

Credit Card Late Fees Slashed to \$8 by Consumer Financial Protection Bureau



By Leigh A. Hoffman

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On March 5, 2024, the Consumer Financial Protection Bureau (CFPB) issued a final rule reducing late fee charges to \$8.00 on consumer credit cards. This final rule applies to credit card issuers with more than 1 million open accounts. CFPB found that credit card late fees amounted to over \$14 billion in 2022, with late fee charges averaging \$30.00-\$41.00 per month. The final rule also eliminated the automatic inflation adjustments and instead, the CFPB will monitor market conditions and adjust the \$8.00 late fee as necessary. Larger credit card issuers will be able to charge late fees in excess of \$8.00 if they can prove a higher fee is necessary to cover their actual costs. Importantly, this rule does not impact credit card issuers ability to raise interest rates, reduce lines of credit or take other actions if a borrower pays late. The effective date of the final rule will be 60 days after publication in the Federal Registry. While this rule only applies to the largest credit card companies, smaller banks and credit unions may consider reviewing their late fee policies. Other federal and state regulators often follow the leader when it comes to protecting consumers from fees which the CFPB has determined to be excessive. Lender clients with concerns about their best practices can reach out to Leigh A. Hoffman, partner and member of Lippes Mathias' financial restructuring & insolvency practice team at lhoffman@lippes.com or 518.462.0110 ext. 1439.

Lippes Mathias will continue to monitor these developments and will alert clients to this ever-changing landscape.

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