

Financial Services Subcommittee on Financial Institutions Hearing “Improving Credit Card Consumer Credit: Recent Industry and Regulatory Initiatives”

June 7, 2007

Thank you Chairwoman Maloney and Ranking Member Gillmor for holding this important hearing today. I would like to state that I believe credit cards serve an important role for consumers. For many individuals, it may be the first chance they have to build credit. Increasingly, however, consumers are relying on credit cards for more essential expenses such as medicines and mortgage payments. This reliance has resulted in a nation with household debt far exceeding disposable income and revolving debt of over \$800 billion.

The Federal Reserve has taken a critical step in amending Regulation Z to enhance consumer understanding of credit card agreements and disclosures. I am very pleased with many of the changes such as the increase in the days required for notification for a rate change and the prohibition in advertising a fixed rate when the issuer reserves the right to change the interest at their discretion.

While I am pleased with many of the changes, I have some concerns as well. I am apprehensive about the new, limited list of fees required to be disclosed. It seems to me that it would be simple for issuers to simply come up with new and creative fees that would not have to be disclosed. While the list is intended to make fee disclosure more understandable, I am concerned that this may lead to a new avenue for issuer abuse.

I also believe much more needs to be done to address the predatory and abusive credit card practices that are so prevalent today; especially in light of how heavily consumers have come to rely on credit card financing. Enhanced regulation is needed to reign in practices such as double-cycle billing and universal default which are so clearly taking advantage of consumers. This problem is especially relevant in the subprime market where consumers accumulate incredible debt due to annual fees, activation fees and monthly maintenance fees. These customers are approved for high credit limits and allowed very low minimum payments for the purposes of setting them up for incredible fees.

I look forward to future discourse on these issues and I look forward to your testimony on these important changes by the Board.