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**STATEMENT OF
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U.S. SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
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Mr. Chairman, Senator Sarbanes, members of the Committee. Good morning. My name is Carter Franke and I am the chief marketing officer at the Wilmington, Delaware-based Chase Card Services division of Chase Bank U.S.A., N.A.

Today, I sit here as a representative of the more than 16,000 Chase employees around the country who support our credit card services. Chase is a significant issuer of MasterCard and Visa credit cards with more than 94 million cards issued. Our customers are primarily those that fall in the “super-prime” and “prime” categories – the most responsible and most knowledgeable credit users in the country. Our cardmembers used Chase and Bank One issued cards to spend \$282.7 billion on goods and services last year.

In just a few short decades, changing consumer habits and expanding technologies have established credit cards as an essential part of American economic life. Consumers rely on credit cards for virtually every type of purchase imaginable and have rightfully come to expect that their credit card will be accepted just about everywhere. More than 25 million

merchants worldwide – five million of them in the U.S. alone – are part of the credit card payment system. Everything from small businesses to the world's largest companies rely on this safe, secure and efficient payment system, which is made possible by credit cards. And the economy benefits: In 2004 credit cards financed an estimated \$1.68 trillion in transactions.

Today's Internet commerce would not be possible without credit cards. Cards and the technologies that they use are directly responsible for the growth of the mail order business, travel bookings, online auctions and hundreds of other transaction types. In addition, in the long-term, credit cards help consumers build solid credit histories that ultimately enable them to enhance their family's financial security.

All of these benefits are achieved with the assurance that, unlike cash, all credit card purchases are completed with zero-liability protection for the consumer should the card be lost or stolen. This helps makes credit cards safer and more convenient than cash. Consumers also benefit from built-in dispute resolution should they not be satisfied with any purchase.

We operate in a highly competitive industry – one where many customers can easily vote with their feet. Our customers, in particular, have many choices in the marketplace today and that competition is good for consumers. This competition also drives us to offer many products and features, such as cards with travel, entertainment or cash rewards – all of

which are carefully designed to meet the specific requirements of our customers – to ensure they choose, and stay with, Chase.

A credit card loan is not like a home or car loan. A credit card loan is unsecured, meaning that the consumer is not required to post collateral to back it up. In other words, we extend credit to people based on their profile of financial responsibility rather than on their actual assets. In short, the only security we have in our loan is the customer's promise and his or her ongoing ability to repay the loan.

As I mentioned earlier, Chase's credit card business is focused on the "super-prime" and "prime" markets. In other words, Chase credit cards are issued, for the most part, to consumers with exceptionally good credit histories. As a result, our business model is built upon consumers making their payments regularly and on time. All of our decisions on credit limits, fees, and changes in interest rates, are based on sound economic analysis, our business experience and the interests of our customers.

However, unsecured consumer credit is a shared responsibility between lender and borrower. We enable consumers to purchase, on an immediate basis, the goods and services provided by millions of merchants around the country. We track each cardmember's transactions, provide accurate and clear monthly statements, and process payments promptly. Of course, our goal is to provide problem free access to the credit lines that we provide and to achieve the highest level of customer satisfaction possible. While

problems do arise, we provide ongoing access to Chase representatives so that questions will be answered immediately and problems can be resolved expeditiously 24-hours per day.

In return, we ask our cardmembers to meet their payment obligations and report any problems they may be experiencing.

We believe that all consumers, especially those who have opened an account for the first time, need to understand the nature of their responsibilities and, more generally, how to use credit responsibly. In 2003-2004 alone, Chase donated more than \$5.8 million in financial literacy grants to non-profit community-based organizations to help fund credit education programs. In the same time period, Chase invested approximately \$107 million working with partners across the nation to fund voluntarily responsible credit counseling services, create on-line financial education and credit and debt management tools. More than anything, we want to maintain a first-in-wallet position with our customers and develop a long-term relationship with them.

In short, while we provide consumers with a broad range of choices in products and features, we recognize that without shared responsibility and an ongoing commitment to financial literacy we cannot succeed.

We at Chase are extremely proud of the fair and responsible way our company operates and in the relationship we have established with our tens of millions of cardmembers. Let me cite a few examples:

At Chase we value our customers, and that understanding of value drives all of our pricing decisions. A missed payment on a non-Chase card does not drive automatic repricing of any Chase account. We also realize that in the vast majority of cases, a late payment on a Chase card is not a sign of increased risk, but of timing, vacations or other realities of busy lives. For that reason, a late payment will not result in a price increase for over 90 percent of Chase cardmembers.

Chase cardmembers, among the most responsible users of credit in the industry, are also very responsible when it comes to paying their accounts. Well over a third of our customers pay their balance in full, enjoying the convenience of an interest free loan every month. And, more than 90 percent of our payments are for more than the minimum payment.

A small segment of our customers do have a change in credit worthiness, which we deal with fairly and responsibly. If a customer's overall credit profile deteriorates materially, and thus exposes us to an increased risk of non-payment, economic considerations may cause us to raise the interest rate. In these cases, and in accordance with applicable law, we provide the customer with an "opt out" option. This enables the customer to reject our change in terms, close their account, and pay off the balance under their existing terms. Once closed, the interest rate on a Chase account that is paid according to its terms will not be changed.

Importantly, in today's digitized world, Chase is firmly committed to protecting our customers' privacy and to ensuring that their information is secure. On privacy, Chase is of course in compliance with the requirements of Gramm-Leach-Bliley. And we constantly work to upgrade our data security to protect our customers from inadvertent or intentional breach. More than 1,100 people are focused solely on the detection and prevention of fraud at Chase. We are proud to have some of the best fraud protection practices and lowest fraud rates in the industry. And, if there is a fraudulent charge, cardmembers are not held responsible because of our zero-liability fraud policy for all customers.

Mr. Chairman, we understand that our business may seem complicated and even, at times, unfriendly. I hope that the information I've provided today has offered you some substantive insights into our business and an understanding of our true commitment to fairness for all of our customers. At times we are faced with difficult decisions relative to individual cardmembers and their accounts and, when reviewed on an isolated basis, may seem inappropriate. Our decisions are designed to permit the vast majority of cardmembers continue to receive the best possible rates, service and access to the benefits credit cards provide. We look forward to working with you and the Members of the Committee to answer your questions and address your concerns.

Thank you.