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### Suggested Discussion Questions

#### **Does "Democratization of credit" mean that everyone benefits when the government reduces its regulation of the financial services industry?**

Credit cards offer the only financial loan whereby the rich pay nothing (even negative when "cash back" and free gifts are considered) by paying off their charges at the end of the month and the poor pay the highest rates -- essentially subsidizing the free loans of the affluent. Conversely, banking deregulation and the end of interest rate caps has led to outrageous loans to the poor such as "payday" loans with APRs over 800%, car title loans with APRs over 300%, and sub prime credit cards with effective APRs over 1000%.

#### **What happened to state and federal usury laws?**

The banking industry has effectively evaded them through a legal principle called "Federal Preemption." That is, a nationally chartered bank like Citibank can only be regulated by an act of the US Congress. If Congress is grossly influenced by campaign contributions from the financial services lobby, then it should not surprise you that Congress has not sought to enact interest rate caps since the early 1990s. After all, it only takes approximately 10 US Senators on the US Banking Committee to essentially block any Congressional legislative efforts to limit interest rates and fees on credit cards.

#### **The credit card industry asserts that it is one of the most competitive US industries with over 6000 issuers. Is this true?**

No, most banks that are reported as credit card "issuers" basically serve as an application center and your account is "owned" by one of the top ten banks. The exception is if you belong to a credit union. Otherwise, the top 3 banks control over 55% of the market and the top ten control nearly 90% of the credit card market.

#### **Why was the bankruptcy reform legislation passed and does it offer any benefit to consumers?**

The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 was the first legislation introduced by the Bush Administration in 2001 (credit card giant MBNA was a top campaign contributor to the President). The bill was pushed by the leading credit card and auto finance companies for 8 years until it was signed into law in 2005. The supporters of the bill argued that it would limit the avoidance of consumer debt obligations such as credit cards by forcing middle income families to file for a Chapter 13 repayment plan rather than a Chapter 7 liquidation. Significantly, the credit card industry's profits jumped 30% prior to the enactment of the bill and defaulted credit card debts declined in this year as well. Furthermore, consumers did not see the banks pass on any cost savings to consumers through lower finance and penalty fee rates in 2006.



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### **If my credit card company is ripping me off with contractual tricks or outrageous jumps in finance rates, what are my consumer rights?**

Banks have sought to limit consumer rights through requiring mandatory arbitration (so you cannot sue them--especially class-action lawsuits), contractual terms that they can change at any time, replacing "fixed" with "variable" rate lending terms, providing contracts and disclosures that are not understandable, cutting back on government regulation, financially controlling debt management programs that essentially act as debt collectors (Consumer Credit Counseling Services), and "reforming" consumer bankruptcy laws so that consumers must repay a larger proportion of unsecured debts. As a result, the average consumer has very few options in defending their rights against the major credit card companies. In case of deceptive marketing, billing, and debt collection practices, you can file complaints to the Federal Trade Commission (FTC), Office of the Comptroller of the Currency (OCC), and in some cases your State Attorney General.

### **What Can You Do?**

We must Stop The Squeeze, and you can help by getting involved.

- **Get your friends involved. Order a copy of *In Debt We Trust* at [www.InDebtWeTrust.org](http://www.InDebtWeTrust.org) and host a screening with family, friends and colleagues**
- **Demand action from your government.** Write to your elected officials and tell them to act. Send a letter to the editor to keep the awareness of this severe problem in the newspapers
- **Subscribe to the Stop The Squeeze Newsletter** at [www.InDebtWeTrust.org](http://www.InDebtWeTrust.org) for regular updates on the issue and on appearances by Danny Schechter and Robert Manning
- **Make a financial contribution** to Americans for Debt Relief Now. Your gift will support our direct action projects that are raising awareness and pushing representatives to regulate a banking industry that is out of control. Give online now at [www.StopTheSqueeze.com/donate](http://www.StopTheSqueeze.com/donate)
- Visit [www.CreditCardNation.com](http://www.CreditCardNation.com) for a wealth of resources on these issues