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Submitted to the U.S. House Subcommittee on Financial Institutions and Consumer Credit Hearing on "An Examination of the Federal Reserve's Final Rule on the CARD Act's 'Ability to Repay' Requirement"

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Good morning, Chairman Capito, Ranking Member Maloney, members of the Subcommittee. Thank you for inviting me to testify on behalf of MomsRising. I particularly want to thank Congresswoman Maloney for her history of strong and visionary leadership on issues related to family economic security.

I am Ashley Boyd, campaign director for MomsRising, a nonprofit, nonpartisan advocacy organization dedicated to ensuring and protecting family economic security. Since our founding in 2006, MomsRising has been fighting for legislation and public and workplace policies that will help families achieve or maintain financial stability. Our partners in that fight include more than one million MomsRising members and more than 100 aligned organizations.

Credit Card Policies Affect Family Economic Security

First and foremost, I want to establish that MomsRising fully supports the protections in the Credit Accountability, Responsibility & Disclosure Act – better known as the Credit CARD Act. We are, however, concerned about the unintended consequences of this law on stay-at-home parents, widowed or divorced spouses and spouses in abusive relationships.

We understand the perils of un-payable credit card debt and the burden that can put on individuals and families. We applaud all efforts to protect consumers from the egregious and predatory practices some credit card companies engage in – practices that trap people in a cycle of unending and unpayable debt. Holding a credit card is a privilege that must be earned by establishing and maintaining good credit. We know all too well that too often, young adults have not been educated about the importance of using credit cards wisely and have been given excessive lines of credit, far exceeding their ability to pay.

We also support the protections in the law that help give American families the tools they need to strengthen their economic security, and the protections from misleading and unfair practices involving payment due dates, late fees and over-the-limit fees.

According to a report[1] recently released by the non-profit, non-partisan research and advocacy organization, Dēmos, because of information which the card companies are now required to provide to consumers by the CARD Act, one-third of households are paying down their balances more quickly. The Dēmos report also finds that the CARD Act has contributed to a dramatic decline in the number of households being charged late fees, from half of all households in debt being charged late fees in 2008, to just 28 percent this year. Many fewer households are experiencing an increase in interest rates or being charged over-the-limit fees. In 2008, over half of all households that experienced a late fee also saw their interest rate increase. By this year, that figure had declined to 29 percent. In 2012, 22 percent of all households report that they are being charged over-the-limit fees less often; just 2 percent report having to pay the fees more often since the passage of the Credit CARD Act.

We applaud these changes and we know that they are increasing economic security. Credit cards are a critical financial tool for many families. As the economy continues to struggle out of the recession, some households must rely on credit cards to purchase basic necessities – groceries, household goods and more.

We Need Reconsideration of the 'Ability to Repay' Provision

While MomsRising strongly supports the CARD Act, we are extremely concerned about one aspect of it: the Federal Reserve Board's interpretation of the law's "Ability to Repay" provision. And that's the reason I'm here today. Requiring a credit card company to consider individual, rather than household income in *all cases*, may unfairly and unreasonably impact stay-at-home parents who often have contributed to the sound management of their households' finances.

It's a reality that today, most adults need credit cards to establish a credit rating in order to get a mortgage or a loan. More than a convenience, credit cards have become a necessity for many, and that's true for stay-at-home parents as well as those in the workforce.

Last month, MomsRising and Change.org delivered more than 45,000 signatures on a petition to the Consumer Financial Protection Bureau to reconsider the "Ability to Repay" rule. We were able to get those signatures because of the moms and other stay-at-home parents who have been harmed, or could be harmed, by this regulation as it stands now. We heard from many, many parents and these are just a few of the stories shared with us:

Lisa, a stay at home mother from Georgia, shared that soon after the new rules went into effect, she left her emotionally abusive husband and plans to get a divorce against her husband's wishes. In the meantime, she neither has the money to hire a lawyer to proceed with the divorce, nor access to credit without her husband's approval. Since he is opposed to the divorce, she's feeling trapped.

Tricia of Virginia was married for 11 years and a stay-at-home mom for most of that time. Although she came into the marriage with amazing credit, her husband was an irresponsible spender who made poor financial decisions, which left both of them with terrible credit histories. After her husband left her and the children recently, Tricia struggled to get any credit in her name due to her husband's poor financial management and having no credit cards in her name previously. This has had devastating consequences for her as she tries to make her way forward and be a responsible mother. She says, " I'm not a fan of credit cards, but trying to get a rental house was a huge nightmare because I was a stay-at-home mom at the time and all agencies required my husband co-sign on our lease due to my limited credit history. I can't get a loan for a new car, even though the thirteen-year-old one that I own has cost us more in repairs than a monthly payment on a more decent one would. It's come up against me and my children and has made it extremely difficult for me to obtain any kind of security and peace of mind and start over."

Potential Denials of Credit Could Have a Deleterious Impact on Economic Security

Clearly, being denied credit unless a spouse co-signs for the card is much more than a minor inconvenience. These stories could be just the tip of the iceberg. Because of the current interpretation of it:

- Unless the spouse is willing to co-sign or add them as an authorized user, stay-at-home parents may not be able to build an independent credit history they can rely upon in the case of spousal death, separation, or divorce.

- Partners in abusive relationships may have difficulty leaving a spouse due to the financial constraints of not having their own credit established.

- Widows of divorced spouses without their own credit history would find it impossible or very difficult to rent or own a home or secure future credit.

We need more information about the impact of this rule. We applaud the CFPB for taking on a study of the effect of the current interpretation on the ability of stay-at-home parents to obtain credit cards. The CFPB should also study how the interpretation of the rule affects the ability of stay-at-home parents to build credit histories.

Limiting Stay-at-Home Parents' Access to Credit is Unfair and Punitive

Rejecting household income as a basis for credit card qualification sends an insulting message that stay-at-home parents have no economic value and are as credit-unworthy as unemployed college students. In reality, they contribute as much to their household's credit rating as the family breadwinner, because in most cases, they are responsible for managing the family's budget.

We believe that stay-at-home parents should be exempt from current interpretation of the "Ability to Repay" provision of the CARD Act, if the data shows the interpretation is unfairly limiting credit for them. We fully support and even applaud the goals of the CARD Act and the "Ability to Repay" provision of the Act. However, the Federal Reserve's interpretation of this provision has created an unintended consequence – it unfairly punishes parents who do not work for pay outside the home by limiting their access to the credit they need and deserve. This must be addressed.

Chairman Capito and members of the Subcommittee, I thank you for the opportunity to address this issue. Thank you for taking the time to listen to me and to the voices of the moms and dads across the country who know that a credit card is an essential financial tool in today's society and that stay-at-home parents, who contribute to their families' credit ratings and who are often responsible for the majority of household purchases, need access to their own lines of credit. We look forward to working with you to make this law more equitable so that it can continue to provide the protections and information all families – and all individuals – need to safely manage their credit.

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[1] http://www.demos.org/publication/plastic-safety-net