How Government Price Controls Hurt Missourians

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

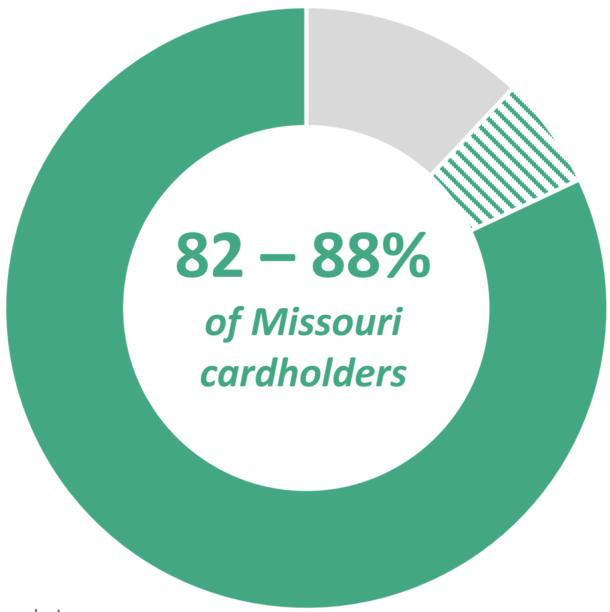
Background on Rate Caps

- Recent legislation proposed by Senators Josh Hawley and Bernie Sanders would cap credit card APRs at 10%.
- While it might make for a campaign talking point, the reality is an APR cap, like any other form of government price control, distorts the market in ways that would harm hardworking Missouri families.

Rate Caps Would Dramatically Reduce Credit Access in Missouri

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

Share of accounts that would effectively lose credit access under Hawley-Sanders bill



Source: EPC analysis.

Under the Hawley-Sanders bill, 3.2 – 3.5 million Missouri cardholders would effectively lose access to credit cards.

Government Price Controls on YOUR Credit Cards Hurt Missouri Families!

Note: See methodology on back page.

EPC Electronic Payments Coalition

Methodology

- To estimate the impact of a credit card APR cap on Missouri 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).
- 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 Missouri cardholders. In doing so, EPC assumed that Missouri cardholders have credit scores that mirror the national average for each risk tier.

Other Sources Used:

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