

March 19, 2009

Statement of Congressman Kenny Marchant

Subcommittee on Financial Institutions hearing on credit cards

Mr. Chairman thank you for holding this hearing today.

I have a few concerns I hope will be addressed in this hearing. Mainly I am curious as to what impact the new UDAP rules will have on: (1) the availability of credit for lower income or higher risk consumers and (2) the cost of credit overall.

I also see that the Federal Reserve has set an effective date for the new regulations of July 1, 2010.

I am hoping we will be able to asses the impact of accelerating that implementation period to three months, as this bill suggests. I wonder if the Fed could even make that deadline, given that the legislation (H.R. 627) would require the Fed to issue new regulations that are slightly different than the existing regulations.

There is an urge by many in Congress to do something regarding credit card practices. I am concerned that if Congress overshoots and places too many restrictions on how the industry manages its business by establishing controls over pricing, fees and other practices, such restrictions could squeeze off the availability of credit for consumers. This would be especially harmful in such tough economic times.

The Federal Reserve has spent years developing rules that balance the needs of consumers with the need to ensure that banks operate in a safe and sound manner and that the availability of consumer credit is sustained in the marketplace. In preparing these new regulations, the Fed has also had the benefit of more than 60,000 comments from consumers, legislators, advocates, and the industry regarding the proposed regulations.

Given this tremendous amount of research and development, I am not sure Congress should be adding additional rules or insisting on a faster timeline for implementation.