

Thank you to Director Cordray and the CFPB staff for holding this hearing on the Credit CARD Act.

I am Spencer Cowan, vice president of research at Woodstock Institute, a research and advocacy nonprofit focused on issues of fair lending, wealth creation, and financial systems reform.

The Credit CARD Act was passed to limit the worst practices of credit card issuers, and the report you released today demonstrates that it has succeeded in doing just that, limiting the worst practices.

The CARD Act's success is due in no small part to the CFPB's commitment to holding credit card issuers accountable through regulatory actions. We thank you for your enforcement action against Chase for charging consumers for services they did not receive and the action against Discover for deceptive marketing practices regarding add-on products.

These enforcement actions show that add-on products, such as identity protection and credit monitoring, provide little real value to consumers and come at an excessively high cost. We urge the CFPB to assess whether these add-on products are fairly priced given the services they provide, in addition to taking action when issuers push products on consumers without their knowledge.

The CARD Act also limited the total fees that issuers of "fee harvester" cards can charge. Those issuers, however, are still charging exorbitant up-front fees that can eat up more than half of the available credit before borrowers even use the card. Since fee harvester cards are targeted at low-income consumers with low credit limits, the up-front fees can trigger inadvertent over-limit charges. The CFPB should restrict the amount of up-front fees issuers can charge to 25 percent of the total credit limit.

Finally, many consumers cannot qualify for credit cards and look to high-cost, small-dollar lenders to access credit. We look forward to the CFPB's rules regulating this market. Our experience in Illinois demonstrates the importance of enacting consumer protections for all high-cost, small-dollar loans, not just balloon-payment loans. After Illinois regulated small-dollar balloon payment loans in 2005, payday lenders began offering longer-term installment loans with high APRs to get around regulations.

We strongly urge the CFPB to issue protections for consumer installment loans and auto title loans as well as traditional payday loans. These protections should require lenders to consider a borrower's ability to repay, limit terms of indebtedness, and create a mechanism to ensure that lenders are complying with the rules (such as a consumer reporting database). As Director Cordray noted in an interview with the Washington Post, ensuring that borrowers can repay loans is just common sense, regardless of the type of credit.

Thank you for the opportunity to testify on consumer protection issues in the credit card market.