

**FOR IMMEDIATE RELEASE:**  
**March 13, 2008**

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## **Prepared Remarks of Chairwoman Maloney for Subcommittee Hearing on the Credit Cardholders' Bill of Rights**

WASHINGTON – Congresswoman Carolyn B. Maloney (D-NY), Chair of the Financial Institutions and Consumer Credit Subcommittee, delivered the following prepared remarks at today's subcommittee hearing, *The Credit Cardholders' Bill of Rights: Providing New Protections for Consumers*:

"The hearing will come to order.

"I am delighted to welcome the witnesses to the first of two legislative hearings on H.R. 5244, *The Credit Cardholders' Bill of Rights*, which I introduced with Chairman Frank last month and which I am glad to say has over 80 cosponsors to date, including many members of this Committee.

"Credit cards may represent the single most successful financial product introduced to our country in the last 50 years. They have given consumers unprecedented convenience and flexibility in both making purchases and in managing their personal finances.

"Over 75 percent of the adult population in America own credit cards. Credit cards have become a necessity of daily life, without which it is almost impossible to travel, make non-cash purchases, or do daily business.

"But with that great success, with that huge growth, with that necessity, comes shared responsibility.

"The credit card industry has been clear about the responsibility imposed on consumers: make your minimum payments on time and stay under your limit. But what about the reciprocal responsibility of card companies? What about the responsibility to stick to the terms of the deal that the customer agreed to?

"Cardholders who pay at least the minimum payment on time every month and don't go over their limit expect that in return they can count on the card companies to not impose rate hikes or penalty fees.

"They don't expect the rate on money they already borrowed to go up dramatically, with no notice. They don't expect their monthly payments to double and triple, sending them further and further into debt.

"But almost every card agreement allows the card company to do just that, and as our witnesses on the first panel will tell you, issuers use that power.

"And a cardholder who makes one late payment - even if the reason was because they were in the hospital - will soon find that their previous history of on-time payment for years and years doesn't make any difference. That one late payment sends their rate way up.

"Our first panel of witness will demonstrate that even cardholders who are financially responsible and do their very best to meet their obligations can fall victim to rate hikes that are unexplained, totally out of all proportion, irreversible, inescapable, and that drive them deeper into debt.

"Last week, Chairman Bernanke testified to this Committee that the Fed was going to use its unfair and deceptive practices authority to regulate the very same abuses my bill goes after - because, he said, their authority to regulate disclosure was not enough.

“Ranking Member Biggert asked him. “What would consumers need to know to make informed decisions?” He responded, “They need to know the interest rate, and how it varies over time, and what that means to them in terms of payments.”

“Well, how can a responsible consumer know their interest rate and what their payments will be if the interest rate changes for any time any reason and is applied to their existing balances?

“This bill aims to bring back some balance to the playing field. It attempts to put some of the responsibility for fair dealing back on the card companies and give cardholders the tools they need to control their finances and make sure they can pay back their debts responsibly.

“It puts an end to any-time-any-reason repricing, stops issuers from raising rates on existing balances of cardholders who make their payments on time, and gives all cardholders faced with any rate increase the ability to stop borrowing more and pay off their loan on the terms they originally agreed to.

“We seem to have forgotten that a credit card agreement is just that - an agreement. When the terms change - and the interest rate is the most important term for most customers - cardholders should have a chance to say no to the new deal and pay off the loan they have at the terms they agreed to.

“*USA Today* called this a “sensible” bill and much needed reform. Unlike other proposals out there, this bill does not set price controls, or rate caps, or limit the size of fees. I believe that it is a much needed correction to a market that has gotten wildly out of balance.

“I have always believed that responsible access to credit is critical to our economy and that access to appropriate credit should be as broad as possible, consistent with the safety and soundness of the financial system.

“I believe in free market solutions, but the free market only works when consumers have the information they need and the ability to make informed choices.

“I think my bill will help cardholders and issuers exercise their shared responsibility and promote a sounder economy.

“I look forward to the testimony.”

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