

# How Do You Stop a Rhino From Charging?

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This week we should have received our Economic Stimulus checks from the federal government. President Bush is hoping Americans will go on a shopping spree with their funds and pump more money into the economy. Most surveys, however, show that most of us are going to use the money to either pay off existing debt or save it.

While the President feels the economy needs to be stimulated, many experts believe the economy needs a defibrillator. The rising cost of gasoline and health care, the uncertainty of the stock market and the poor real estate market and subprime catastrophe have made money tighter than ever.

In response, last week The Federal Reserve introduced one of the most aggressive plans in years to combat the credit card industry. The proposed regulations would prohibit common practices, labeling them as “unfair or deceptive.” The practices include arbitrarily raising interest rates on outstanding balances, charging interest on debt that has been repaid and assessing late fees when consumers are not given a reasonable amount of time to make a payment.

If credit card companies apply different interest rates to different balances on one card, they would be prohibited from applying a payment first to the balance with the lowest rate. Companies are also precluded from mailing out bills less than 3 weeks before the due date so there's not enough time to pay.

The Federal Reserve rolled out the new proposed regulations after receiving harsh criticism for not responding quickly and effectively to the subprime crisis. The Fed is backed by the Office of Thrift Supervision, which regulates all federal and some state thrift institutions, and the National Credit Union Administration, which governs credit unions.

The rules are novel in that they prohibit these now “unfair or deceptive” practices. In the past, regulation of the credit card industry typically involved stronger disclosure of these practices. The public has 75 days to comment on the proposal.

Obviously, the banking industry has vowed to oppose the rules. Apparently they're “charging” to Washington D.C.