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Choices benefit consumers

Restrictions would make credit less available, more expensive.

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By **Jeb Hensarling**

When something seems too good to be true, it usually is. This is certainly the case when your Congress promises a "Credit Cardholders Bill of Rights."

This flawed legislation purports to rid us of unfair practices and certain irritating late fees, but instead it would help turn back the clock to the 1970s when competition was limited, millions of Americans were denied access to credit cards and all paid interest rates one-third higher than today's — regardless of whether they paid their bills on time.

Like many people, I am not a fan of some credit card practices and am irritated by pages of confusing fine print. My wife and I have changed credit cards more than once to rid ourselves of such frustration.

Yet, we are fortunate that we can choose from a dizzying array of interest rates, fee schedules, overdraft protections, extended warranties and cash back, not to mention frequent-flyer miles. Such a variety of choices benefits consumers.

Unfortunately, due to issuers' fear of litigation, misguided federal regulations and some deceptive and misleading issuer practices, most Americans do not understand the terms of their credit cards.

The remedy is to employ common-sense solutions, such as requiring that disclosures are written in plain English that we can all understand (rather than voluminous legalese) and truly enforcing deceptive trade practice laws already in place.

Restricting consumer choices or hindering the ability of credit card companies to vary their interest rates and fees with the risks they take by loaning money (known as "risk-based pricing") would make matters worse. Risk-based pricing makes credit available to millions of people who could not previously qualify, and it ensures lower fees and interest rates for those who pay their bills on time.

Not too long ago, the United Kingdom instituted a measure similar to the bill before Congress. Two of the three largest credit card issuers promptly imposed new annual fees, 19 raised interest rates and credit standards tightened. About 60% of new credit applicants were rejected. We can do better.

America faces a national credit crunch. Congress should not enact a "Credit Cardholders Bill of Wrongs" that would make credit less available and more expensive.

Rep. Jeb Hensarling, R-Texas, serves on the House Financial Services Committee.

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