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Interest Rate Caps on Credit Cards: Policy Issues

While the cost of financial services is a perennial topic of congressional debate, Congress has recently paid particular attention to the costs associated with credit cards, one of the most popular payment options for consumers. This In Focus provides background on the consumer credit card market and discusses policy issues related to credit card interest rate regulation.

Policymakers are currently considering proposals to cap the interest rates that financial institutions charge for credit card purchases. For example, in the 119th Congress various bills (such as those discussed below) would cap credit card annual percentage rates (APRs) at 10% until January 2031 (S. 381, H.R. 1944) or cap fee and interest or APRs for most forms of consumer credit at 36% (S. 2781, S. 3793). President Trump and other Administration officials have issued statements calling for a limit on interest rates on cards to 10% for one year. Any restrictions on interest rates would generally require legislation in order to be binding.

Interest rates are typically regulated at the state level, but in some circumstances, federal law caps the interest rate a financial institution can charge. Currently, there is no general national cap on card interest rates.

The Consumer Credit Card Market

Various Federal Reserve studies have indicated that credit cards are pervasive in the United States. As of 2024, 81% of adult Americans had credit cards. In 2022, *consumer* credit cards processed $6.3 trillion in payments: $4.0 trillion from general purpose credit cards and $2.3 trillion from private label credit cards. In 2024, credit cards averaged the largest number of payments among consumer payment types. Despite widespread adoption of traditional alternatives such as debit cards and growing uptake of newer payment apps, consumers value credit cards as a payment option due to their relative security, widespread acceptance, and convenience.

Credit Card Market Structure

The credit card market involves up to six different types of market participants: consumers who purchase something; merchants who sell things, banks that issue cards, banks that work with merchants to accept payments, payment networks that connect financial institutions and provide the infrastructure for transactions, and payment processing firms that facilitate transactions. Regulations on interest rates would affect each market participant in a different way.

Credit cards are generally (but not always) issued by large financial institutions. According to Nilson (an industry analyst), the five largest banks in the United States comprised over two-thirds of the credit card market in 2024.

Bank Revenue from Credit Cards

Interest income from credit cards is a significant revenue source for banks. For example, according to bank call report data, among the five largest card-issuing banks, interest income from credit cards totaled around $120 billion in 2025, comprising around a third of total interest income. The entire banking industry reported $174 billion in credit card interest income in 2024 (the most recent data as of February 2026). Recent research by the Federal Reserve Bank of New York found that credit card profitability, measured by returns on as assets, has increased. The banking industry argues that limiting interest rates would have a significant impact on credit card banking operations.

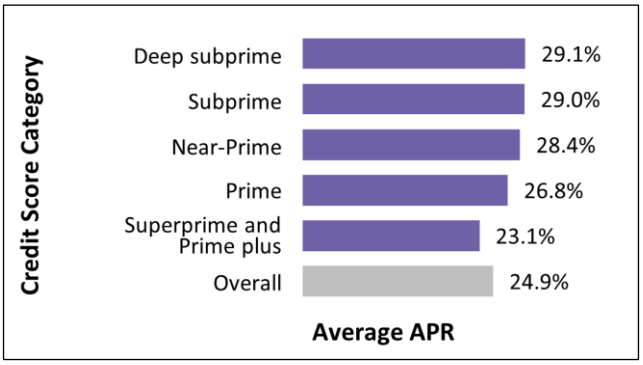
Consumer Debt

One policy issue is the level of credit card debt held by Americans. As of Q3 2025, Americans held a collective $1.2 trillion of outstanding credit card debt, the fourth-largest category of household debt. Credit card debt is different than the other largest forms of consumer debt. It is not secured by assets (neither are student loans); rather, it is open-ended, and credit cards are generally used as a general purpose payment method. (A minority of cards are private label.)

Some policymakers are concerned about the level of credit card debt because of attributes of the credit card market. The share of balances that are 90-plus days delinquent for credit cards has increased from a recent low of 7.6% in Q3 2022 to 12.4% in Q3 2025, the highest rate since 2011. This statistic includes debt in collections or charged off (written off) by the lender. Similar trends are present in the 30-days delinquency rate, and the most recent data (Q3 2025) showed flattening or declines. These delinquencies are concentrated among subprime borrowers.

Some have raised concerns with the amount of credit card interest paid by consumers over time. **Figure 1** shows the distribution of APRs by credit score as of 2022 for new general purpose credit cards. Consumers with lower creditworthiness generally have higher APRs, while the overall average APR is 25%. Such APRs have increased by roughly five percentage points since Q2 2022 alongside increases in bank borrowing costs.

Figure 1. Average APRs by Credit Score: 2024
General Purpose Credit Cards



Source: Consumer Financial Protection Bureau.

Relevant Statutory Framework

The Truth in Lending Act (TILA, 15 U.S.C. §§1601 et seq) requires creditors to disclose terms and costs of consumer credit. A section in the Dodd-Frank Act (12 U.S.C. §5517) restricts the Consumer Financial Protection Bureau from imposing "usury limits … unless explicitly authorized by law." For more on TILA, see CRS In Focus IF12769, *Overview of the Truth in Lending Act*, by Karl E. Schneider.

Currently, federal law does not broadly cap APRs for most consumer lending, but some provisions apply limited caps. The Military Lending Act caps APRs at 36% on many consumer credit products for active-duty servicemembers, their spouses, and dependents (10 U.S.C. §987(b)). The Servicemembers Civil Relief Act enables active-duty servicemembers to have the interest rates on their credit cards and other forms of consumer debt reduced to 6% during their tours of duty (50 U.S.C. §3901). Federal credit unions are statutorily restricted to an APR cap of 15%, but such a cap can be increased in certain circumstances if prevailing interest rate levels threaten the safety and soundness of credit unions (12 U.S.C. §1757). In February 2026, the National Credit Union Administration voted to maintain a higher ceiling of 18%, which is now set to expire in September 2027. This 18% ceiling has been in effect since 1987.

State laws generally determine any applicable interest rate limits on bank credit cards based on where financial institutions are headquartered, not where consumers reside. Currently, many credit card companies are based in either Delaware or South Dakota due to their relatively lenient interest rate regulations. This applies to banks as well as nonbanks. For more on this issue, see CRS Legal Sidebar LSB10512, *Federal Banking Regulator Finalizes Rule on State Usury Laws*, by Jay B. Sykes.

Legislation in the 119th Congress

In the 119th Congress, S. 381 and H.R. 1944 would cap credit card APRs at 10%. These provisions would be in effect until January 2031. S. 3793 would extend protections under the Military Lending Act (including the 36% cap) to all consumers, with exceptions for most auto loans, mortgages, and loans made by credit unions. S. 2781 would cap certain fee and interest rates at 36% annualized and cap certain other fees. Alternatively, S. 3721 would modify TILA to empower states to set maximum APRs for consumer credit that apply to the state where a consumer resides rather than the location of the financial institution's headquarters. These bills would generally apply to cards or other credit issued to consumers, but they would generally not apply credit issued to businesses, as TILA generally does not apply to business products (with some exceptions, such as unauthorized use liability).

Policy Issues

Broad federal regulation of credit card interest rates may have several impacts on financial markets. For example, imposing a cap could affect access to credit from traditional sources. As mentioned above, banks rely heavily on credit card interest revenue. It is possible that card issuers would limit their credit card business or change their pricing to compensate for the projected loss in interest revenue. While limiting interest may lead to less expensive credit for some consumers, banks may also choose to limit credit products or add auxiliary fees to compensate for the loss of direct revenues associated with the interest rate cap. With an interest rate cap, credit card issuers would change their risk-based pricing, which could limit credit access.

Economic theory indicates that, in general, price caps that restrict supply reduce overall consumer welfare. Some researchers have argued that a credit card rate cap would result in less-creditworthy borrowers being denied credit. Research from economists at the World Bank argued that existing and historical rate caps were a "blunt instrument" that resulted in a decline in access to credit and an increase in fees that were not covered in the interest rate calculation. To the extent access is limited, prospective borrowers might increasingly rely on credit sources outside of the banking system. This might result in consumers using credit with higher APRs and fewer consumer protections.

On the other hand, some research points to potential benefits of limiting credit access. Some economists argue that reducing credit availability could benefit some consumers by preventing them from taking out costly forms of credit. Similar arguments are made for overdraft and payday loans. Consumers who still revolve with credit cards at the lower APR could benefit from the lower rate.

One recent paper from the Vanderbilt Policy Accelerator argued that rate caps between 10% and 15% for credit cards would not result in reduced access due to the relatively high profits that banks make from credit cards. However, this analysis represents a departure from the majority of the academic literature on the potential effects of rate caps, which acknowledges a likely decline in newly originated credit in response to a rate cap.

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