SPECIAL PRESENTATION

"WHO'S IN CHARGE? EXPLORING ISSUES IN AND POLICY SOLUTIONS FOR CREDIT CARD MARKETS"

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MS. WINNIE STACHELBERG: Good morning, everyone. My name is Winnie Stachelberg and I'm the senior vice president for external affairs here at the Center for American Progress and I have the distinct pleasure to introduce Senator Carl Levin, a champion for hardworking Americans and a leader on so many issues that include credit cards and consumer debt. We are honored that he could join us today.

A native of Detroit, Senator Levin won an upset victory over the number two Republican in the Senate in 1978. He has been reelected in every election since then and today is the longest serving senator in Michigan history. In an editorial about Senator Levin, the *Detroit News* wrote he's been above reproach personally and has stuck to his principles even when they are unpopular. Principled leadership, no matter what political ideology it comes from, is sorely needed in Washington, and we at the Center for American Progress could not agree more.

Indeed, Senator Levin is the incoming chairman of the Senate Armed Services Committee, where as the ranking Democrat and chair from 2001 to 2003 showed his principled leadership and earned him a reputation as a strong supporter of our national defense and an effective fighter against waste and fraud and abuse. He was an early and consistent advocate of efforts to prepare the American military to combat terrorism and other emerging threats of the post-Cold War world, and he has been a strong advocate on behalf of our servicemen and women.

And Senator Levin has demonstrated his commitment and leadership in other areas as well. With particular regard to our discussion this morning, Senator Levin is a longtime champion of consumer rights and is not afraid to tackle complex issues that matter to hard working American families. He led the Senate's most in-depth investigation of Enron, showed how financial institutions aided and abetted Enron's misconduct, and helped enact the Sarbanes-Oxley Act.

He has exposed how companies promoting sweepstakes contests were taking advantage of consumers, especially seniors, and got a law enacted to stop those abuses. He has led a 15-year fight to limit excessive executive compensation and stock option abuses, helping to win the recent battle to require stock option accounting reforms. He has also fought the reforms of mutual funds, to limit ATM fees, and to give shareholders the option to nominate directors at publicly traded corporations. As you might imagine, we are thrilled, given the senator's considerable track record, that he has turned his attention and considerable political clout and muscle to the issue of credit cards and consumer debt.

As we will discuss today, Americans are using credit cards more than ever before. Last year alone, Americans used near 700 million credit cards to purchase more than $1.8

trillion in goods and services, a 25-fold increase since 1980. This dramatic increase in the use of credit cards has been accompanied by an equally dramatic rise in the levels of personal and household debt. While there is no question that every individual must make responsible choices about spending for themselves and their families, Senator Levin's leadership on this issue has helped to show that the billing practices of major credit card companies often take unfair advantage of hardworking Americans.

To provide a factual basis for responsible policymaking, Senator Levin recently asked the Government Accountability Office to investigate the billing practices of major credit card companies. The resulting GAO report uncovered numerous unfair practices and its findings will help show the way for public policy solutions that strike a better balance between promoting economic growth on the one hand and providing a level financial playing field for hardworking Americans on the other.

We are honored to have Senator Levin here today to talk more about the findings of this report and where we can go from here on the issue of credit cards and consumer debt. Senator Levin has agreed to speak for about 10 minutes and then take a couple of questions before he has to head back up to the Hill for his busy schedule. Ladies and gentlemen, please join me in welcoming the senior senator from the state of Michigan, the Honorable Carl Levin. (Applause.)

SENATOR CARL LEVIN (D-MI): Winnie, thank you for the great introduction. As you were setting forth all the things that I've done, and you said he's done this and he's done that and he's done the other thing, I was reminded of the fact that, as many of you know, because you know how the Hill operates, it's never he or she that gets things done in the Congress; it's always they. It's always someone with colleagues, and even more importantly, frankly, it's he with staff. And two members of my staff are with me today, and one is Elise Bean who is my staff director down at the Permanent Subcommittee on Investigations, and Julie Davis, who is here also who worked so hard on these issues with Elise and with so many others.

There's not one of the issues which Winnie mentioned which did not involve a huge amount of staff work and there's nothing that we can get done either alone – in other words, by ourselves and without the help of our colleagues, but again, as many of you know but is too infrequently mentioned, the staff either helps you succeed or doesn't, and in my case to the extent that we've had some successes, we have to give much of the credit to staff.

I met Derek Douglas here this morning. He's a Michigander – comes from a part of Michigan which very few people have heard about outside of Michigan, a little town called Berrien Springs. He was nice enough when he met me this morning to tell me that he's been – that I've been a senator, I think he said, most of his life. (Laughter.) He thought that was a compliment, but these days it's a reminder of the fact that I've been around a long time. And I've enjoyed it for many of the reasons which Winnie mentioned, some of the causes which we fought; many of the causes that I'm in the middle of now, including how to find our way out of Iraq take up a huge amount of my

time, but the issues which Winnie mentioned have also been a big part of my agenda, the abuses which you're going to look into, the credit card abuses are just one of many consumer issues which this Center is involved in looking into, and I'm just glad you're here. Thank you for being here on so many issues.

We're going to make some progress, I believe, on the credit card abuse issue in the coming Congress for a number of reasons, not the least of which is that Democrats are going to be in the majority, you're not supposed to be – are you a 501(c)3? I think you are, so I'll try to take it easy on you. But some of the people who are in critical positions, including Chris Dodd on Banking, will make a big difference in terms of credit card reform. He has introduced legislation; he's very supportive of credit card reforms. And what I'm going to outline in terms of some of my thoughts on this subjects, and comments, and some of the abuses are going to lead to hearings which we're going to hold at Permanent Subcommittee on Investigations, which I'll be chairing, which will hopefully help to provide a legislative record which will be supportive of legislation which Chris Dodd I know will introduce, and I will be – I presume – co-sponsoring with some provisions that we'll be adding from our perspective down at the Permanent Subcommittee on Investigations.

Ann Landers once remarked that if you think no one cares whether you're alive or dead, try missing a couple of car payments. With credit cards you actually can make all of your payments and you can even make your payments on time, and still find yourself in the crosshairs of a powerful industry that is thriving in part on unfair and confusing practices. And if you're late even once, you can prepare to get doubly or triply gauged by that industry with late fees, with fees for overuse of your card, with fees that are built upon fees when you're pushed from one category to another on the interest rates which are increased above their already exorbitant level, because a late fee pushes you into a higher category, fee piled upon fee piled upon penalty. And as a result the credit card industry is extraordinarily profitable, and those profits come to a significant degree out of the interest payments and late payment fees and other penalties and fees that are imposed upon average working families, who bear the brunt of those excesses.

The horror stories are numerous. We will be going into some of those at hearings. We welcome more, by the way – more anecdotal stories about people, the situations they find themselves in. We will be having witnesses who go through these torments describing what they go through, but many of you will come across specific instances which will welcome as part of our investigation and our determination as to who would make the most effective witnesses to dramatize what this industry has too often done.

One of the perhaps most illuminating titles which is bestowed upon people by some of the credit card industry – not all – is the use of the term deadbeat. I'm somebody who pays my credit card off on time. I'm one of the people – a very small minority in this country – that can afford to pay my credit card off on time, so I never build up debt. I'm called a deadbeat by some parts of the credit card industry. I'm a deadbeat because I don't pay interest. Now the term deadbeat, where I come from, is applied to people who don't pay their bills or deadbeat dads who don't support their kids. It's a pejorative term.

In the eyes of some of the members of the credit card industry, that pejorative term is paid to people who don't build up debt. We decry the impact of debt in this country on individual lives and families, the destructiveness of too much debt. Obviously you need debt to buy a house or to buy a car. Very few of us can buy either without borrowing. There's a role for debt, but the excessive debt and the abusive debt is a real threat to the well-being of tens of millions of families in this country. And the idea that those of use who don't build up debt are labeled by some as deadbeats perhaps bespeaks volumes about the view of too many in this industry of what their business is or should be about.

Winnie has given a few figures about how many credit cards there are out there: 700 million last year that were used to purchase that $1.8 trillion in goods and services. The offers for new credit cards are just voluminous. Americans are bombarded with almost daily mail, snail mail and e-mail and every other kind of mail, soliciting people to sign up for credit cards. More than three billion credit card solicitations were in the mail last year – three billion credit cards solicitations. My wife believes that she probably got about a third of those herself. (Laughter.) I don't think a day passes when my wife doesn't say, Carl, I got two more in the mail today. We never even respond, but it's amazing to us that there's such profit in this industry that the credit card companies and the banks solicit endlessly people who don't even respond, much less obviously those people who do respond.

One of my staff members put it in terms of who the credit card industry is willing to extend credit to, which is almost anybody, including animals and three-year-olds and new babies. I just had my fifth grandchild two weeks ago and I'm sure she's already gotten invitations to sign up for credit cards. I haven't checked with her folks yet, but I'm sure she has.

But as a member of my staff put it the other day, he won't even give his own kids credit, but plenty of banks will. So not surprisingly, this increased use of credit cards has helped put tens of millions of families in debt, in too many cases excessive debt. The average American household now owes about $5,100 in credit card debt – that's the last figure, 2004, it's gone up. And because of the bankruptcy bill that the credit card companies fought so hard for last year, that debt is going to be even harder to discharge even when it should be discharged.

In one of the most frequent complaints I hear from constituents is that they are having a hard time climbing out of credit card debt because they are being socked by outrageous fees and practices that they didn't even realize were there, that were going to be imposed on them. They couldn't figure out the terms of their credit card agreement. The number one complaint that most Better Business Bureaus receive is about credit card and banks practices. These are the number one objects, at least in many parts of the country, that the Better Business Bureaus receive. And that's where we're at. That's why you're here today to talk about what can we do about it, what in Congress should we do, what should the regulators do, what should the educators do, including this Center.

How do we educate people to avoid this situation? But education, while it's critically important, I'm afraid it's not going to be enough. Disclosure, even if much clearer, is going to, I'm afraid, be inadequate, and I'm all for it. I'm all for what you're doing here, by the way, in terms of disclosure, in terms of putting this issue higher up in terms of your list of priorities.

It's a great thing which you're doing here. I think it's great that you're talking about giving credit card marks and scores on their clarity and their fairness. I think that's a terrific step forward. But having been around here a long time, I believe there's going to have to be a role for legislation and regulation and without that club, without that stick, that we're not going to find reforms coming either in the way of greater clarity of credit card rules by the credit card companies or disclosure of what the terms and conditions are.

So Winnie mentioned the Government Accountability Office, which has looked into the practices of the credit card companies. It was released just about a month or two ago. It's the first federal study that compiled in one place the description of the fees, the interest rates, the disclosure practices of 28 popular credit cards from the six largest credit card issuers. It shows many of the ways in which credit card issuers are charging consumers, it shows how hard it is to get information which is clear, and how complicated it is for consumers to deal with credit cards and what the rules are.

The GAO found that credit card companies are making more and more of their money off of increased fees, complex interest charges, poor disclosure practices that take advantage of working families. Just a couple of those practices: one is a so-called double-cycle billing. It's a confusing name. It doesn't adequately describe what I consider to be an atrocious practice, which is if you pay your card – if you pay money, you're still charged interest on the money that you paid on time. Now that sounds counterintuitive. How can you be charged interest if you pay money on time?

Well, here's the way it works. If you charge $500 to your credit card, and you pay $490, either because that's all you have or all you want to pay, or inadvertently for that matter, that leaves a $10 balance. If you don't buy anything next month at all, so there's a $10 balance, the next month's credit card bill will still charge you interest on the entire $500, even though you paid 490 of it on time. That's called double-cycle billing. There ought to be a clearer name like "are you kidding?" (Laughs.)

I tried to explain this to colleagues because we had a provision that we wanted to add to a bill that would prohibit this, and it's so counterintuitive that people have difficulty accepting that what I'm saying is true. Perhaps I'm not explaining clearly enough – that's always a possibility – but even when they understand it, people have trouble accepting that idea and it sounds like, well, isn't this petty, isn't this tiny, isn't this just a peanut of a problem. And the answer is, it's one peanut and all these other peanuts, all these other excessive fees and abusive interest rates and penalties that are

piled on each other put together constitute huge profit for industry, but also a huge penalty for consumers.

And maybe it doesn't sound like a lot of money when you talk about what these increase penalties are for an individual consumer, to those of us who are not financially strapped, but it is a big amount of money to most Americans because most Americans are financially strapped. And you know the old Dirksen comment about a billion here and a billion there – well, it may only be $5 here, $10 there, and when you put it all together it's a real additional burden on working families in this country, and we've got to end it – not borrowing, but unfair, abusive fees that are imposed by the companies that run our lending.

Another example: some credit card issuers charge a fee to make on-time payments by telephone or even by computer. In other words, even if there's no person that you talk to on the phone, even if you pay your fee just purely by punching buttons rather than by saying to a person how to access your bank account to pay your bill, or even if you pay by computer, where clearly there's no person who's putting forth any labor that needs to be paid by our credit card issuer, some companies charge fees. Now, why do they charge fees? I'm trying to figure out why do they charge fees for let's say paying by computer, to keep it simple, even they don't all charge by the way and I want to make it clear. I don't want to paint with too broad a brush. The abuses here are serious enough that you can paint with the appropriate width brush and still uncover enough abuses that hopefully there's going to be some regulation and legislation as well as education to correct this.

But why would companies – any company – charge a fee if you're paying your bill by a computer? And I've tried to figure – I could only figure out one reason, and that is that they don't want you to pay your bill by computer. They'd rather you pay your bill by mail. Why would they rather you pay your bill by mail? Me, they wouldn't rather pay because I don't run up any account that last longer than that month, but why would they want these bills paid by mail? And there may be an answer. There may be folks in this room who represent the credit card industry who can maybe give me a different answer and I would welcome it.

I think the reason is because when you pay by mail, you're not going to pay at the last minute, because you don't know when that letter is going to be received with your check. Now, someone's got to open up that envelope and someone's got to read that check, and someone's got to put in labor. They don't charge you for that – for paying by mail – but if you do pay by mail and check, you're going to have to pay probably a day or two or three or four days earlier because you don't want to take the risk that the mail may come in a day late and then have to pay a penalty or higher interest, and so they'll pick up – the credit card companies – those couple extra days.

Now, again, maybe I'm getting carried away with what I consider to be the abuses in this industry, and maybe I'm seeing things that don't exists, and I'm happy to be corrected, but I can't see any other reason why a credit card company would charge you a

fee when there's no labor involved on their part, and not charge you a fee when there is labor involved in their part: opening the envelop and posting that check to your account.

There's a lot of other disturbing practices: late fees which are charged that shouldn't be charged, the abuses in the disclosure area, the impossibility of reading the fine print. I've tried to identify on my bill where it is that it says that if you pay that $490, instead of the $500 which is owing that you're still going to be charged interest next month on the $490 even though you paid it on time. I can't find it. I know it's there in the fine print, but I can't find it. I'm a lawyer; I read fine print all the time, and I know it's there because otherwise – they're smart enough to put it there somewhere, to bury it on the back of that bill where they have the terms and conditions, but I can't find it. And so these terms that are laid out are usually on the back on these bills, sometimes in print which is not only small, not only complex, but in lighter print than appears on the front of the bill.

Now, Elise will tell you about all the time we had going with these – not lotteries, what do they call the – sweepstakes, with all of the stuff – the misleading stuff that they put on the letters and how we try to work with the postal service to try to put an end to it, and it's complicated. And I'm going to end with this: we're going to make an effort and I think we're going to succeed, because I believe there's mandate to protect consumers which is part of that last election – average working families who are squeezed in this country. Iraq was a big part of this last election, but there was more than that, there was an underlying uneasiness, disquiet with the position of working families in this country. And so we got a mandate, I believe, we've got momentum.

I think that means I've doubled my time. My staff is charging the interest for every minute I speak here. But despite that, we're up against a very, very powerful, special interest and we should never underestimate the power of it. We've had some amendments that we almost got passed that we couldn't get through a conference in some cases. The bankruptcy bill is obvious recent dramatic evidence of the power of the industry to stop consumer protection in a language.

But even if we can figure out the right language for regulations or for legislation, there will efforts, even if we can get it passed – even if I'm right, we've got momentum and the votes – there will be efforts on the other side to figure out ways around whatever we do. Bottom line is even if we succeed, you can't stop there. This is a permanent effort to protect consumers. It doesn't end. It's like ethics: we passed a terrific ethics law that I was a co-sponsor of in early 1980s. It was a terrific law involving gifts from lobbyists and a lot of other things. Over time, the loopholes were discovered.

And so even if we can put together a great package, and even if hopefully we get together here or in some other forum to celebrate – hey, we made some progress in terms of eliminating credit abuses, I'll tell you in advance that that celebration will just be part of a permanent effort to protect consumers in this country. It doesn't end. It's the way it is. It's what conflict is all about. It's what a free economy is all about. It's what

imagination and creativity both to protect consumers, but also to increase profits, is all about.

And so I commend you for your work. I think it's great you're here. We have a need for you. I don't want to end at a down note, but the need for consumer protection in a free society is a permanent need. Thank you.

(Applause.)

MS. STACHELBERG: I think the senator has time for one question, ask this gentleman –

SEN. LEVIN: I'm afraid I used up your question time.

MS. STACHELBERG: Not at all.

SEN. LEVIN: I'll repeat it if you want.

Q: (Off mike.) My question is, there have been recent reports in the *New York Times* (in the financial page?) about an effort by the current administration to weaken consumer protections (off mike).

SEN. LEVIN: How is the Senate prepared to counter some of the efforts to bypass consumer protection through administrative action? I can't speak for the Senate; I can't even speak for all Democrats in the Senate, but I can only tell you this: there are many senators individually that are keenly aware of these administration efforts to undermine not just consumer protection laws, but environmental laws and a number of other laws administratively.

Hell, this president thinks through signing statements that you can ignore the law. Think about that. This isn't even some complex subtle administrative regulation. This is while the law is being signed, or maybe the next day. The president issues a historically large number of statements, basically saying, "Well, I'm signing it, but I'm ignoring – can ignore – I have the right to ignore some or most of it." So the answer is yes, and it's not just a lot of Democrats that are this, I believe there are some Republicans, perhaps a small number – too small a number in my judgment – who are very keenly aware of that.

The oversight that should have taken place over those efforts to undermine, bypass, obviate, avoid what we intended in law through administrative refusal to enforce or interpretation – the oversight has been sadly lacking. We've had a rubber stamp Congress in my book for this administration. That's over. The next two years you're going to find a very active Congress engaged in the kind of oversight that should have taken place in the area you mentioned and in a whole lot of other places as well, so I'm an optimist that the Senate – although I can't speak for it – you're going to find some energy on oversight which will get into that area.

Q: Senator, could you just say when you expect consumer (off mike), when you expect the hearings (off mike) on this matter, and what's your target for passing legislation?

SEN. LEVIN: Well, I won't give target for passing legislation because that's just too complex and I'd want to talk to Chris Dodd about it because I think he'll be taking the lead on that legislation in banking. I'll be in a supportive role in providing not just some legislative record to be supportive of what I'll know he'll be doing, but also some language in areas where perhaps his committee doesn't go, so that is what I can say about a timetable. In terms of our hearing, it will be early next year. That's as close as I can come.

MS. STACHELBERG: Thank you.

SEN. LEVIN: Thank you.

(Applause.)

MR. DEREK DOUGLAS: We're going to transition now to the panel if the panelists can come up.

On behalf of the Center for American Progress, I want to welcome you all here today. We're really excited about this panel, and Senator Levin has gotten us off to a tremendous start. My name is Derek Douglas, and I'm the Associate Director for Economic Policy as the Center for American Progress. Also here at the Center I direct our program on Economic Mobility which is the program through which we do our work on debt and consumer finance issues.

I want to thank, just take a moment to thank the senator for his leadership on this issue. We really are at a critical time, I think, in this country, where there's some positive momentum going to do something around issues of debt and credit cards. And the senator has reached out to an area that he's always had an interest in, but people don't think of it being his focal point, and I think that speaks to how broad the support is in Congress to seize this moment to try and bring about some regulations and some protections to level the playing field with consumers. I also want to thank Winnie for her introduction setting the stage for our discussion today.

A couple of housekeeping matters. You all should have received packets of materials. In those packets there's a new report that we're releasing today called Safety Sells, which I'll talk about it a little bit later on which is an idea for creating an incentive based disclosure system for the credit card industry. There's also some other CAP-related products and some releases from our distinguished panelists as well as the senator. Also, if you could just turn off your cell phones or pagers, or turn them to vibrate, because we are recording the program.

Today we're here to talk policy. The dramatic rise in consumer debt and the risks associated with credit cards have been well documented. We've all seen the numerous stories about credit card debt on the rise, how it's putting a strain on American families, and this recent attention is a welcome change. Indeed, for those who have been working on issues of debt for some time and credit cards for some time, it's nice to finally be working on a hot issue. And I think many of the people in this room have had a lot to do with making it a hot issue.

But with this newfound momentum, the challenge we now face is how to transform all of this into concrete results. Senator Levin talked about some things that are going to be happening next year to do just that, but what Senator Levin and the people in Congress are going to need are ideas. They're going to need bold ideas, they're going to need ideas that are grounded in both data and history, they're going to need ideas that look beyond the borders of the credit card system; indeed, that look beyond the borders of this country.

And the purpose of today's event is to explore these very ideas: policy options for improving the credit card market. To help explain what's going on with the credit card markets and what we can do to improve them, we are fortunate to have assembled a distinguished panel of two of the leading thinkers on this issue.

Our first speaker will be Ronald Mann. Professor Mann is the Ben H. & Kitty King Powell Chair in Business and Commercial Law, and Co-Director of the Center of Law, Business and Economics at the University of Texas Law School. Today, among other things, Professor Mann will discuss some of the ideas from his recently published, critically acclaimed book on the global credit card industry entitled *Charging Ahead: The Growth and Regulation of Payment Card Markets*.

Our second speaker will be David Wood. Mr. Wood is Cirector of Financial Markets and Community Investment at the U.S. Government Accountability Office. In his capacity as director, Mr. Wood is responsible for leading GAO audits and evaluations concerning a range of federal housing and financial issues, policies and programs. Mr. Wood was the director on the recently released GAO report on credit cards entitled "Credit Cards: Increased Complexity in Rates and Fees Heightens Need for More Effective Disclosures to Consumers." And today he will discuss some ideas outlined in that report.

I want to thank both of our panelists for joining us today. After Mr. Wood, I will speak briefly about the new report that we released and then we'll have time for some questions and answers.

With that, I'll turn it over to Professor Mann.

MR. RONALD MANN: Thanks. I wanted to thank the Center for American Progress and Derek Douglas for having me come today. I'm glad to hear that my book is

critically acclaimed. I haven't heard any of that yet, but if any of the people that acclaimed it here, I'd be happy to shake their hands and thank them for that.

A natural place to start is to explain why I wanted to write this book at this particular time. Since its introduction a half century ago, the payment card has just transformed the American economy. It has revolutionized our habits of payment and borrowing, it contributes to the consumerism on which our economy depends, but it's also a major cause of our burgeoning over-indebtedness. Perhaps most importantly, for people in this city at least, those that profit from credit cards played a major role in the passage of the recent bankruptcy reform bill.

But for something that's so important, we know very little about the most central questions: how does credit card use relate to bankruptcy filings? Why are credit cards so much more common here than in similar economies like Japan and the United Kingdom, against which we compete? Why do issuers continue to extend credit to cardholders that are such bad credit risks? How specifically can we react in ways that can respond to some of the problems related to credit cards without undermining the efficiency of our payment systems more broadly?

What I want to do today is emphasize two broad things from my book. The first is despite the efficiencies that it brings to payments and borrowing, the credit card – at least as it's used in the United States – contributes to excessive levels of financial distress. And then second I want to talk about some specific ways to improve the existing regulatory scheme.

So to make sense of the credit card phenomenon, you have to situate the rise of the credit card in the shift from paper-based to electronic payments. The United States today is far behind other countries in abandoning paper checks. It wasn't until 2003 that electronic payment, cards for the most part, surpassed checks as a retail payment device. We spend one half of one percent of our gross domestic product processing paper checks, and that is a gross waste of resources. We do not need to do anything that will stifle the use of cards as a retail payment system because we are wasting too much money even now on using paper-based payment systems that we would rather move away from.

But it's still true that payment cards in this country play a unique role in the accumulation of debt as compared to other developed countries, and I talk here about Australia, Canada, Japan, the United Kingdom, which were the focus of my book. We have a uniquely high level of consumer debt, we have a uniquely high level of credit card spending, and we have and a uniquely high level of credit card debt.

Now, the reasons for this pattern are not just that we have a more competitive marketplace than anybody else in the world, because that's just not true. The reasons, and the book talks a lot about it, have to do with sort of a history of the 1950s. We had this very fragmented banking market, we had introduced the interstate highway system, there's some interesting stories about how some of our large banks at the time had very poor accounting systems that didn't understand the costs they were spending on

developing the credit card product, but collectively those circumstance made the United States uniquely suited to the credit card as it exists today.

Now, other countries that had different institutional settings use credit cards very differently. So one common pattern, what I would characterize as the global norm, is what you see in places like Australia, Canada, the United Kingdom: these people have an increasing use of debit cards, but at much lower use of credit cards and credit card borrowing than the United States.

Another common pattern is in places represented on this slide by Japan, but it's also common in the continental European Union. In those countries, credit cards are very rare, cash is much more common. Debit cards are also somewhat more common. And the reason you see that pattern is because of rules that protect consumer data, and if you have a robust data protection system, it's very hard to have modern credit card products, and so you'll see some place like Japan, where people use cash so much more than they do here.

Now, this all seems diverting, but the point is important for policymakers because the way that we use credit cards is not a normal Darwinian outcome of a competitive process. It's a path dependent endpoint. It comes from our particular history. It could have turned out differently. That's just the way we happen to be.

Now, what I think is one of the principal contributions of the book is I tried to work out three specific risks of using credit cards, and how empirically and theoretically these occur: the risks of spending more, the risks of borrowing more, and the risks of failing more. So the first one is the relationship between cards and spending. Is there something about credit cards that makes us spend more than we would spend if we were using cash or a checkbook?

Now, there's lots of academic psychologists who try to explain this, and that's somewhat complicated. I don't really want to talk about that very much because I'm not the psychologist, but if you think about the things that we can see in our lives, you can understand. Slot machine designers for example. There's a great story in the *New York Times* about this. They understand very well that gamblers at a casino will spend a lot more on a slot machine if they can access it with a card than if they have to pay with cash. Look to fast food restaurants like McDonald's, okay? Some of you who have children will have gone to McDonald's. Those restaurants are bitterly opposed to paying card acceptance fees, and they have opposed that for decades, but now they're all turning to cards at a lightning pace. Why? Because they are convinced that it is profitable for them and the specific reason that's profitable is that customers that pay with credit cards will buy more at a McDonald's than if they pay with cash. (Contact?) (unintelligible) cards are just going to accelerate this trend.

Now, not surprisingly, if people spend more, they're likely to borrow more. And to quantify that point, the book collects and analyzes nation-level data about credit card use which shows a very strong, statistically significant relation between credit card

spending and consumer debt, but what's most striking and important I think here is the relation between credit card debt and consumer bankruptcy. So what I do in the book is analyze this same data, and if you account for total borrowing levels and macroeconomic variables like unemployment rates, you find a very close correlation between rates of credit card debt in one year, and bankruptcy filings the next year. And so this is just a slide about the United States, and so purple line at the top is credit card debt lagged one year, and the line at the bottom is consumer bankruptcy filings.

So you'll have heard a lot on this city in the last couple of years about how the reason consumer bankruptcy filings go up is because of some decline in stigma, but those that tell that story – if you go read the papers and academic studies, none of those models include anything about credit cards in their model. They don't ever consider the possibility that credit card debt might relate to bankruptcy, and if you analyze this statistically and you just happen to put credit card debt in the model, well, you get a model that can explain consumer bankruptcy filings very, very well. My very simple model that relies primarily on credit cards, explains consumer bankruptcy filings better than any of the models in the literature that talks about stigma.

So that's where I start from is this premise that there is a relation between credit card use and consumer bankruptcy, and if you couple that with the costs that financial distress imposes on the rest of us, well, then that gives you a case for some kind of regulation.

And the first place I would start is by standardizing credit card agreements. Now, the central problem here, to which the senator alluded, is that the credit card agreement is a very complicated document. A typical credit card agreement is about 80 paragraphs, it's eight single-spaced pages and seven-point type, nothing that you would ever rationally read through, and it's aggravated by the fact that at the time you get the agreement, you're sitting in your house opening your mail. You're not borrowing anything or spending anything at the time. There's a separation between the moment when you receive the agreement and have an opportunity to read it, and the time when you actually make this spending and borrowing decisions that give its significance.

Even the cardholders like Senator Levin that want to rationally understand the relationship, they have to contend with the problem that issuers are likely to shroud their terms, and this is a term from the economics literature. And what I mean is that they design the products that are going to systematically backload the unattractive terms, which makes it harder for cardholders to understand those terms when they decide which cards they want to acquire and use. And so this is a slide that shows the revenue sources for credit card issuers.

During the early 1990s, people came up with the idea of relying on late and over-limit fees, and so those fees is a share of receivables doubled doing the 1990s. Great idea, everybody rolls it out, people make a lot of money, and that's major revenue stream. More recently, they use universal default provisions, which are great because they bolster interest revenues from cardholders that are least able to react by moving their accounts.

But what happens of course is cardholders become familiar with these provisions and so they're less profitable than they used to be. Profits from late and over-limit fees have actually declined for the last five years because consumers are scared of them now and watch for them. But this doesn't mean that the issuers just give up. What they do is design new terms, and so for example, the minimum finance charge is a new thing that people include, which means that if you have the smallest possible balance in a particular month you still might have to pay $15 as a minimum amount of finance charge which would be a high interest rate. For a card that has 12 percent interest rate, this minimum charge could be very high as far as the percentage of your outstanding balance.

And so the difficulty is that you can't pass a statute that effectively solves the problem by barring particular problems with the agreements because the terms that are problematic cycle over time. As consumers learn about them, the issuers move to newer terms. And so what makes more sense really is to standardize the agreements. We standardize most of the important financial agreements that consumers have. We standardize insurance policies. We standardize contracts for purchasing homes. We standardize home mortgage agreements, and a home mortgage agreement is much more favorable to consumers than credit card agreements. You can't have arbitration in a home mortgage for example.

So this would have three advantages. The first is that it would directly eliminate terms that consumers can't understand. The second is it would allow consumers over time to learn how the agreement works so that they can operate more rationally under it, and most importantly is it would focus competition.

My goal is not to limit competition and I don't want to hamper innovative financial products. What I want to do is I want to channel competition to the terms about which consumers in fact care and on which they can compete and those are price-based terms like annual fees, grace periods, maybe consumer service could be one of the terms on which the market would compete. And if I had more time, I would also want to mention disclosure since David Wood is here, but I'm going to pass on that and let him talk about disclosures.

The last thing I want to talk about is to have an effective set of reforms you have to go beyond the contracts. You have to address the sweat-box model of credit card underwriting which is really what drives dominant credit card issuers today. The Federal Reserve recently issued their report under section 12.29 of BAPCPA – it's sort of the parallel report to David's report that Congress has to look at, and this report talks about the sophistication with which lenders analyze information in making their underwriting decision. But telling us that the issuers are sophisticated, doesn't say anything about whether they assess a likelihood of repayment. The business of credit card lenders is to make money for their shareholders and they are very good at it, but the point is they can make a lot of money even if borrowers don't repay their loans. The trick is to get the borrowers to pay small sums of money for long periods of time. And so when the

Federal Reserve in their report focuses on low debt service burdens, they really miss the point.

The two things I would propose related to that – the first of which is I think we should have marketing restrictions that limit marketing to youth and college students. The point of the sweat-box model is to get people likely to be customers for a very long period of time, and to do that you want to target people that are financially naïve. You will have noticed that there is much more marketing to college students and children, products designed for children than there were – I think that when you say we want to target and we don't want to restrict products for responsible adults, that doesn't mean we can't restrict things that are marketed at children, because our children are not as presumptively responsible as adults.

And the second thing I would like to do, which is a little hard to understand, is increase mandatory minimum payments. If we increased mandatory minimum payments, it would be harder to have customers that pay on their bills for 5, 10, or 15 years without amortizing their debts. It might shift the bankruptcy point for these people a little earlier, but if you have someone who's irretrievably enmeshed in debt, society as a whole is better off if they file for bankruptcy sooner rather than later, so they can return to being productive members of society.

And the last thing I want to close with is an anecdote that responds about what the senator said: Great Britain had legislative hearings on credit card issuers – credit cards a few years ago, and their hearings are very different from ours, as you can tell from this anecdote. So the CEO of Barclays is here talking about credit cards, and he comments – "I don't use credit cards myself because they're too expensive," okay, so that's what the British press have big headlines about. But then he goes on to say, "The thing that frustrates me most is I can't keep my kids from using them." This is the CEO of one of the largest banks of the planet and he's complaining that he can't keep his kids from using this product. I'll stop with that. (Laughter.)

MR. DOUGLAS: Thank you, Ronald.

David?

MR. DAVID WOOD: Thank you, Derek, and thanks to the Center for inviting me today. I've been at GAO for 29 years and I don't think I've ever heard any of our reports referred to as critically acclaimed, but I can tell you this one's been popular.

The folks in our public affairs office pay attention to the number of hits on our website for various reports and this is the only one that I know of that has for two weeks running exceeded the 15,000 per week hit on the website, so it's been a bestseller from our stand point.

For those who may not know, GAO is an independent agency in the legislative branch. Our mission is to provide the Congress with timely information that's objective,

fact based, fair, and balanced. We're nonpartisan. Most of our work is done in response to request from congressional committee leadership, members, or in response to statutory mandates.

The letter from Senator Levin that prompted this report on credit cards had a number of detailed questions, but for reporting purposes we collapsed those into sort of four broad areas.

The first had to do of course with credit card pricing, and that included interest rates and various types of fees and how they have changed over time. The second area concerns disclosures; that is, how effectively the written disclosures convey pricing information to cardholders. The third area deals with the role of credit card debt and of penalty chargers in particular in consumer bankruptcies. And the fourth was the role of penalty charges and the revenues and profitability of the card issuers.

In the interest of time I'm going to focus my remarks today just on the first two of these and I'm going to really just sort of hit the highlights. This is a report that's over 100 pages which is kind of unusually long for us and I don't want to bombard you with too many numbers, though I encourage you to look at the report and visit our website to download it.

To examine credit card pricing, we did several things. First of all, we got the solicitations and card member agreements for the 28 popular cards that Senator Levin alluded to. There were offered between 2003 and 2005 and those were from the six largest issuers as of the end of calendar year 2004. They were CitiBank, MBNA, Chase Bank, CapitalOne, Bank of America, and Discover. And the issuers determined which of their cards were most popular, but the idea was we wanted sort of mainstream, typical cards.

For each of the cards, we examined the documents to determine what interest rates would apply, what fees were involved and the conditions under which the fees would be assessed, and other features such as balance computation or payment allocation methods.

The second thing we did was to obtain from the same issuers information about their active accounts during the same period. We did this to get a sense of the actual interest rates and the actual fees that cardholders actually experienced, not just what was in the agreements. And the companies went to a considerable effort and expense to compile this data for us. There were some protracted negotiations and frankly we didn't get all that we would like to have gotten, but we were very appreciative of what they were able to provide us with. As an agency, we have wide access to other federal agencies' information and data, but that does not extend to the private sector. We have to rely on voluntary cooperation.

The third step in our approach was to obtain and analyze reports and data that have been compiled by others, and this included CardWeb which is an online publisher of

information about the industry, consumer groups, and of course the federal banking supervisors including the Federal Reserve.

Well, what did we find? In term of interest rates, our analysis of the cardholder documents showed that cardholders could be charged up to three different rates on the same card such as one for purchases, one for balance transfers, one for cash advances. And that's a change from the single rates that were more typical of cards in the past. Also, the interest rates tended not to be fixed but to vary with market rates. And 25 of the cards that we assessed had variable interest rates as of 2005. And finally, the interest rates seem to be lower than those that prevailed in the past. For example, data from the Federal Reserve shows that the average credit card rates were around 18 percent annually between 1972 and 1990. Our analysis of the card documents show that between 2003 and 2005 the average interest rate for purchases was about 12 percent. The range was about 8 to 19 percent.

However, the card documents also showed that higher default interest rates – in some cases over 30 percent – could be assessed as a penalty for certain behaviors such as paying late. The data provided by the issuers did not specifically identify the extent to which cardholders were assessed penalty interest rates, but the data showed that as of December, 2005, about 80 percent of their active accounts had purchase rates of 20 percent or below. And since the penalty rates tended to be higher – typically above 25 percent – that suggested that the penalty rates were not necessarily widespread. However, the proportion of active accounts with rates about 25 percent did double during the period we examined. It went from 5 percent in 2003 to 11 percent in 2005.

What about the fees? First, we found that compared with the past years the cards tend to come with the potential for certainly more types of fees. Some are triggered by cardholder behavior that the issuers regard as risky, like making late payments, exceeding a credit limit, or bouncing a check. Other fees can be assessed for a variety of services such as making a cash advance, transferring a balance, requesting a stop payment, or the one that Senator Levin referred to, making a payment by telephone.

Second we found that the amounts assessed in response to cardholders risky behaviors, which are often called penalty fees, had tended to increase. For example, according to survey data reported separately by CardWeb and by consumer action, average annual late fees increased over 80 percent in real terms between 1995 and 2005. Now, the slide actually shows you unadjusted numbers. The dotted line is the CardWeb and the nominal figures are $13 in 1995 and $34 in 2005, but you get the picture.

Similarly, according to the same sources, average annual over limit fees increased by over 75 percent in real terms during the same period. Again, what you're looking at is the unadjusted numbers, but you can see the trend. However, the data provided by the six issuers showed that a minority of their cardholders actually experienced the penalty fees. Specifically, the data showed that in 2005 about 35 percent of the accounts experienced a late fee; about 13 percent of their accounts experienced an over limit fee. Further, one

fee that used to be very prevalent, which was an annual fee just for holding the card, has largely disappeared. About three-quarters of the cards we reviewed had no annual fee.

Finally, our analysis showed that in addition to the interest rates and fees, including penalty rates and fees, other features can affect the cost of using the cards and that includes payment allocation methods, which is basically the way that issuers allocate your payment across different balances, and also balance computation methods, which affect the duration of the interest free period when a customer goes from a convenience user status to actually revolving a balance.

Well, the picture that sort of emerges from all this is that the pricing of credit cards has got a lot more complex with a number of different variables that can affect cardholders' cost.

So let me move to the second objective, which actually talks about the effectiveness of the disclosures to consumers; in other words, how well do cardholders understand all of this complexity. And to get at this question, we first hired a private consultant – Userworks Incorporated – to assess written disclosures for four credit cards. And specifically the consultant reviewed both the solicitation documents and the cardholder agreements that came with those four cards. The consultant used three methods. The first was a readability assessment, which used computerized formulas to do things like count the numbers of syllables in words and the number of words and sentences. That analysis was used to predict the reading level, which is to say the education level, that would be required in order for someone to be able to understand what was written.

The second method was a comparison of the documents to the best practices that are identified in the Securities and Exchange Commission plain English handbook. That handbook was developed to help companies write clear disclosures about the securities that they are offering.

And finally the consultancy tested 12 consumers on their ability to actually use the documents to identify and understand information about fees and other credit card features. In addition, we independently interviewed 112 consumers in Boston, Chicago, and San Francisco concerning their knowledge of their credit card's terms and conditions.

Well, again what did we find? In a nutshell, we found that there are a number of weaknesses in these disclosures that appear to hinder cardholders' understanding of terms and conditions that are going to affect their cost. First the readability assessment indicated that the solicitations in cardholder agreements were written at about a 10th grade to 12th grade reading level and some specific passages were written at a much higher level. The 2003 national assessment of adult literacy indicated that about half of the U.S. adult population reads at or below the eighth grade level. That suggests that the disclosure documents are simply written at too high a level for many people to understand.

Second, the comparison to the plain English handbook showed that the documents have a number of weaknesses in terms of their organization and formatting. I don't know how well this shows up. In this case, all of the information that we've highlighted with the light grey background concerns the interest rate that's applicable to purchases with the card. And as hopefully you can see, that information is scattered all over the document. There's no single place you can go to to quickly find that information.

Other observed weaknesses in formatting included font sizes that were too small or were condensed so that they'd look smaller than they actually were, inappropriate emphasis of selected text, and inappropriate use of headings. As an example of inappropriately emphasizing text, you'll note that on this slide in the boxes on the right, which are from the cardholder documents, all of the text is in capital letters and in the top box it's all in bold. The consultant simply noted that by emphasizing all of the text nothing is emphasized.

There are a lot more examples like this in our report, but I think you can get the point with just these two. Both the consultant's consumer testing and our interviews with cardholders confirmed that many did not fully understand the terms and conditions of their credit cards and many had difficulty using the card materials to find information that was relevant.

Why are the disclosures as they are? We found several likely reasons. First, the issuers are driven by concerns about legal liability. That can tend to discourage any attempt to improvise or to make simpler statements or to deviate from model forms or from formats that are prescribed by the Federal Reserve. The Federal Reserve is responsible for enforcing the disclosure requirements under its regulation Z.

Second, the regulations governing the disclosures have become outdated. The last comprehensive revision to the opening credit rules and regulation Z occurred in 1989. And as we've seen, the features and pricing structures of credit cards have changed considerably since then. And finally the Federal Reserve's guidance might itself be inconsistent with guidelines for producing clear written documents.

Our conclusion from all this is reflected in the report's title and that's basically that increased complexity in pricing heightens the need for effective disclosures. Accordingly, we recommended to the Federal Reserve in it revision of regulation Z to ensure that disclosures effectively highlight for consumers aspects that will significantly affect their cost. The Fed concurred with our report and we've been in touch with them since them to provide any additional data that are helpful to them in that regard.

Before I relinquish the microphone, I do want to take the opportunity to introduce two of my colleagues that are here. Akiki Numa (ph) did a lot of the financial data gathering and Anita Visser headed up our review of the disclosure documents. And I'm going to give all the tough questions to them. So thank you very much.

MR. DOUGLAS: Thank you, David. We started about ten minutes late so I think we could probably go a little bit extra. I, though, am going to be very, very brief because I do want to give time to the people in the audience to ask questions of our panelists. So I'm going to just go through very, very quickly.

What I'm going to be talking about today, though, is the report that you should've received called "Safety Sells." It's really more of a concept piece that lays out or tries to make the case about applying an incentive-based disclosure system to the credit card market. But I want to start with some video. This is something that you all may have seen before, and I ask you to pay close attention particularly to the end.

(Video presentation.)

MS. : Who cried?

MS. : I did.

MR. : Not me.

MR. : It was a sad ending and everything, I just didn't cry.

MS. : You just had like your hand on your chin.

MR. : That's called concentrating on the moment.

MS. : It's more like holding your quivering of the lip.

MS. : Exactly.

MR. : I wasn't crying.

MR. : I mean, seriously I don't know why –

MR. : I wasn't crying, okay?

MR. : Seriously I don't know why.

(End video presentation.)

MR. DOUGLAS: So you all are sitting in your chairs now wondering what was that. What does that have to do with the topic that we're discussing today, which is regulation of credit cards. Right now that doesn't have anything to do with the credit card industry, but what I've proposed in the paper that you have is that it should or we should at least start to think about whether or not we can come up with a system that could evaluate the safety of credit cards for consumers.

Let me give you a little context for what I'm talking about. Right now as David Wood described, most regulation of the credit card industry happens through disclosures. And the way that most of the disclosures are set up, the regulators mandate certain things that credit card companies have to explain. You have the Schumer Box, you have other things in the credit card contracts that the regulators feel are important things for people to know so they can compare cards – things like what the interest rates going to be, that sort of thing.

The issue though is the premise or the basis really for those types of disclosures are something I call a moral-based approach. It's an approach that says these are things that people deserve to know, we want them to be able to compare on their own, we should tell them these things. What you saw in this ad, particularly at the end when it flashed up the five-star rating, highest rating by the government, is what the Congress and regulators in the Department of Transportation did to provide an incentive-based system of disclosure for auto manufacturers. And what that did is by giving a rating system to the safety of a car it has had the impact of incentivizing car companies to make safer cars. Now, this dates back to the late 1970s and some people here may remember in the '60s and '70s there was a lot of tension and talk about the dangers of cars, people getting injured in accidents, fatalities.

The discussion was similar in some ways to the discussion we're having right now about credit cards: the dangers of credit cards, people getting buried in debt, not bring able to dig themselves out, depression, cause of marital problems, all those sorts of things. Back in the '70s when Congress was confronted with that outrage, they created a comprehensive regulatory regime that had four parts really – at least four parts.

One, there was an oversight body. They created NHTSA, which was going to set up standards and oversee the safety of automobiles. Two, they created the federal motor vehicle safety standards, which are a list of baseline standards that cars have to have that NHTSA came out with. They also, though, had a disclosure system: gas mileage, things like that have to be disclosed to consumers when they're buying a car. But Congress recognized that they needed to go beyond just the moral based approach and that they needed to come up with a disclosure system that would – and I'm quoting here from a GAO study that looked at this, "to encourage market forces that prompt vehicle manufacturers to make safety improvements to new vehicles and provide the public with objective information on the relative safety of performance vehicles."

So what Congress did in the car context was create a comprehensive regime, oversight, standards, mandatory right to know stuff, but also an incentive for car companies to change their behavior so that it becomes profitable for them to have a five-star car that they can create a commercial about and attract consumers.

In the credit card area we don't have anything like that. We have the right to know, but there's no incentive now for a credit card company to make a card that has the safest types of aspects, however we want to define them. In the paper I lay some of these things out.

Right now what we see instead is companies trying to bury things in fine print, separate terms so it becomes harder to understand. The incentive almost works in the opposite direction. What we're proposing or I propose in the paper called "Safety Sells" is to add to the current disclosure regime for credit cards a safety assessment system.

Now, to do that what one would need to do is to figure out – well, a couple of things I want to say about the car one that I think are important to influence the credit card one. In coming up with the safety assessment program for cars, there was an intentional decision not to try and test for everything. You can't test for everything. Some things are dealt with through the traditional regulatory process. The federal motor vehicle safety standards sets standards for brakes and that sort of thing. You deal with them there. But what they did at NHTSA, and the organization that administers this is called the new car assessment program which is within NHTSA – was they identified the most dangerous types of accidents, the things that really could injure or sometimes kill consumers – the most dangerous ones – and those were the ones that they tested.

The results from these tests have been dramatic, which is why I think it makes sense to look at doing it here. Let me show you a couple of charts. This first chart shows – I'm going to have to just get a little bit of it. It compares the number of five, four, three, two and one-star cars that were being produced in the United States at 1979 when the five-star rating system was first introduced by the new car assessment program and in 2006.

Look at the results: 1979, 47 percent of the cars were at the one or two-star level, only 3 percent were at the five-star level. Thirty years later, 57 percent at the five-star, none at the one or two-star level. It's having the effect that the federal regulators wanted, incentivizing changing behavior.

Now go down one more. So that was a 30-year period, some people might say technological advance, those sorts of things were the result, but let's look at side impact. The side impact tests were done started in 1997 so we a 10-year window. Again, 28 percent were one or two-star when it started. Today there's only 1 percent, 54 percent are five-star versus four.

Go down two more. Very quickly – now this, the rollover test for cars was just introduced in 2000, so this is very recent. Again, 23 percent one or two at the start of the testing; as a result of the testing, six years later 1 percent one or two, 12 percent five-star jumped up – doubled – and look at all those in the four-star category.

What this shows is that creating an incentive-based system for people that makes it profitable for companies to create safe products can have dramatic effects on the behavior of companies. In the paper, I lay out some broad ideas for what we could do on the credit card side but I think a lot of thoughts going to need to go in to how to design it. The FTC might be the proper place to house it.

Ronald Mann mentioned that terms and practices change all the time, and there's a lot of bad things that are happening with credit cards, so you might have to do some research to determine which things are the most dangerous. I would approach it by looking at processes as opposed to specific terms and let the traditional regulatory system deal with those. For example, a process is when a credit card company can unilaterally change the terms of a contract whenever they want. A process is when credit card companies can retroactively apply things like interest rates or as to me what Senator Levin was talking about with double billing was a retroactive application of a rate as well, because you paid it but you didn't pay it all so it got played back on you.

I think that if we look at a system like that, it could lead to dramatic impact on the types of cards we have. You could have a red, yellow, green formulation as opposed to a five star. You could put it on the card. You could also put it on the credit card contract itself. This would also, in addition to informing consumers, influencing the behavior of companies, it would also possibly make greater market for safety cards because now companies want to make the green types of cards.

So this idea I think is at the early stages, but it has a lot of potential if we believe the results that we've seen in the five-star car safety rating system. And it's important to note this is not a replacement for what's already happening, for what Ronald Mann and others are talking about; it's an addition too. NHTSA didn't say let's just go with an incentive-based system and that's it; they said we need a multi-tiered approach and this is a critical part of that approach.

So I encourage you to read the paper and I'm going to leave it at that for now. We have about 10 minutes or so to take questions, so I want to open it up to the audience. In the back. He's going to bring a microphone, so if you could just –

MR. WOOD: Name and organization please.

MS: Hi, I'm Terri Williams with the *U.S. Women's Business Journal*. We work a lot in small business areas. I'm wondering if you're finding with the movement now and a lot of marketing to small business credit cards and kind of convergence between consumer and small business because of the flow between the two often. Are you seeing any correlation to small business bankruptcies or those sort of dramatic effects?

MR. WOOD: We have very little data the way the bankruptcy filings are done in this country.

(END)