

**OPENING STATEMENT OF
CHAIRMAN SPENCER BACHUS
ON CREDIT CARD INDUSTRY PRACTICES
NOVEMBER 1, 2001**

The Subcommittee meets today to examine credit card industry practices, particularly as they relate to the treatment of cardholders.

The ready availability of credit in our country has had many beneficial effects, fueling economic growth and making the American Dream more accessible to many low and moderate-income consumers. But the American Dream has become a nightmare scenario for many of our citizens who find themselves and their families overextended and saddled with thousands of dollars in ever-escalating debt. Particularly as our country struggles to come out of its current economic downturn, it is entirely appropriate that this Committee take a hard look at credit card industry practices to ensure that the financial stress that many consumers find themselves under is not needlessly exacerbated.

Fact evidence paints a powerful story in tracing the growing reliance of American households on credit cards. Last year alone, credit card companies extended \$3 trillion in credit to American consumers, nearly double the levels of just five years ago. The total amount of consumer credit card debt now exceeds \$500 billion. Americans are bombarded on an almost daily basis by credit card solicitations, which come through the mail, over the Internet, and in those dreaded phone calls at the dinner hour -- aggravation that is mentioned often by my constituents.

Like most parents of college age children, I have a particular interest (financial and otherwise) in the aggressive tactics used to market credit cards on college campuses. The statistics in this area are also telling. Almost one-quarter of college students actually get their first credit card before they even leave high school. Not surprisingly, the past decade has witnessed a 50

percent increase in the proportion of people under the age of 25 filing for bankruptcy.

I have always subscribed to the view that the government should not be in the business of saving its citizens from the consequences of their own bad choices, including the choice of a college student to rack up large amounts of credit card debt. But there is also something to be said for industry self-restraint when it comes to marketing credit cards to teenagers and other members of society who may not fully understand the hole they are digging for themselves through the irresponsible use of credit.

Among the issues that our witnesses have been asked to address at today's hearing are the following:

- How the credit card industry sets interest rates and how these rates compare to the cost of other forms of consumer credit;
- How credit card companies disclose information to their customers, including changes in terms, teaser rates, and fees;
- The processing practices of the industry, including the posting of payments and the handling of customer complaints;
- Industry compliance with Federal consumer protection laws and the privacy requirements imposed by the Gramm-Leach-Bliley Act; and
- The response of the credit card industry to the events of September 11th, including what efforts have been made to assist law enforcement in disrupting terrorist financing.

On this last point, I want to take this opportunity to commend those credit card issuers that have taken steps to provide relief - in the form of liberalized interest and fee policies and other accommodations - to those customers in the New York and Washington areas directly affected by the terrorist attacks on September 11th. Rep. Chris Smith (R-NJ) and I hope that the industry will exhibit a similar spirit of forbearance when dealing with customers who have had their mail service disrupted by the recent anthrax cases along the East Coast.

Let me close by thanking all of our witnesses for agreeing to testify this morning on fairly short notice. We appreciate your attendance.

I now recognize the Ranking Member, Ms. Waters, for any opening statement she would like to make.