

U.S. Congresswoman

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Subcommittee on Financial Institutions and Consumer Credit Hearing

“The Credit Cardholders' Bill of Rights: Providing New Protections for Consumers”

March 13, 2008

Statement for the Record

Thank you Madam Chairwoman for holding this hearing. And I appreciate the witnesses being here today.

Several of my colleagues from the other side of aisle are forecasting that the next great financial crisis in America is in the credit card market. They hypothesize that once the subprime crisis shakes out, defaults in credit card debt will rise to staggering levels.

I am concerned with this too. Considering Americans held roughly \$787.5 billion in credit card debt in 2004, this is obviously something Congress should address. It is no secret that Americans have one of the lowest savings rates of any industrialized nation in the world, and with only half of Americans paying their credit card balances off every month, that statistic is not going to change anytime soon.

Like any industry, there have been some bad players, and I understand we are going to hear several witnesses today complain about their atrocities with credit card companies. I know I hear regularly from constituents who complain of credit card providers raising rates even if they have been on time or have not gone over the limit. Other practices, such as “double-cycle billing” and purposely confusing disclosures, should be eradicated.

However, I question why this subcommittee is addressing legislation to legally prohibit any of this before the regulators have released their new rules, Regulation Z. The Fed, who Congress tasked to oversee credit card providers, has been working on extensive new disclosure rules for cardholders for over a year. Regulation Z is meant to educate further consumers who decide to take out revolving credit so they may make informed decisions of what they can or cannot afford. To pass laws prohibiting practices before Congress can even determine whether Regulation Z is helping is premature.

Furthermore, I know many of the witnesses here and those representing the lending institutions will use our floundering economy as an excuse to prohibit reforms, contending they could restrict credit. However, I disagree with the philosophy that encouraging credit card use, or making it easier by loosening credit, is the way to stimulate America's faulty economy. Providing choices and lifelines to consumers who need help, as credit cards do, is one thing. However, the way a person, college graduate, family and our economy gets back on a financial track is by living within our means, not going further into debt.

I look forward to hearing from the constituents and other presenters' testimony today and thank you again Madam Chairwoman for allowing Members to present their views on the credit card industry.