

Committee on Financial Services, Subcommittee on Financial Institutions and Consumer Credit
Statement of Susan Wones

on

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

April 17, 2008

Good morning, Madam Chairwoman and Members of the Subcommittee. I am Susan Wones, from Denver, Colorado, and I want to express my appreciation to the Subcommittee for inviting me to come to Washington again to share my experiences, which I think show the need for the legislation you are considering. I am pleased that I am able to testify this time!

Since 2003, I have had three credit cards through one bank. First, I had a Disney rewards card. When I signed up, I knew it would go from an introductory rate of 0% to 7.9%. But later I discovered it had gone to 14.9%, and although I tried I could not get it lowered. It had a \$6,000 limit. Once I got up to around \$6,000, though, the rate jumped from 14.9% to 25% - even though I had never gone over the limit. So, I decided to cancel it and pay off the balance. But after I closed the account, the credit card company still tried to increase my rate to 25% on the balance I owed. I don't think that's fair, and that would not be permitted under H.R. 5244.

After this, I decided to open up a new account, a rewards credit card that donated all of my rewards to the ASPCA, the American Society for the Prevention of Cruelty to Animals. That new card had an introductory offer of 0% interest and had an initial credit limit of \$2000. During the middle of one monthly billing cycle I went \$15 over my limit and they raised my interest rate to 23.24% and charged me a \$39 over-the-limit fee - even though my beginning and ending balances for that billing cycle were under my limit. I knew that I was close to my limit but I figured that once I hit my limit the charges wouldn't be approved - but in fact the charges that took me over the limit *were* approved and I think that was because the company wanted to be able to charge the fee and raise my interest rate. After that, a few months later, the bank told me they were raising my interest rate to 32.97% on this account, so I closed the account. I understand H.R. 5244 would let people like me tell the card companies not to approve any charge that would take them over the limit. I think that would be a good thing.

My third bank credit card is a non-rewards card that also has a \$2000 limit and is at a 7.9% interest rate. Finally, I have one other credit union card that has an interest rate of 10%.

I understand credit card interest rates are set based on risk and if the company is charging somebody a higher interest rate it is because they think there is a higher risk that the card holder will not pay the bill. So, it makes no sense to me how the same bank can issue me three different cards, with different rates -- one at 14.9% which they tried to raise it to 24.99%, another one at 7.9%, and a third that had a 0% introductory rate and now is at 20.99%. If they were truly rating me for risk, shouldn't the cards have either the same or close to the same interest rate? Or, if they think I am overextended - which they stated in a letter sent to me last week - why would they continue to issue me new credit cards? There's just one me, and just one risk that I won't pay or be slow to pay.

Furthermore, my credit union posted my FICO score of 726 on my account, which I understand means my credit is good and there's a low risk that I won't pay my debts. The bank said in its letter of last week that they raised the rate on one of my cards because of the "risk level" shown in my credit report. What is the reason for raising my interest rate if I am, according to my FICO score, such a good credit risk? H.R. 5244 would end this practice of increasing interest rates based on what is going on with my other accounts, outside of the bank's accounts, and I think that is the fair thing to do.

In the recent letter the bank offered to discuss payment programs with "reduced rates and fees," but I still don't agree that I am a credit risk because I don't agree I'm overextended. All I know is that I try and be a good customer and I don't think that I have been treated fairly in return. I don't believe that is fair for me to pay my bills on time and live by the rules of the contract and still be penalized. This system must be reformed so that customers like me are treated fairly and equitably.