Reps. Maloney, Capito, & Slaughter hail new rules easing stay-at-home spouses' ability to qualify for new credit cards

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WASHINGTON, DC – Rep. Shelley Moore Capito (R-WV), Chair of the Subcommittee on Financial Institutions and Consumer Credit, Rep. Carolyn Maloney (D-NY), principal author of the Credit CARD Act and Ranking Member of the Subcommittee, and Rep. Louise M. Slaughter (D-NY), Ranking Member of the House Committee on Rules, today applauded implementation of a rule by the Consumer Financial Protection Bureau (CFPB) that will make it easier for stay-at-home spouses and partners to obtain credit cards in their own name under the provisions of the CARD Act.

"This common-sense clarification of the rules for stay-at-home spouses and partners by the CFPB is recognition of how modern families work," Maloney said. "When spouses choose to stay home yet still have access and decision-making ability over household income, they should be able to use that access to obtain a credit card. It's what we always intended when we wrote the CARD Act, and now card issuers have clear rules of the road going forward."

"Families who choose to have one spouse stay at home should not be penalized by one-size-fits all regulations," said Capito. "Today's amendments will hopefully provide necessary clarity to ensure qualified borrowers are not denied access to credit because they have made the very personal decision to stay at home to raise their family."

"This rule is an important benefit for stay-at-home spouses – many of whom make financial decisions for their families," said Slaughter. "Furthermore, as an original author of the Violence Against Women Act, I know that a lack of access to credit can keep one partner trapped in a dangerous, abusive relationship. This rule upholds Congressional intent to protect college students from falling into crippling debt, while maintaining the ability of stay-at-home spouses to build credit, and I applaud the CFPB for making this fix."

Background.

The Credit CARD Act, signed into law by President Obama in May, 2009 and implemented in stages over the following 15 months, was first introduced by Rep. Maloney as "The Credit Cardholders' Bill of Rights."

Prior to the establishment of the CFPB, the Federal Reserve was the regulator implementing the law. The Card Act contained two ability to pay standards, one for under-21 consumers who must prove an “independent” ability to pay, and everyone else who just have to show ability to pay. The Fed decided to apply the “independent” ability to pay to everyone, regardless of age.

When the CFPB took over responsibility for implementing the CARD Act, lawmakers called on the body to study the impact of the single “ability to pay” rule on stay-at-home spouses. The CFPB did conduct such a study and determined that there was a negative impact on stay-at-home spouses based on the original Federal Reserve rule implementing this portion of the CARD Act.

The CFPB made this proposed change based on data from a variety of sources indicating that those being denied credit cards were otherwise credit worthy-- meaning that but for the lack of independent income, they would have qualified for the card.

Under the new rule, “reasonable expectation of access” for a spouse can be determined in one of three ways:

1. A person's salary is deposited into a joint account;
2. There are regular funds transfers to the non-working spouse's account; or
3. The applicant receives the benefits of the income.

A copy of the rule may be viewed here:
https://www.federalregister.gov/articles/2012/11/07/2012-26008/truth-in-lending-regulation-z

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