

Opening Statement of Ranking Member Spencer Bachus, Subcommittee on Financial Institutions and Consumer Credit Hearing Entitled, "The Credit Cardholders' Bill of Rights: Providing New Protections for Consumers"

March 13, 2008

Thank you, Chairwoman Maloney, for holding this hearing on H.R. 5244, your legislation to reform certain credit card industry practices. Whenever our Committee considers bills of this magnitude -- legislation that has the potential to significantly restructure a market that has benefitted hundreds of millions of American consumers and businesses -- Members must fully understand the consequences, both intended and inadvertent, of our actions.

Over the past 30 years, Americans' use of credit cards to conduct their every day financial transactions as well as address unexpected financial emergencies has exploded. The Government Accountability Office has reported that Americans now hold more than 690 million credit cards. GAO also found that 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.

While H.R. 5244 covers a wide range of industry practices, at its core, it is an attempt to impose limitations on creditors' ability to offer their products according to the risks posed by individual consumers. As with any government intervention in the free market, the bill presents a real danger of restricting the range of products and services that credit card issuers currently offer, which could and I believe will result in cutting off credit to some and raising the price of credit for all. Consumers could see increased minimum payments, reduced credit limits and less access to credit cards.

The current economic uncertainty and banks' need to preserve capital in the face of significant mortgage-related losses have already combined to reduce the amount of credit available to consumers and small businesses. What we hear about now is not an over-availability of credit. It's a lack of credit. No matter how well-intended, ill-conceived legislation could make a serious credit crunch far worse.

Precipitous congressional action could be particularly counter-productive at a time when Federal banking regulators are nearing completion of a far-reaching set of proposals on the very same issues that H.R. 5244 seeks to address. Two weeks ago, Chairman Bernanke updated the Committee on the status of the Federal Reserve's forthcoming revisions to Regulation Z for credit card disclosures. Everyone agrees that disclosures regarding the terms and conditions of credit card products have become far too complex. The Fed's Reg Z revisions, once finalized, will go a long way toward alleviating consumer confusion and helping credit card customers make informed choices.

To complement its rewrite of Regulation Z, Chairman Bernanke announced at last month's hearing that the Fed will soon exercise its authority under the Federal Trade Commission Act to write regulations designed to root out unfair and deceptive acts or practices in the credit card industry. These proposals from the Federal Reserve will be based on extensive consumer testing, as well as the Fed's 40 years of experience as the Federal agency primarily responsible for implementing the Truth in Lending Act. We should allow the Federal Reserve to complete its work on these two important initiatives before taking legislative action that may prove to be both ill-advised and premature.

Thank you again, Chairwoman Maloney, for holding this hearing, and thanks to all of our witnesses. We look forward to your testimony.

