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May 22, 2009 6:16 PM

## Will New Law Make Credit Cards More Expensive?

Posted by [Declan McCullagh](#) | [73](#)

(AP)

Ever since the extent of this economic crisis became clear, Washington politicians have been informing us that keeping a torrent of credit flowing to consumers and businesses justifies government bailouts and other extraordinary measures.

President Obama recently **pledged** to "focus on restoring the flow of credit that is the lifeblood of a growing global economy." House Majority Leader Steny Hoyer, a Democrat, **said** during the debate over last fall's TARP bailout that, without it, "credit, the lifeblood of any economy, might dry up across America." And the Treasury Department **claims** to be ensuring that credit is "flowing again to entrepreneurs and business owners."

Yet Mr. Obama signed **legislation** this afternoon that levies a slew of new regulations on credit card companies -- which lenders say will actually **reduce** the availability of credit. That's from no less an authority than American Express CEO Kenneth Chenault, who said his concern is with "credit being available, particularly to consumers who need it," **according to** Bloomberg.

Which, if you've been following along so far, is exactly the opposite of what Mr. Obama and his political allies say they wanted to achieve.

"Over the past decade, credit card debt has increased by 25 percent in our country," Obama said when signing the Credit Card Act of 2009. "Nearly half of all Americans carry a balance on their cards. Those who do, carry an average balance of more than \$7,000. And as our economic situation worsened -- and many defaulted on their debt as a result of a lost job, for example -- a vicious cycle ensued. Borrowers couldn't pay their bills, and so lenders raised rates. As rates went up, more borrowers couldn't pay."

It's true that the measure the president signed isn't an anti-usury law; it doesn't explicitly prohibit annual interest rates that exceed, say, 25 percent.

What it does do: Bans so-called universal default, which meant that a default on one loan might raise rates for others. Restricts introductory "teaser" rates and immediate rate hikes. Limits what credit cards college students can receive. Requires more disclosure about interest rates and the consequences of late payments. Mandates that consumers must approve transactions that exceed credit limits.

All that adds up to reduced revenue for credit card companies, meaning that banks now expect to issue fewer cards, reduce benefits, or charge more fees. As a [CBSNews.com article](#) last month noted: "That could mean a return to annual fees or less generous promotions that give cash back, hotel points, or airline miles in return for spending money."

"To now pressure credit card companies not to raise their fees or more accurately price credit risk, will only reduce the availability of credit while undermining the financial viability of the companies, ultimately prolonging the recession and potentially increasing the cost of bank bailouts to the taxpayer," says **Mark Calabria**, director of financial regulation studies at the free-market Cato Institute.

Neither Washington politicians nor the credit card industry seems to want to admit this uncomfortable truth: Too many people were extended credit who shouldn't have received it. Too many people ran up too many credit card bills they couldn't afford. Banks, consumers, and Washington officials alike confused the housing bubble, the credit bubble, and the stock market bubble with normal economic conditions.

But now that unemployment is rising and Americans are **falling behind** on credit card payments, banks have been **tightening** the screws to avoid being hurt more by defaults.

As the banks argue, the legislation that Mr. Obama signed today will probably make credit somewhat more expensive and difficult to obtain. On the other hand, **Federal Reserve data** show that Americans are saving more than during any time in recent memory. So even if credit cards become less attractive, it **may not matter** quite as much as it would have a few years ago.

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Once again the prudent have to pick up the tab for the losers. They can't handle a mortgage, they can't handle a credit card, the can't handle car payments, blah, blah blah. Obama, you're an a\*\*hole!

Posted by despido at 1:45 PM : May 23, 2009

Obama is the worst president in 100 years.

This is another example of his reverse accountability policy.

Obama hates hard working honest people who pay their bills and save money for the future.

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Posted by **woodapoopl** at 9:04 PM : May 23, 2009

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This country had rate caps until Reagan got most of the usury law repealed. It was the 80s that saw card companies go to places like South Dakota, where there were no caps. The new laws said whatever the state laws were, those were the laws that applied, so then there was a race to the bottom between the states to attract card companies, create a few jobs and get tax revenue. Then the jobs went to call centers in India.

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Posted by **sjc\_1** at 7:29 PM : May 23, 2009

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Once again the prudent have to pick up the tab for the losers. They can't handle a mortgage, they can't handle a credit card, the can't handle car payments, blah, blah blah. Obama, you're an a\*\*hole!

Despido:

Well what a change! For 2 decades the losers have been picking up the tab for the prudent! How do you think you got all those free airline miles and shopping points? Remember the 'losers' always pay more for things because they don't have great credit scores and as we know in today's world EVERYTHING is based on your credit score including insurance, utility deposits, loans etc.. So don't worry too much about the 'losers' as they will continue to get ripped off and treated like 2nd class citizens. It's the Amreican way.

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Posted by **ondrepubs** at 3:41 PM : May 23, 2009

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Yep, as soon as you charge something, you will be paying interest. You have to pay for the deadbeats that don't pay. So you will be paying a lot more. So hang on, Obambi said he was

going to help people out, he is, if you charge something you will pay out the wazoo for it. Welcome to Obambies america. They did nothing to stop credit card companies from charging as much interest as the people are willing to Pay. You could get a better deal from the loan sharks.

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Posted by **plattoman** at 2:41 PM : May 23, 2009  
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Of course it will anything that is changed to help people always costs more and that is a fact. When the government steps in they always screw people besides they have to get their money some how and that is a fact.

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Posted by **carolhill814** at 2:37 PM : May 23, 2009  
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Once again the prudent have to pick up the tab for the losers. They can't handle a mortgage, they can't handle a credit card, the can't handle car payments, blah, blah blah. Obama, you're an a\*\*hole!

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Posted by **despido** at 1:45 PM : May 23, 2009  
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Now, for those of you who can't settle your debts quickly, then you need to stop crying, act like an adult, and pay your debt according to the contract you approved.

Posted by allisongayle at 1:34 PM : May 23, 2009

allisongayle:

That sounds good until you realize that the contract can change without notice and without limits. If you have a balance that you cannot pay off quickly and your rate of interest jumps to 41% because the lender can legally get a way with it, then we have a serious problem that needs addressing such as rate caps. The U.S government should not be in the business of letting large 'legitimate' corporations prey on Americans with obscene interest rates hikes Is it OK for our government to turn a blind eye to loan sharking?

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Posted by **endrepubs** at 1:40 PM : May 23, 2009  
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Credit cards are a drug and thus should be regulated like drugs. There are the drug pushers ( we know who those thugs are) and there will always be addicts out there who fall in the trap of becoming addicted to using this plastic drug.

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Posted by **endrepubs** at 1:34 PM : May 23, 2009  
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Credit card companies are merely service providers. If you don't like what they charge for that service, settle your debt, close the account, and then don't use them.

Now, for those of you who can't settle your debts quickly, then you need to stop crying, act like an adult, and pay your debt according to the contract you approved.

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Posted by **allisongayle** at 1:34 PM : May 23, 2009  
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Borrowing should only be for businesses and high net worth/accredited people, who have the money to pay back what they owe in the short term.  
Posted by TheStolenGiraffe

Not quite, I have a fairly decent paying job and can get by without carrying debt ... if my house doesn't fall apart, or my car need repairs and hopefully no more medications added. Credit should be used for emergencies and our savings should used for all the WANTS we think we need or should have. Seeing your hard earned savings dwindle in this way makes you think about why you are spending your money and imagine the savings of no finance charges of carrying a giant balance.

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Posted by **lfinster** at 1:32 PM : May 23, 2009  
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