How Rate Caps Harm American Consumers

Proposals to cap credit card Annual Percentage Rates (APRs) would cause millions of Americans to effectively lose access to credit cards and harm the U.S. economy.

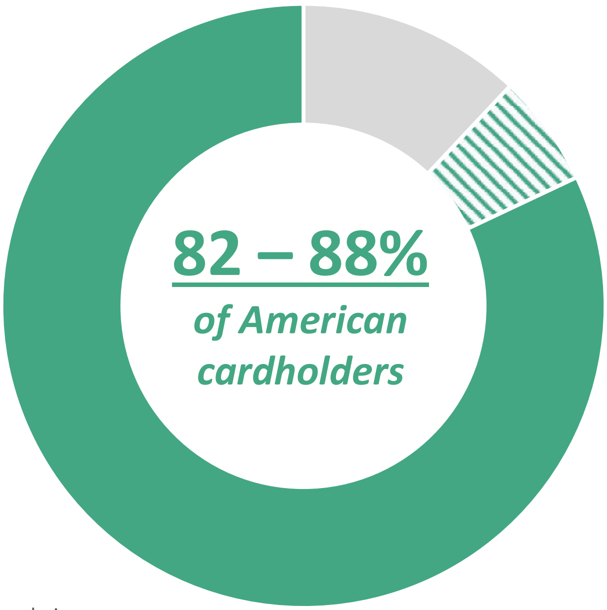
Background on Rate Caps

- The Trump Administration recently voiced support for a temporary 10% cap on credit card APRs. The proposal echoes legislation proposed by Senators Bernie Sanders and Josh Hawley in February 2025 to cap credit card APRs at 10%.
- While the proposal sounds consumer friendly, a credit card APR cap would severely distort the market, ultimately harm most Americans, and decrease economic activity.

Rate Caps Would Dramatically Reduce Credit Access across America

- A 10% cap on credit card APRs would result in 82 – 88% of open credit card accounts effectively losing access to credit — <u>including nearly every account associated with a credit score below 740</u>.
- Cardholders who retain access to credit would likely face lower credit limits, tighter credit standards, and reduced rewards. These effects are likely to be imposed on all open accounts, irrespective of credit score.
- Cardholders who lose access to credit likely would turn to other channels that are exempt from the Sanders-Hawley APR cap, including payday lenders, unregulated online lenders, title lenders, or pawn shops.

Share of accounts that would effectively lose credit access under Sanders-Hawley 10% cap



Source: EPC analysis.

*Under the Sanders-Hawley 10% rate cap bill, <u>**175 – 190 million American cardholders**</u> would effectively lose access to credit cards.*

Credit Card Rate Caps HURT Americans & Our Economy!

Note: See methodology on back page.

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Methodology

- To estimate the impact of a credit card APR cap on U.S. cardholders, EPC consulted with subject matter experts at various card-issuing banks (i.e., experienced industry professionals with deep expertise in credit card pricing) and asked them to estimate the likely impact of the Hawley-Sanders bill on the credit card market.
- Experts were asked to estimate, based on their seasoned judgement and real-world experience, the share of accounts in each risk tier that would effectively lose access to credit, either due to account closure or due to the issuer reducing a cardholder's credit line to the amount currently owed (i.e., eliminating the credit function of the card), across the industry.
- Experts were also asked to indicate the relative likelihood that credit card issuers would employ various strategies to offset the impact of a rate cap — including increasing annual fees, adjusting other fees, reducing cardholder rewards or other benefits, tightening credit standards, lowering credit limits, or adjusting grace periods — subject to the Hawley-Sanders bill's limitations on finance and non-finance charges.
    - Specifically, the Hawley-Sanders bill states: "*(1) the annual percentage rate applicable to an extension of credit obtained by use of a credit card may not exceed 10 percentage points, inclusive of all finance charges; and (2) any fees that are not considered finance charges under section 106(a) [of the Truth in Lending Act] may not be used to evade the limitations of paragraph (1), and the total sum of such fees may not exceed the total amount of finance charges assessed*."
- EPC aggregated, anonymized, and analyzed the experts' responses to estimate the overall impact of the Hawley-Sanders bill on existing cardholders.

Other Sources Used:

- Capital One (2024), "How Many Americans Have Credit Cards?"
- Lending Tree (2023), "Average Credit Score in US: FICO and VantageScore Breakdowns."

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