

Statement of Ranking Member Spencer Bachus at the Hearing on "Credit Card Practices: Current Consumer And Regulatory Issues"

April 26, 2007

Good morning. Thank you, Chairwoman Maloney, for calling this hearing. It is important for this Committee to gain a better understanding of the current pricing, billing and disclosure practices of the credit card industry and the impact such practices may have on consumers.

According to the GAO, Americans now hold over 690 million credit cards and between 1980 and 2005 the amount that Americans charged to their credit cards grew from an estimated \$69 billion per year to more than \$1.8 trillion. Not only have credit cards broadened to the availability of consumer credit—allowing more Americans access to the credit they deserve—they also provide consumers with a safe and efficient tool for making their purchases. Credit cards are important to our national economy and have played a key role in the development of Internet commerce.

Recently, however, concerns have been expressed over a number of credit card industry practices, including double-cycle billing, universal default, late payment fees, over-the-limit fees and the shortening of grace periods. While I am pleased that some of the largest credit card issuing financial institutions have been proactive in addressing these concerns, it is important that we fully examine these issues to ensure adequate protection of the American consumer.

The combination of aggressive and target marketing by many credit card issuers and the lack of financial literacy and immaturity often ends badly for college students. Fifty-five percent of college students acquire their first credit card during their first year in college, and 92 percent of college students acquire at least one credit card by their second year in college. Yet, only 26 percent of people between the ages of 13 and 21 reported that their parents actively taught them how to manage money and credit. The experience of my colleagues may be different, but a substantial percentage of complaints I receive from constituents involves the parents of these students.

Credit card disclosures are governed by the Truth-in-Lending Act and Regulation Z administered by the Federal Reserve Board. In December 2004, the Federal Reserve began a review of Regulation Z requirements concerning the format of open-end credit disclosures, the content of such disclosures, and the substantive protections provided to consumers. It is now April 2007 and the Federal Reserve has yet to issue any proposed revisions to Regulation Z. Until the Federal Reserve completes this process, it will be difficult to assess whether additional measures will be needed going forward. Earlier this year, in an effort to accelerate this process, Mr. Gillmor and I wrote to Federal Reserve Chairman Bernanke urging the completion of its Regulation Z review.

In my view, the failure of credit card disclosure requirements to keep pace with market developments has resulted in some consumers not adequately understanding their credit card accounts. It is my belief that consumers must be well-informed about credit card offerings in order to choose a credit card that is best suited to their individual needs.

I look forward to hearing from today's panel on current credit card industry practices and the state of the federal

credit card disclosure framework.

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