

## **Credit Card Fairness Act Summary**

Senators Fetterman, Booker, and Baldwin are introducing the *Credit Card Fairness Act*, which would set an \$8 cap on late fees that credit card issuers are allowed to charge consumers. This would put into statute the CFPB's rule under Director Chopra that the Trump Administration has since abandoned in court despite its overwhelming popularity.

Credit card late fees currently cost American consumers \$14 billion each year, most of which goes directly to big bank profits. The CFPB's credit card late fee rule would've lowered the safe harbor for fees from up to \$41 to \$8, more accurately reflecting what it actually costs banks to collect on late payments. The Credit Card Fairness Act would put that \$8 cap into statute. 82% of Americans supported the \$8 cap.

### **Big Banks Use Credit Card Late Fees to Profit Off the Backs of Working Families:**

American consumers paid \$14 billion in credit card late fees in 2022. While the principal intent of such fees is to cover the cost and risk to credit card issuers of having to collect on late payments, internal CFPB data shows that the revenue banks can collect from the standard \$30-41 late fee is 3-5 times higher than the cost of collections. This means that the banks make billions of dollars of profit each year when their customers don't pay their bills on time, a perverse incentive that allows banks to do better when their customers do worse (in a healthy financial system, the incentives of a bank and its customer would be closely aligned).

### **The CFPB's Rule Would've Saved Borrowers Billions, Until Trump and Vought Abandoned It:**

The CFPB's rule created a safe harbor of \$8 for credit card late fees, based on thorough analysis finding that it only costs banks about \$5-8 to collect on late payments. Despite the fact that this rule would've saved working families billions of dollars each year in junk fees, the Trump administration decided to undo it. In 2024, the rule received a legal challenge from the banking lobby. Upon taking office, Trump's CFPB Director, Russ Vought, stopped defending the rule in court, allowing the banking lobby to shut it down.

### **The Credit Card Fairness Act Would:**

- Codify the CFPB's \$8 credit card late fee cap for large issuers (95% of all balances).
- Limit future changes to inflation adjustments only.
- Direct future challenges to the DC Circuit Court. Industry used creative legal justification to have their case heard in the ultra-right-wing 5<sup>th</sup> Circuit Court, which we want to prevent in the future.

### **Endorsers:**

*Organizations:* Americans for Financial Reform, Consumer Federation of America, Public Citizen, National Consumer Law Center (on behalf of its low-income clients), Protect Borrowers, and Groundwork Collaborative