# Maxed Out

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"How do you stop a rhino from charging?" Take away his credit card. That joke was a staple of my grade school comedy material and it's relevant today because of its timeless quality. Taking his card away, however, may be easier said than done if rhinos are anything like Americans who typically have a death grip on their credit cards.

Today Americans have around $850 billion in consumer debt, which has raised the interest of the government. Credit card companies allegedly collect $20 billion a year in fees that didn't exist two decades ago. Last month, Congress held hearings to investigate the credit industry, including these sometimes exorbitant fees and penalties charged to consumers.

The hearings were conducted by the Senate Homeland Security and Governmental Affairs' investigative subcommittee. Senator Carl Levin, a Democrat from Michigan, called for the hearings in response to a recent Government Accountability Office investigation that targeted the revenue generating tactics used by credit card companies. Even though the committee on homeland security and government affairs is not the typical forum for consumer matters, Levin was so upset by the GAO report that he called the hearings anyway.

The GAO report illustrated several traps for unwary consumers, including the following:

- Trailing interest – this is interest charged by a credit card company on a consumer's purchase, even after it has been paid off.
- Universal default – is when credit card companies raise interest rates after a consumer makes a late payment on a different card.
- Lowest interest first policy – is where credit card companies charge consumers multiple rates for different types of transactions, but only the lowest rate purchases get paid off first, making the high-interest items last longer.
- The written agreement – contains the terms of the extension of credit to the consumer, however, most written agreements do not identify many fees charged by credit card companies, not to mention the fact that they are so cryptic they are practically incomprehensible.

Finally, some credit card companies routinely raise interest rates and fees when the company believes it is necessary because of conditions in the financial markets. These credit card practices are certainly legal, however, many spurned consumers asked for these Congressional hearings to outlaw them.

These hearings come on the heels of hearings held in January by the Senate Banking Committee where Chairman Christopher Dodd and other Democratic senators examined credit card companies' tendencies to increase late fees, penalties and marketing practices described as "predatory". Dodd informed the industry that if it doesn't improve practices on its own, legislation may be warranted.

One of those practices is targeting college kids, who don't have a grasp on what incurring lots of debt early on can do to their lives. On spring break my senior year of college, my bottle of cologne broke in my bag, so all my clothes stunk. I signed up for 6 credit cards and got 6 free t-shirts, replenishing my wardrobe in half-an-hour. Thankfully I cancelled the cards when I got home, but not all college kids do.

Three major banks were represented at the hearings by their executives, who defended their credit card practices as both responsible and responsive to consumers' needs. The lawmakers didn't buy it and are looking for solutions to the problem of Americans using credit cards to dig themselves further into debt.