# Dissenting Views on H.R. 3639, "Expedited Card Reform for Consumers Act of 2009"

The way that consumers pay for products and services is dramatically changing, with electronic payments (credit and debit cards) now accounting for more than half of all transactions. Credit cards provide quick, easy and convenient ways for consumers to conduct their daily financial transactions. And given the crucial role that credit cards have come to play for individual consumers and the economy, it may be appropriate to consider new ways to protect consumers from unfair and deceptive credit card practices, ensuring that they receive useful and complete disclosures about the terms and conditions governing their cards. But policymakers must realize that in endeavoring to protect consumers, they may end up imposing considerable costs on the U.S. economy, because even the best policy cannot substitute for personal responsibility and may end up both raising the price of credit for some and unfairly limiting access to credit to others.

Since President Obama signed the Credit Card Accountability Responsibility and Disclosure Act of 2009 (P.L. No. 111-24) (CARD Act) into law on May 22 of this year, consumers and small businesses alike have witnessed a dramatic constriction of credit. Seventy-nine percent of small businesses surveyed by the National Small Business Association said that credit card lending has tightened since last year. Small business lending is down almost $118 billion since the fourth quarter of 2008 and 10 percent of all credit-card lines have been cancelled outright. The proponents of H.R. 3639, the Expedited CARD Reform for Consumers Act of 2009, are ignoring these facts, insisting on a timetable for implementation of the CARD Act that is patently unworkable.

The CARD Act requires that card issuers rethink their entire business models, reprogram their systems, and redesign their marketing materials, solicitations, periodic statements and contracts. For many, particularly smaller issuers that do not enjoy the economies of scale and technological capabilities of the largest firms, an earlier implementation date is not feasible. Federal Reserve Board officials have testified that speeding up implementation could be counter-productive if issuers passed higher expenses on to customers or eliminated some product offerings that consumers depend on. Fed Chairman Ben Bernanke reaffirmed these concerns in an October 20, 2009 letter to Ranking Member Bachus. He said that expediting the rules would cut consumers' voices out of the rule-writing process and complicate effective implementation of the rules. He also explained that companies need to have sufficient time to `to allow for an orderly transition and to avoid unintended consequences, compliance difficulties and potential liabilities.'

During the debate of the CARD Act, Republicans warned that its enactment would penalize some of the most responsible credit users. Unfortunately, this has already proven true. Curtis Arnold, founder of CardRatings.com, says he expected credit card issuers to raise annual fees after the legislation was enacted. What he did not expect, he says, `was that good customers were going to be hit.' No longer will even exemplary behavior--never carrying a balance, never incurring a late fee, for example--shield some consumers from unexpected fees. Because of the CARD Act some banks have started charging inactivity fees, and some are planning to charge annual usage fees--charges that many believed became extinct years ago.

Economic anxiety is widespread and Americans do not feel secure. Yet H.R. 3639, a bill whose proponents claim will address one of the sources of that anxiety, may only make matters worse, by driving up the costs of credit and significantly curtailing its availability. It is the wrong bill at the wrong time.

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