

Mr. Chairman, Members of the Subcommittee, good afternoon. I'm Brett Weiss, a bankruptcy attorney from Greenbelt, Maryland. I appear today on behalf of the National Association of Consumer Bankruptcy Attorneys – NACBA – the only national organization dedicated to serving the needs of consumer bankruptcy attorneys and protecting the rights of consumer debtors in bankruptcy. NACBA has more than 3,700 members in all 50 states and Puerto Rico.

I appreciate the opportunity to speak with you about an issue I hear a lot about from my clients: unfair and abusive credit card practices that drive them into bankruptcy.

As a bankruptcy attorney, I've been helping people with money problems for over 25 years. I've seen thousands of honest, hard-working, smart people fall into hard times due to three main reasons: medical issues, job loss, and divorce. These people don't charge big screen TVs and expensive vacations to their credit cards; they charge medicine, and food, and gas to get them to work...and then find that the deal they thought they had with Visa or MasterCard or American Express was built on sand, and the tide's coming in.

Unlike virtually every other kind of consumer debt—mortgages, car loans, bank loans, even payday loans—the small print on credit cards lets them change interest rates, payment terms, and fees *after* you've borrowed money. By changing the rules once they've started playing, credit card companies load the dice, leaving consumers looking at snake eyes when they run into money problems.

You've heard a lot about "Universal Default": miss a payment to one creditor and *all* of your credit cards jack up your interest rate, slash your credit line, and raise your minimum payment. A couple I spoke with on Monday was doing fine, until the husband's employer cut his paycheck in half. He missed a payment on one of his credit cards, and the interest rate on another one went from 7% to 24%, his credit line was cut by 80%, and his minimum payment tripled.

The result? I have a new bankruptcy client. Good for me, but bad for his family, the credit card companies and the economy.

If you think of credit card companies as manufacturers, the cost of their “raw material”—the money they lend to people who charge things—is the federal funds rate, which is near zero. They loan this nearly free money out at 7%, if you have very good credit, 18% if you don’t, and 30% or more if you miss a payment. Credit card companies are entitled to a *fair* return, not the *astronomical* returns resulting from these high interest rates. But this isn’t enough.

Fees generate huge profits for credit card companies. They represent 39% of revenue, up from 28% in 2000. (Time Magazine, “Exposing the Credit Card Fine Print,” 2/21/08). Make a payment after the due date? Pay a fee. Go over your credit limit—even the fee is what pushes you over—pay another fee. And how about those annual “membership” fees, the cash advance fees, convenience check fees, balance transfer fees, additional card fees, payment fees, telephone inquiry fees, etc. One credit card company even charged a fee if you wanted to cancel your account! (Advanta).

The result? Industry profits rose from \$27.4 billion in 2003 to \$40.7 billion in 2007. (Time Magazine, “Exposing the Credit Card Fine Print,” 2/21/08).

We know from research and experience that there is a strong link between bankruptcy and credit card debt. By the time most of my clients see me about filing bankruptcy, they’ve paid back all the money they originally charged, an equal amount in interest and fees, and they’re working hard trying hard to pay down the second or third multiplier of what they initially charged.

I met with a client yesterday who stopped using her credit card three years ago, has been making payments religiously, and now owes more than she did when she started! This situation is far from unique, and I see it almost daily in my practice.

We are encouraged that key committees in both the House and Senate considered legislation this week to stop the worst of these abusive practices, and urge Congress to pass a bill and send it to the President for his signature. NACBA also supports S. 257, the “Consumer Credit Fairness Act.”

Abusive credit card terms have always been unfair, but in a time of economic crisis, when consumers can least afford it, these practices can devastate financially vulnerable families. Congress should take steps now to stop these abuses.

Thank you.