

Opening Statement
Chairman Michael G. Oxley
Committee on Financial Services
Subcommittee on Financial Institutions and Consumer Credit

**“Giving Consumers Credit:
How the Credit Card Industry is Treating Consumers”
November 1, 2001**

I would like to thank Chairman Bachus for holding this hearing today.

Today Americans hold more credit cards and carry more credit debt than ever before. With the current sluggish economy and problems with the mail, this Subcommittee needs to examine the credit card industry to ensure that card holders are treated fairly. The industry has had problems in the past with the posting of payments, teaser rates and fees, and we must ensure that these practices do not resurface.

Of the 3 types of consumer credit available in the financial services industry, revolving bank card credit, accounts for only 10.4% of outstanding consumer credit an amount of slightly less than \$585 billion. Installment loans (car loans for example) account for 13.9% or \$782 billion, and home mortgages account for \$4.3 trillion about 75.7% of all outstanding consumer credit. While it is the smallest segment of consumer credit, the credit card industry is a major provider of financial services and a multibillion-dollar industry.

Credit cards provide access to credit and payment conveniences. They provide a means of “cashless” transactions. They serve as an interest-free loan from the time of purchase until the payment is due. They provide customers with the ability to receive cash advances from automated teller machines. They provide customers with the ability to shop by telephone and on-line. They also provide an instant source of credit that is available without filling out forms or undergoing credit checks.

Unlike cash, a lost or stolen credit card can be replaced and there are liability limits for fraudulent or unauthorized charges. Credit cards also offer resources in case of emergencies, such as a large repair bill or airfare home during a family crisis.

However, there are definite disadvantages of credit cards, such as credit card debt may be more costly and difficult to repay than other forms of consumer credit. The convenience of credit cards may tempt some customers to live beyond their means. It is also noted that excessive credit card debt and late payments can impair a cardholder’s credit rating and make it more difficult and costly to obtain credit in the future.

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It seems that an appropriate purpose of this hearing is to assess how the industry is balancing competing advantages and disadvantages of its product and how it serves its customers.

I look forward to hearing the testimony of the witnesses.