United States Senate
Committee on Banking, Housing, and Urban Affairs
Christopher J. Dodd (D-CT), Chairman

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Opening Statement of Chairman Christopher J. Dodd
Mark-up of S.414
"Credit Card Accountability Responsibility and Disclosure Act of 2009"

Remarks as Prepared:

Today, the Committee meets to consider an original bill entitled the "Credit Card Accountability Responsibility and Disclosure Act of 2009." This bill addresses an issue of vital importance to American consumers and their families, and to the stability of our financial system – and that is the need to reform the practices of our nation's credit card companies, and to provide tough new protections for consumers.

With nearly 1.8 million jobs lost just in the last three months of 2008, it is clear that the financial crisis has hit American families very hard. But precisely at a time when our economy is in a crisis and consumers are struggling financially, credit card companies are often gouging them with unfair fees and unjustified interest rate hikes. Between March 2007 and February 2008, credit card companies raised interest rates on nearly one out of every four cardholder accounts, or about 70 million accounts. As a result, consumers were charged at least $10 billion in extra interest.

Credit card companies hike interest rates even on consumers who pay on time and consistently meet the terms of their credit card agreements. They impose penalty interest rates, some as high as 32%. And they change the terms of the credit card agreement, including the interest rate, at any time, for any reason. These practices can mean mountains of debt for families, and financial ruin for too many.

In my state of Connecticut and across the country, consumers are suffering from abusive credit card practices, making an already difficult economic downturn suffocating. The list of troubling practices that credit card companies are engaged in is as lengthy as it is disturbing.

I have mentioned predatory rates, fees and charges and "Any Time, Any Reason" rate increases and account changes – a practice, according to a recent Pew Charitable Trusts survey of the country's 12 largest issuers, that included 93% of cards surveyed.

Other practices include retroactive rate increases that unfairly trap consumers with more debt than they agreed to.

Double cycle billing that charges interest on balances that the consumer has already paid.

Deceptive marketing to young people.

At a moment when we are all trying to get our economy back on its feet again, these practices must, and will, end.

The Committee held a hearing last year, and another this year in February to examine these abusive credit card practices that harm consumers, and explore some very specific legislative ideas to end them.

At the last hearing, we received testimony about an elderly Ohio woman who depended on a monthly Social Security Disability check who had her balance nearly triple because of fees and interest – and all without a single additional purchase.

We heard about a cardholder in California who had his interest rate raised from 21% to over 32% because he had gone over his credit limit without his knowledge and paid $1.50 of his debt late.

One-dollar and fifty cents – and his rate was raised to 32 percent.

We've heard countless other stories as well. I have spoken of Samantha Moore, of Guilford, Connecticut, who was three days late on a credit card payment – her first late payment in 18 years, resulting in her interest rate being raised from 12% to 27% and her credit limit being slashed from $31,400 to $4,500.

Business Week reported about another constituent of mine from Higganum, Connecticut, who received a letter from his card company advising him that his card rate would rise from just under 10% to nearly 25%.

His payments had been on time. His credit score hadn't changed. So why the increase? Because he apparently hadn't been paying down his balance fast enough – even though he had lowered his balance by 19% in the previous six months. And even though he was only using 54% of his credit limit.

God forbid these families rely on these credit cards during a health care emergency or after being laid-off from a job.

These stories remind us once again why consumer protection must be at the forefront of our efforts to modernize our financial regulatory system.

Even the federal financial regulators, of whom I have been openly critical for a lack of appropriate oversight throughout the subprime mortgage crisis, recognized the harm these sinister practices pose not only to consumers, but also to our economy. Recently, the Federal Reserve, Office of Thrift Supervision, and National Credit Union Administration have finalized rules aimed at curbing some of these practices.

These rules are a good step, although long overdue. But they fall well short of what's actually needed to protect families in my state of Connecticut and throughout our country. That is why we are here today to consider this bill, the "Credit Card Accountability Responsibility and Disclosure Act."

The bill protects consumers against unjustifiable, "any time, any reason" increases in interest rates.

The bill protects the rights of financially responsible credit card users – so that if the credit card company delayed crediting your payment, you are not charged for their mistake.

The bill prevents companies from unilaterally changing the terms of a credit card contract before the contract expires.

The bill requires the GAO to study an important issue, the effect that interchange fees have on merchants and consumers, an issue which I know is important to my colleague Senator Corker and others on the Committee.

And as important, the bill protects our young people – who are faced with an onslaught of credit card offers, often years before they turn 18, or as soon as they set foot onto a college campus.

Today, we send a clear message to the credit card companies: These abuses must end.

I have been working on reforming credit card practices for more than 25 years. Thankfully, I have not been alone in this fight. Senators Schumer, Akaka, Menendez, Tester, and Kohl on the Committee have strongly supported the fight to protect consumers against predatory credit card practices. And Senator Levin has been a champion of credit card consumers for many years. I want to thank them, as well as all of my colleagues who are willing to stand up for consumers against credit card companies that are taking advantage of American families.

For many years our efforts have fallen on deaf ears. But not this time. Today, with practices so brazen and so widespread—as our economy quite literally hangs in the balance—one thing is clear:

This is the moment for credit card reform. We cannot recover if we allow practices to continue that drive so many families deeper and deeper into debt. And that is why I am determined to move this bill forward.

Before I turn it over to Ranking Member Shelby, I want to acknowledge the hard work his staff has put in recently to try to negotiate this important bill with my staff. I understand that over this past weekend, through various offers and counter-offers, we made some progress but were unable to reach final agreement. I still hope for a bipartisan agreement before going to the floor, and I will instruct my staff to continue to work with his staff over recess.

I do want to say that I truly appreciate the effort put forth by Senator Shelby and his staff. We need to move forward with this critical bill now and get it through the Committee. This is just the first step in the process and not the last, and I look forward to working with the Ranking Member to try to find a way forward together on this legislation.