

## Great stimulus plan? Reform credit card industry

By Anna Eshoo

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With all the efforts under way to stimulate our economy, restore our nation's financial institutions and revive the credit markets, many Americans are understandably skeptical about whether these steps will provide their families meaningful relief.

But there is something Congress can do immediately for the average consumer that will bring immediate results, put dollars back into the economy, and ease many Americans' worries: cap interest rates on credit cards and reform the credit card industry.

While news reports are filled with stories of banks holding massive amounts of bad debt and a mountain of dubious home loans, consumers have seen their credit card payments skyrocket, not because they've been spending too much or missing payments, but because credit card companies have been trying to recoup their other losses with sudden and sharp increases in interest rates and confusing repayment schedules that maximize the debt owed by their customers.

Good, stable credit card customers who have been paying their debts have seen the interest rates on their existing balances triple and even quadruple - without warning and without justification. As a result, people who have been trying to pay off their credit cards find themselves falling

behind faster and faster through no fault of their own. Credit card defaults are nearing record highs and the average household carries over \$10,000 in credit card debt.

As Congress continues to seek ways to stimulate the economy, credit card reform must be a central element of these efforts.

We should prohibit banks from increasing interest rates on current credit card debt. When you're in a hole, the first rule is to stop digging. Adding to credit card debt by arbitrarily increasing interest rates does nothing to help consumers or the economy. It only makes the problem worse.

We also can bring about an end to American consumers' recent legacy of debt by putting a permanent ceiling on credit card interest rates. The limit can be set so that it adjusts according to fluctuations in the economy, but it's time to end the long-standing practice of usurious credit card interest rates by banning those that far exceed the lending rates of other loan products.

The new Congress should pass the Credit Cardholders' Bill of Rights legislation that I am co-sponsoring. It provides permanent protection to the average American consumer. It includes some of the steps outlined here, as well as other meaningful reforms such as:

- Ending the practice of penalizing cardholders who pay on time.
- Prohibiting credit card companies from shifting allocation of consumer payments to maximize interest rates.
- Requiring straightforward, easy-to-understand payment schedules, terms and conditions.
- Preventing the absurd practice of issuing credit cards to minors.

Credit card reform and interest rate relief will provide an economic stimulus by helping the average consumer right now. It would mean direct assistance to consumers by reducing their liabilities and allowing them to spend again.

More important, these reforms can lift the burden of debt and ease the worries that keep Americans awake at night, wondering how they can make ends meet. Congress has already taken urgent steps to bail out our financial system, automakers and state governments. It's time to throw a life preserver to families struggling to tread water in the rising tide of consumer debt.

Democratic

U.S. Rep. Anna G. Eshoo represents California's 14th congressional district, encompassing much of Silicon Valley. She wrote this article for the Mercury News.