH OF

### HON. JOHN W. OLVER

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, August 4, 1998*

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 4276) making appropriations for the Departments of Commerce, Justice, and State, the Judiciary, and related agencies for the fiscal year ending September 30, 1999, and for other purposes:

Mr. OLVER. Mr. Chairman, I rise in strong support of full funding for the Economic Development Agency (EDA).

Despite the country's roaring economy, cities and towns in my rural district have suffered huge job losses over the last year, and the EDA has provided critical support to these economically distressed communities.

The EDA has funded regional economic planning to maximize job creation and development, provided capital for small businesses, and funded utilities and road construction to