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HEARING ON STUDENTS AND CREDIT CARDS
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT
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Madame Chairwoman, I want to thank you for having this important hearing today and for inviting me to testify. I hope that our discussion will help lead to the timely passage of H.R. 3347, the Student Credit Card Protection Act.

Credit card debt in our society is growing at an ever-increasing rate, and people are starting to get into a cycle of debt at even younger ages than ever before. College students are now acquiring credit cards they do not know how to use, and wracking up debt it will take them years to pay down.

Credit card companies appear on campus pedaling what seems to many students to be free money—along with the promise of free t-shirts, gift certificates, and other incentives. But this money is anything but free—often carrying interest rates of up to 30 percent annually, meaning it could take a well-meaning student years to pay down an initial debt of several hundred dollars, if they make only the minimum payment.

Recent studies have indicated that financial pressure is now the number one reason students drop out of college—more than academic issues, health problems, or any other challenge.

You and I both know the value of a college degree, and the tragedy that occurs when a student who wanted to study anthropology or medicine, philosophy or physics, is forced to drop out of college simply to pay down debt they never should have had the ability to incur.

The reality on college campuses today is that most students have at least one credit card, and among those who do, over 40 percent carry a balance from one month to the next. The average balance they carry is \$1000, far higher than a student with no income would be able to pay off, particularly at a high interest rate. Most disturbingly, of students who carry a balance on their cards, 25 percent carry a balance of more than \$2,500.

We must take action to show students how to use credit responsibly, while still allowing for students' need to have a card for convenience or emergency expenses.

The Student Credit Card Protection Act will address these concerns by limiting the amount of credit a student without a co-signer may have to either \$500 or 20 percent of their annual income, whichever is greater.

It will also mandate income history verification for any student who would like a credit card, to ensure that the amount of credit extended is reasonable for their income. For students who have

a co-signer on their cards, any increase in their credit limit must be approved, in writing, by their co-signer.

These limitations will enable our young people who are learning to be tomorrow's leaders to learn how to take care of their own finances as they grow older. Financial discipline is the key to buying a house or car, and to maintaining a family budget. I am confident that the Student Credit Card Protection Act will enable the next generation to learn how to be successful by learning how to use credit without misusing it, and making sure that our younger citizens do not find themselves mired in debt, without any idea of which way to go.