

Remarks of
Senator Susan M. Collins
"Card Practices: Fees, Interest Rates, and Grace Periods"
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
March 7, 2007

Mr. Chairman, I commend and share your long-standing interest in consumer protection and fair play.

Within the lifetimes of many of us in this room, credit cards have grown from a novelty for the affluent, to an essential element of daily life for many Americans. A recent Government Accountability Office (GAO) report cited evidence that Americans hold nearly 700 million credit cards, use them more than 2 billion times a month, and charge nearly 2 trillion dollars a year.

The GAO report noted that nearly half of cardholders pay off their balances month to month, and that competition among card issuers has brought interest rates below 20 percent for four-fifths of card users. For most people, credit cards are a clear boon.

Unfortunately, as the GAO report, our own observations, and our constituent mail can testify, many people find themselves shocked -- and their budgets strained -- by fees, penalties, or rate changes that were not explained well, or that defy our basic sense of fair dealing.

The GAO found, for example, that some credit-card disclosure text is written at third-year college level, even though about half of the population reads at eighth-grade level or below. Complicated explanations in tiny type may explain why over half of cardholders surveyed said they didn't read disclosures closely -- or at all.

Informed consumers are key to reaping the advantages of competition and choice that help our people and our nation to prosper. Making sure that credit-card users can understand their choices among differing rate and fee structures will help them avoid unsuitable choices and will sharpen competition among card issuers.

Improved disclosure -- which ideally includes simpler language and clearer displays -- will also call attention to practices like double-cycle billing, through which a card holder paying off even a large part of a balance during the grace period gets charged interest on the entire amount in the next bill.

Mr. Chairman, I look forward to studying the views of the Subcommittee's witnesses today. I am sure that card issuers and users can help us identify improvements in practices and disclosures that will make credit cards an even more useful and beneficial part of our national commerce.

Thank you.

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