February 13, 2025

The Honorable Bernie Sanders
United States Senate
Senate 332 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Josh Hawley
United States Senate
115 Russell Senate Office Building
Washington, D.C. 20510

Dear Senators Sanders and Hawley:

We write on behalf of trade associations representing banks of every size in strong opposition to S.381, the *10 Percent Credit Card Interest Rate Cap Act*. This legislation would have a devastating effect on access to credit for individuals and small business owners who use their personal cards as a form of liquidity by imposing an all-in annual percentage rate (APR) cap at 10 percent. Study after study has shown that even modest government price controls raise costs rather than lowering them. Government intervention prescribing the terms of a highly popular unsecured credit product would likely restrict or eliminate altogether the availability of this type of short-term revolving line of credit for millions of Americans who depend on this resource.

Ensuring access to credit for all consumers is a shared goal among policymakers, consumers, and financial institutions. The credit card industry plays a critical role in providing this access, and because of its efforts more than 80 percent of U.S. consumers have access to safe, reliable, and highly regulated credit that can be used nearly anywhere on demand.[1] A cap on credit card interest rates is a price control on credit that will lead to credit shortages. There is a large body of empirical evidence that illustrates how rate caps harm consumers, including:

- After a rate cap was imposed in Illinois, credit access for unsecured installment loans fell and the financial well-being of higher-risk borrowers worsened.[2]
- A similar rate cap in Oregon was responsible for harming, not helping, consumers on average, and caused deterioration in the overall financial condition of Oregon households. For example, short-term borrowers in Oregon were more likely to pay bills late and overdraft their checking accounts.[3]
- In Chile, a rate cap resulted in more than 80 percent of consumers being made worse off,[4] including 200,000 families that were cut out of the credit market entirely, with young, poor, and less-educated families bearing the brunt of the burden.[5]
- In the United Kingdom, a rate cap on high-cost, short-term loans caused many families to lose access to loans, with those affected likely to be young, unemployed, and poor.[6]

[1] McCann, A., and Comoreanu, A. (2024), "Number of Credit Cards and Credit Card Holders."

[2] Bolen, J. B., Elliehausen, G., and Miller, Jr., T. (2023), "Credit For Me but Not For Thee: The Effects of the Illinois Rate Cap.

[3] Zinman, J., (2008), "Restricting Consumer Credit Access: Household Survey Evidence on Effects Around The Oregon Rate Cap."

[4] Cuesta, J., and Sepúlveda, A. (2019), "Price Regulation in Credit markets: A Trade-off between Consumer Protection and Credit Access."

[5] Madeira, C. (2019), "The Impact of Interest Rate Ceilings on Households Credit Access: Evidence from a 2013 Chilean Legislation," Journal of Banking and Finance, 106:166-179.

[6] Ferrari, A., Masetti, O., and Ren, J. (2018), "Interest Rate Caps: the Theory and the Practice," World Bank Group Policy Research working paper, no. WPS 8398.

An American Bankers Association analysis conducted in 2020 found that if a 15 percent interest rate cap were enacted, nearly 95 percent of subprime borrowers would be at risk of losing access to credit cards — equivalent to 65 million accounts. The negative impact on credit access would be even more pronounced today, as monetary policy has driven interest rates significantly higher than they were five years ago.

Credit cards are a form of unsecured credit. Card issuers are able to extend credit based on creditworthiness and terms that ensure the portfolio can perform in a safe and sound manner. If the government dictates the price of credit, lenders will be forced to tighten underwriting practices, lower credit lines, and reduce cardholder rewards to manage their credit risk. They may also increase annual fees, impose monthly maintenance fees, or implement other pricing changes to partially offset the revenue loss caused by the rate cap. However, given that S.381 includes provisions that severely restrict issuers' ability to recoup revenue, the bill's impact on credit access would be even more acute. Simply put, issuers would be compelled to reduce or eliminate access to credit for all but the lowest-risk customers.

For many Americans, a credit card is a critical source of funds in times of need, such as when they face an unexpected healthcare bill or an expensive car or home appliance repair. The tens of millions of consumers who would no longer be able to access the credit card market would be forced to turn to less regulated alternatives to manage these financial disruptions, including payday lenders, unregulated fintech lenders, and pawn shops. Not only would consumers likely receive inferior service from these entities, but many would also end up paying more for credit than they currently do, as non-bank lenders are not subject to the same consumer protection standards. Put another way, S.381 would likely increase the cost of credit for those who need it most.

The evidence is clear: price controls, such as interest rate caps, harm consumers. Laws that prevent lenders from charging a market rate of return will lead to less lending. An avalanche of empirical research proves that rate caps have tangible, damaging effects on consumers, especially those who are already in vulnerable financial positions. S.381 would be a huge step backward for American households and the U.S. economy. To protect affordable access to credit, we urge policymakers to rely on market forces, not politics, to determine interest rates.

Sincerely,

American Bankers Association
Alabama Bankers Association
Alaska Bankers Association
Arizona Bankers Association
Arkansas Bankers Association
California Bankers Association
Colorado Bankers Association
Connecticut Bankers Association
DC Bankers Association
Delaware Bankers Association
Florida Bankers Association
Georgia Bankers Association
Hawaii Bankers Association
Idaho Bankers Association
Illinois Bankers Association
Indiana Bankers Association

Iowa Bankers Association
Kansas Bankers Association
Kentucky Bankers Association
Louisiana Bankers Association
Maine Bankers Association
Maryland Bankers Association
Massachusetts Bankers Association
Michigan Bankers Association
Minnesota Bankers Association
Mississippi Bankers Association
Missouri Bankers Association
Montana Bankers Association
Nebraska Bankers Association
Nevada Bankers Association
New Hampshire Bankers Association
New Jersey Bankers Association
New Mexico Bankers Association
New York Bankers Association
North Carolina Bankers Association
North Dakota Bankers Association
Ohio Bankers League
Oklahoma Bankers Association
Oregon Bankers Association
Pennsylvania Bankers Association
Puerto Rico Bankers Association
Rhode Island Bankers Association
South Carolina Bankers Association
South Dakota Bankers Association
Tennessee Bankers Association
Texas Bankers Association
Utah Bankers Association
Vermont Bankers Association
Virginia Bankers Association
Washington Bankers Association
West Virginia Bankers Association
Wisconsin Bankers Association
Wyoming Bankers Association

Cc: All US Senators