# Unintended side effects are the fees

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Banks are quietly changing credit card terms because of a law approved by Congress, ostensibly to prevent credit card abuses. Its effect, however, will be to restrict credit further and prompt banks to switch fixed-interest accounts to variable rates that can be increased even more quickly. The nobly named Credit Card Accountability, Responsibility and Disclosure Act goes into effect in stages by February.

It will have the ignoble effect of making credit more difficult to get for those who need it most, the Heritage Foundation's David C. John noted. Getting tougher on companies trying to factor risk into their lending practices means, "they're going to pull in on credit," agreed Raymond J. Keating, chief economist at the Small Business and Entrepreneurship Council. This sounds-good-at-first legislative pandering registers high on the applause meter. Government appears to be "doing something" to help.

But it's help like this that's grinding the economy down. The law also limits penalties on risky borrowers, a source of billions in added fees and higher rates because of tardy payments and bad credit histories. It was easy to foresee lost revenue would likely be made up by hiking costs for customers with good credit, observed Doug Bandow, at the libertarian Cato Institute.

Other likely compensations are revived annual fees, an end to cash-back allowances and reward programs and application of interest charges immediately on purchase instead of allowing weeks of grace, according to bank officials and trade groups. Congress should have anticipated some of the adverse fallout. We suspect Congress did. But gratuitous acts of fairness carry a higher public favorability rating than do unintended consequences diffused by the passage of time.

How many constituents will connect the dots between Congress' "help" and the resulting shrinking and more costly credit? It's more likely they will just blame the credit card companies, again. And then Congress can rush in to help, again. Meanwhile, Bank of America and JPMorgan Chase are "quietly changing" their credit card terms, switching fixed rates to variable rates because the new law restricts changes in fixed-rate accounts, but doesn't restrict the other, the Los Angeles Times reported.

Chase also is increasing monthly minimum payments to 5 percent from 2 percent of current balances on about 1 million cardholders, the Times reported. Many consumers and small businesses that use credit cards to finance operations suffer from what advocates of the new law termed "exploitive practices," such as high fees for over-drawn accounts.

But it's also true that in virtually every case these people signed agreements — perhaps without reading the fine print — that authorized those terms. Americans' over-reliance on financing life with credit cards probably is economically unhealthy. Ironically, in attempting to make credit card use less costly and more available, Congress may have accomplished the opposite — and perhaps more healthy — effect.