



A Conversation  
on **LATINO** Credit  
Card Use

The National Council of La Raza (NCLR) – the largest national Hispanic civil rights and advocacy organization in the United States – works to improve opportunities for Hispanic Americans. Through its network of nearly 300 affiliated community-based organizations (CBOs), NCLR reaches millions of Hispanics each year in 41 states, Puerto Rico, and the District of Columbia. To achieve its mission, NCLR conducts applied research, policy analysis, and advocacy, providing a Latino perspective in five key areas – assets/investments, civil rights/immigration, education, employment and economic status, and health. In addition, it provides capacity-building assistance to its Affiliates who work at the state and local level to advance opportunities for individuals and families.

Founded in 1968, NCLR is a private, nonprofit, nonpartisan, tax-exempt organization headquartered in Washington, DC. NCLR serves all Hispanic subgroups in all regions of the country and has operations in Atlanta, Chicago, Los Angeles, New York, Phoenix, Sacramento, San Antonio, and San Juan, Puerto Rico.

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# **A Conversation on LATINO Credit Card Use**

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National Council of La Raza  
Raul Yzaguirre Building  
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We extend a very special thank-you to all of the roundtable participants, including:

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CardRatings.com

**Sol Carbonell**

Consumer Action

**Rocio Castruita**

YWCA

**Rudy Cavazos**

Money Management International

**Pastor Herrera**

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Consumer Credit Counseling Services

**Rosario Méndez**

Federal Trade Commission

**Maria Olguin**

Office of the Comptroller of the Currency

**Joseph Ridout**

Consumer Action

All roundtable participants had an opportunity to review the transcript for clarification but did not alter materially or substantively their comments.



## Foreword

Hispanic purchasing power in the U.S. has surged to nearly \$700 billion and is projected to reach \$1 trillion by 2010. Hispanics contribute to the national economy in many ways, including starting small businesses, buying homes, and revitalizing inner-city neighborhoods. Still, there is a large segment of the Hispanic population in the U.S. that is struggling to make ends meet. With limited income and savings, these families must rely on credit cards to purchase basic household necessities and cover the costs of unexpected events, such as job loss, illness, or even simple car repairs. Although wise credit card use is a way to build a credit history and essential to long-term wealth accumulation, an increased reliance on credit cards may expose Hispanic consumers to financial predators and lead to a dangerous accumulation of debt. Moreover, credit card use may negatively impact Hispanic families' ability to increase savings, accumulate assets and wealth, and move into the ranks of the American middle class.

As policy-makers begin to examine credit card industry practices, more information is needed about how these practices impact the Hispanic community. Certainly, to improve the financial situation of Hispanics in the U.S., we must understand how they use credit. Thus, the time was right to convene individuals collecting Hispanic consumer complaint information, credit counselors, and regulators to develop a deeper understanding of the Hispanic credit card experience.

The discussion that follows is the beginning of NCLR's effort to bring community voices into the debate over credit and debt. We hope that the information contained in this discussion will help shape policies

that produce positive results for low-income Hispanic families and help develop effective consumer education efforts. NCLR will continue to work to fill information gaps, protect Latino consumers from wealth-depleting financial services, and enact policies that increase Latino asset-building opportunities. As Latinos are the fastest-growing demographic in the country, meeting these goals is essential for our country's future.

Respectfully,



Janet Murguía  
President and CEO

# Executive Summary

NCLR convened "Latino Credit Card Use: Documenting the Latino Experience" at its 2006 Annual Conference in Los Angeles, California to:

- Identify the most pertinent credit card-related issues that Hispanic consumers face
- Share stories and complaint information related to Hispanic credit card use
- Share knowledge about existing efforts to protect Hispanic consumers and address grievances
- Discuss ways to improve the ability of Hispanics to access affordable credit

The roundtable discussion covered a wide range of topics, including industry policies and practices, such as fees and universal default, secured and affinity credit cards, and credit card scams and fraud.

Roundtable participants had mixed opinions regarding the use of secured credit cards. The high fees charged to obtain a secured credit card are a concern and may not benefit consumers in the short term. However, most participants agreed that secured credit cards may be a good instrument for building a credit history, especially when used in combination with financial education or counseling.

Roundtable participants also alluded to an increase in affinity and fake credit card scams targeted to Hispanic consumers. For example, Joe Ridout revealed that individuals who purport to be working in the Hispanic community's interest sell cards to Hispanic consumers which

turn out to be “worthless pieces of plastic.” Furthermore, the conversation revealed that Spanish-language media has sometimes played an unfortunate role by selling advertising space unknowingly to entities promoting fraudulent credit card products. Although the FTC has begun to educate the media about credit card scams, Spanish-language media outlets need more information and training on how to identify fraudulent products.

Individuals collecting Hispanic consumer complaint information revealed that many of the questions and complaints that they receive speak to the high cost of fees associated with using credit cards. Additionally, the variety of fees charged and the multiple names used to describe fees between credit card companies make it difficult for consumers to select a credit card with the best terms. Hispanic consumers are also often unaware of credit card policies, such as universal default, or lack an understanding of the relationship between the minimum balance requirement and their credit card balance. Including payment calculations where consumers can review their rates and establishing universal names for all credit card-related fees to facilitate comparison shopping were offered as solutions.

Finally, participants stated that Latino consumers need targeted education and financial counseling to build a deeper understanding of credit card policies and practices. All participants agree that more work is needed to protect Latino consumers from credit card-related scams that are stripping wealth from the community – a charge that NCLR supports strongly.

# Roundtable Conversation

## Welcome and Opening Remarks

**Beatriz Ibarra:** Hello. It's a pleasure to welcome you to the 2006 NCLR Annual Conference. Thank you so much for coming. I know you all have very busy lives, and we really appreciate that you traveled far to get here. I think we have a very diverse group of people here today. Some of you are collecting consumer complaint information, others are providing credit counseling services, [some are] collecting information on credit card policies, and others are regulators. So I think we have a good group, and we're going to have a great discussion.

Let me start by giving you a little background on NCLR. As you may know, we have a very active policy and advocacy shop. We work on a variety of issues including criminal justice, immigration, education, and health. We also have three policy analysts who work on economic mobility issues. My colleague, Janis Bowdler, works on increasing homeownership opportunities. Janis does everything related to mortgages, including predatory lending, and she also does some bank advocacy work. My colleague, Luisa Grillo-Chope, works on retirement security, pensions, and tax issues. She was involved in the estate tax debate this year. And I work on increasing Latino access to financial services – savings accounts, checking accounts – as well as on increasing access to financial counseling, improving data security, eradicating auto finance discrimination, and protecting foreign-issued

IDs – such as the *matricula consular* and the Individual Taxpayer Identification Number, the IRS-issued ID.

It recently became clear to us that we need to start looking at credit cards more closely. There's a lot of activity around credit cards right now. There's a debate on reregulating the credit card industry, there are people talking about how to curb abusive practices, and they're talking about whether a national usury law would make sense. And it seems to me, in this debate, that there's no Latino perspective, and we want to provide that. We want to get involved and better understand how proposed policies will impact the Latino community. As you may know, credit card use is on the rise in the Latino community. From 1992 to 2001, we've seen a 20% increase in credit card use. Average debt now is about \$3,291 per individual.

We've asked you to come here today for a couple of reasons. First, we want a lot more information, and we know that you're doing a lot of work in this area and we have a lot of questions, as you can see from the agenda. We also want to identify: What are the big issues out there? What are you seeing? What are the most prevalent practices?

Also, we want to learn more about efforts to collect consumer complaint information, and discuss whether these efforts are working, could be improved at all, or maybe they're great and we're here only to get some stories from you. Finally, we want to talk about some policy solutions and hear your thoughts on how best to help all consumers.

## Introductions

**Ms. Ibarra:** Without further delay, let's go around the table and introduce ourselves by name and affiliation. And if you could please describe the area of credit you're working in. Thank you.

**Maria Olguin:** [Statements by Maria Olguin in this transcript are her personal opinions and observations exclusively and do not reflect

the views of the Office of the Comptroller of the Currency (OCC).] My name is Maria Olguin. I am a bank examiner with the Office of the Comptroller of the Currency. We supervise the national banking system. Most of the largest banks in the country are national banks, and they are in our portfolio: Citibank, Wells Fargo, Chase, Wachovia, Bank of America. They're all national banks. The office that I'm representing today is the Office of the Ombudsman. We have two main divisions in the Office of the Ombudsman. One of them is the national bank appeals process, which is where we actually started as an ombudsman function. It helps national banks that are having issues or concerns with their supervisory office, their field bank examiners – they can come to us, submit their question or concern or appeal, and we help them process it because we're all trained bank examiners.

The second piece, which is really what I'm promoting at this visit, is the customer assistance group. We've had a customer assistance group for a number of years. However, in 1998, we consolidated the group in Houston. We implemented state-of-the-art technology and we service the whole country. When a customer has a problem with a national bank, they can come to us and we can help them resolve the problem. With our largest bank, we have what they call a business-to-business technology platform. A customer sends out their complaint, we send it electronically to the bank, and the bank responds back to us electronically. We do have Spanish-speaking staff [who] will speak to the consumers. We also have [Spanish-speaking] staff in banks... .

Last year we published our first customer assistance group brochures, which have frequently-asked questions – Can a bank charge me a fee for X? Or can a bank put a hold on my check? And just hot off the press – and I'm sorry I ran out before I came here – we published the Spanish version with the same basic questions. There are a group of basic questions that we hear a lot about of what a bank can or can't do.

Well, part of our function is not only to help the individual consumer resolve their issue, but also to give value back to the banking industry and to the supervisory office. We meet with the largest bank with the largest number of complaints. We show them where their complaints are coming from, the area, to give them trends, volumes, and some of the key issues we're working on to help them identify areas that they need to focus on in their policies and practices.

The other thing we do is provide information to the supervisory office. A lot of times when we have a complaint against a bank, one complaint is not much, but when we hear the same complaint over and over, it's indicative of an issue, problem, or concern at the bank. And we have a link to the supervisory office that goes back and examines the area of the bank to see if there's something that they need to focus on. So, in a nutshell, that's what we do.

**Curtis Arnold:** Okay. I will probably not be as lengthy. My name is Curtis Arnold, and I'm with CardRatings.com. We're a niche organization. We actually have been around since '98, but we review the best credit cards on the market and actually rate cards – our staff does. We have a very popular section of our site: the consumer review section. There are about 20,000 consumer reviews of hundreds and hundreds of credit cards on our website for free. In the new reviews, we encourage consumers to go in – obviously Latino consumers as well – and rate their own credit card and write about the kind of experience they've had with that credit card. It's valuable information – incredible information – that you will not find anywhere else that I'm aware of.

We also provide the survey for the New York State Banking Department. They have a quarterly credit card survey. We're the folks that compile the data and provide that survey, so we're proud to affiliate with them. They obviously have a very consumer-friendly reputation.

But I'm the spokesperson and founder of the website and organization, so I get interviewed a lot on consumer-friendly practices. What is a



good credit card? What are the rip-offs? I also get interviewed on a lot of reward credit cards, which we probably won't go into discussion here today. But a pleasure to be here. Thanks very much.

**Rosario Méndez:** Hi, good afternoon. My name is Rosario Méndez. I am with the Federal Trade Commission [FTC], and I first want to thank Eric and Beatriz for inviting us to be here at the roundtable. I first have to point out that my opinions here are my own and not those of the Commission, so I will try to just express my opinions and my viewpoints in a personal capacity.

I work in the Division of the Consumer and Business Education of the Bureau of Consumer Protection. I'm a coordinator of Hispanic Outreach with the Office of Consumer and Business Education, and in that capacity I work with groups like NCLR and their Affiliates, consumer protection agencies locally, and state attorneys general offices to bring messages of consumer protection to communities in the nation, specifically in Hispanic communities.

The FTC enforces many laws that are related to credit issues and financial matters. I will try to share what I can and what I have learned about some of the credit card-related scams that the FTC has seen in the past couple of years aimed at the Hispanic community. Take into consideration that we don't have jurisdiction over most legitimate bank-issued credit cards. The OCC would be involved in those issues. But when there is fraud, the FTC would get involved, and I will try to share as much as I can on those topics. Thank you.

**Patricia Jimenez-Ronka:** *Buenas tardes.* My name is Patricia Jimenez and I work for Consumer Credit Counseling Service [CCCS] of metropolitan Atlanta. We serve Mississippi, Tennessee, North Georgia, and South Florida. I am the outreach coordinator for the Hispanic area, and in that capacity I give seminars and have contact with different kinds of institutions and businesses trying to get them to allow us to

provide education. Consumer Credit Counseling Service provides education, counseling. We also have pre- and post-bankruptcy counseling and education. Another thing that we have is the housing department, and then we provide housing counseling, housing education, pre- and post-purchase counseling, and home-buying education. I will be very happy to relate everything that we receive in the communities. The communities that we work with have a very young – not age, but a very recent immigrant community, so the need for knowledge and education is really great. Thank you.

**Joseph Ridout:** Hi, my name is Joe Ridout. I'm with Consumer Action. Consumer Action has been around since 1971. We're a nationwide consumer education advocacy nonprofit. Every year we put out about two million publications in up to eight different languages. We have partnered with credit card companies to put out educational modules or seminars to bring in CBOs so they can train their own communities about how to understand credit card terms or how to decipher baffling fine print of credit card offers.

We also, once a year, conduct a credit card survey. Last year, we surveyed 47 different banks representing 146 different cards. So we also are able to track the trends as they emerge year to year.

In terms of what we hear from consumers, we also have a hotline that we maintain and it serves as an early-warning system for scams or new anti-consumer practices that may be emerging in the marketplace. In terms of what we hear from consumers, complaints about credit are the single largest category of complaints we hear. Within that, credit card rate and fee complaints are the single largest complaint within that category. As a result of this, we've been forced to focus quite intensely on this issue.

**Pastor Herrera:** Good afternoon everyone. And I guess I'm the one that had the shortest trip here, since I'm from LA. I'm very proud

to welcome all of you to Los Angeles and Los Angeles County. I am Pastor Herrera, and that's my name; it's not my title, okay. Just in case you were wondering, I do get that many times. And I'm the director of the LA County Department of Consumer Affairs.

We're very fortunate to have an independent government consumer affairs department and consumer protection agency in LA County. I think you can see why. We have ten million residents in LA County, of which approximately 48% are Latino, and so we do serve a big, big population here. I'm sure bigger than some of the states you are from. We come in contact with over 700,000 consumers a year – they call us, write us, walk into our office, or email us. We deal with many issues, everything from landlord tenant issues, which is "I can't get my security deposit back," to getting evicted, to credit, identity theft of course is a big issue, to used car purchases, new car purchases, and telemarketing fraud. You name it. They come to us as long as it's a complaint in the marketplace.

Now, we also get calls from businesses asking us for direction. They want to know how to deal with their tenants, and they need help with issues that many times they cannot handle themselves. We have various programs in our department not only dealing with consumer protection such as educating consumers, counseling them, investigating their complaints, but also we have a real estate fraud and information department that is the clearinghouse for real estate fraud here in LA County. We also have a mediation program that deals with neighbor-versus-neighbor disputes and business-versus-business disputes. We also have a very, very effective community outreach program that we're very proud of because we do think it's important to educate our consumers so they do not get ripped off.

I know there was a question as to – you know, what are some of the credit issues that we are dealing with. Let me share these with you. Of course, identity theft which many of you are, I know, are in that area.

The FTC is definitely one. There's an interesting twist to that, however. I think that we have found now that parents are using their kids' Social Security number. I think that's a trend that we have to be concerned about. And I'm sure we're going to be getting into that issue. Credit card fraud of course is big. I'm sure the FTC and Consumer Action remember Pro Line, which we will get into a discussion on that, which is very definitely a great example of deceptive practices and fraud where the victims were Latinos, unfortunately.

We handle building disputes and disputes against collection agencies. And I think Latinos are definitely victimized by collection agencies, primarily because of their names. You have thousands of José Rodríguezes, thousands of José Sánchezes, López. So these collection agencies, they do the simple thing. They have a database and they send it to every José Rodríguez out there in the country. They start calling and they intimidate them that they're going to either put them in jail or they're going to report it to immigration so sometimes they just pay up. And it's a very, very unfortunate fact, and so we deal with those.

Of course, there's also the issue of cosigning, which is an issue that we have to look at. And of course, sometimes we get into these...*contratos* that are local – you know, the local banks in the community where you kind of form a group or cooperative and you kind of put in money to a cooperative and then each week you get X number of dollars. So that's another issue. It may be primitive, but very, very prevalent in communities throughout the country.

But it's a pleasure to be part of this panel. Hopefully we can have a very good discussion and view some of the issues and hopefully solve some of the problems.

**Rudy Cavazos:** Good afternoon. I'm Rudy Cavazos. I'm with Money Management International. Pastor, I thought I was coming here to kill two birds with one stone and after this meeting take care of my confession.

**Mr. Herrera:** That's not going to work.

**Mr. Cavazos:** I said, we have a pastor, I'm going to go ahead and just get rid of it all this afternoon.

**Mr. Herrera:** What have you been doing in LA?

**Mr. Cavazos:** What happens in LA, stays in LA, right?

I think some of you already know who Money Management International [MMI] is. We're a credit counseling agency. We're the largest nonprofit credit counseling agency in the country. We've got offices in 23 different states. We're available 24/7 by telephone and by Internet. And as Patricia mentioned, CCCS...[is] under the MMI flag, if you will. There's about 20 different separate individual CCCSs that are a part of Money Management International. It's hard for a lot of people to understand how that works. There's been mergers since 1996, and the CCCSs have come under the umbrella of MMI to bring together resources and enhance and improve the quality of counseling and financial education at each of these different markets that we are actually in. And I guess I mentioned that's 23 states.

My position with MMI is the regional director for industry relations, and really what that means is I'm just a bridge builder. I build the bridges between financial institutions like banks and credit unions, large employers – offer them our financial education and an opportunity to refer either their employees or their customers for credit counseling and maybe, if appropriate, a debt management program.

I'd like to invite you to [univision.com](http://univision.com). If anybody's interested, go to a column called "Cuentas Claras." That's mine. And it's a lot of basic and grassroots information on financial issues, money issues, and credit issues. And I put out about two or three different articles a month. Thanks.

**Sol Carbonell:** I'll be really brief. My name is Sol Carbonell. I'm with Consumer Action, the same as Joe. I just started a new position with them as Associate of National Priorities. I used to be, two weeks ago, a consumer counselor, so I had direct contact with consumers through email. I used to be at the San Francisco office receiving all those calls from consumers on credit card issues and other related topics as well. I also participate in the Train the Trainers conferences that we do around the country, where we train community-based organizations on different topics. Financial literacy is really a huge, huge concern for us, and one of my top priorities right now is to make sure that the Latino perspective is incorporated into those issues.

I just have a really brief comment about Consumer Action and the hotline. I think it's very important to keep in mind that most of the time, community-based organizations are really the first point of contact with the consumer because there are a lot of trust issues they have with credit companies, government agencies, or regulators. So many of the calls that we receive about different types of frauds or scams – we were really the first organization that the consumer had contacted. And through partnerships and collaborations that we have formed, we were able to refer people to regulators, law enforcement, or consumer protection agencies that could take some sort of enforcement action. And were very happy to see that the FTC got some really good results, and particularly in the case of the Pro Line card. I also want to thank you again for inviting us.

**Rocio Castruita:** Good afternoon, everyone. I'm Rocio Castruita. I'm also part of CCCS: the Consumer Credit Counseling Service. It's in El Paso, Texas. And CCCS is part of the YWCA. We're the only CCCS to be part of the YWCA. And in El Paso, it's the largest YWCA in the U.S. Along with what Joe said, CCCS is also in the trenches. We're the people [who] are there to help out consumers with credit issues, debt management plans, and debt problems. So I'm very interested in

listening to how you have been helping clients because this is good information that I can take back home to help out even more the participants that we're helping in our community.

***Eric Rodriguez:*** Well, let me apologize for being late. I'm Eric Rodriguez. I'm the director of the Policy Center with NCLR. I want to mention just a couple things before we got started. One is that Beatriz and I had a lot of options about what we really wanted to focus on here at the Conference regarding Latinos and financial services. And this is the area that consistently came up as one that we really needed to look at. Our work tends to focus on low-income populations, generally speaking. And these issues around consumer protection tend to be a more middle-class type of issue, but our challenge was to find ways to bridge that gap. For us, it's getting information and hearing from people who are out there working in this area, so this is a great opportunity really for us to hear from you. We've tried to lay out an agenda that really covers the right areas where we're seeing [contact] and some interactions with Latinos who are raising this issue. There's a serious lack of data in this area, so this is one way that we feel like we can begin to identify with some of the key areas that you mentioned.

So we know there are issues with the industry and how cards are being designed, and we want to learn more about how that market functions and how they're segmented so Latinos may be targeted for specific products. We want to talk a little bit about that, too. We want to cover that in our understanding of this market.

But we also want to talk about the consumer-specific issues. We know that there are people [who] just essentially give away their Social Security numbers online. We need to know what information we need to be transferring to Latinos directly about what they should and should not do. We have general ideas about that, but we want to get more specific. We want to dig deeper, and we want to hear directly from people who are doing this work so that we can begin to apply some of

the energy behind an advocacy agenda at the national level that ties together all these factors and is very comprehensive but also deep and substantive.

## Industry Overview

**Ms. Ibarra:** Ok, that's a good segue for the first set of questions that we have on the industry. What do you think are the most prevalent – and maybe just give your top three – credit card-related issues facing the Latino community? Who are the major players in the field who are helping to shape the market? And who is missing from this discussion?

**Mr. Cavazos:** Through the seminars that I offer, and when these seminars are targeted toward low- to moderate-income consumers such as newly-arrived immigrants – Latin American immigrants – the first thing I get is they understand that they need credit in this country, and they understand that clearly. They're like, how do I obtain credit? And their question to me is, is a credit card the best way to do it? And of course my answer is "no" but it is the quickest, and they know that.

So where are they going? Right off the bat, they already know that there's such a product called a

*“Latin American immigrants – the first thing I get is they understand that they need credit in this country, and they understand that clearly.”*

secured credit card. A secured credit card, you probably all know, carries a very high interest rate, and there's probably an application fee and there's a lot of little fees attached to it that could be more detrimental to them than beneficial. So that's one major concern that I see in the Latino community.

**Mr. Arnold:** You know, there is a stigma attached to secured credit cards, but in fact, when you start looking and you compare a secured



card, although the rates are high – they’re usually upper teens – and there is typically not an application fee of the cards that I’ve reviewed, and this is all I do on a full-time basis, but if you look at a regular, unsecured credit card, which in the industry is called subprime credit card, you’re looking at most – maybe \$250 credit line that they’re going to give you.

And I took a card I just looked at today. It is called the First Premier Bank Gold Card. I love how they say “Gold Card.” They make it sound like it’s impressive that you get this card. The marketing of the card industry is unreal. But you look at this card and the average consumer would have no clue when you start looking at the fine print. Of course, I do this on a daily basis. But when you start adding it up, for this unsecured Gold Card, they’re going to give you a \$250 credit line typically. The fee is a \$48 annual fee. Okay, the typical secured card has a \$20 to \$40 annual fee, and that’s it. On top of the annual fee, though – and this is where it gets worse – a \$29 account setup fee. That’s a one-time upfront fee. A \$95 program fee. That’s a one-time upfront fee. You will not get hit with this with a secured credit card. And that’s why we are big advocates of secured credit cards if you’re going to choose the credit card route to establish credit. And that’s not just for Latinos, that’s for anyone.

Now it keeps going. A \$6 monthly maintenance fee, okay? So if you do the math and you add up all these fees, and again, they’re going to hit you with \$6 a month, you’re talking close to \$250 in fees. These fees they’re going to hit you with on the first statement that you get. So a long story short, and some of you guys may be aware of this, your \$250 credit line, you’re going to have about \$10 available credit. You don’t get that with a secured card. So I appreciate your point, but there is a counterpoint to that.

**Ms. Jimenez-Ronka:** What we have seen in CCCS is that there are two sides to it. If consumers have the education and they get a credit card – a secured credit card just to make credit history – they work

excellently. If they don't have any education and then they start using a secured credit card like a credit card with a balance, then that's when what Rudy said is true. But a secured credit card with education to me in my experience with CCCS has been very, very beneficial for the community that we work with. The only difference, I think, is that we don't call it a credit card. We call it an instrument to make credit history. And it's a plea, but it's a way for them to just make a credit history. And they have worked really, really well, even with the \$20 fee, et cetera. They know that this is something that they have to pay in order to make credit history and have whatever that they are trying to do.

**Mr. Ridout:** At Consumer Action, we see – I guess we could say about three different ways in which Hispanic consumers are affected by credit card terms. Number one would be just ordinary garden variety concerns about rates and fees and surprise at how quickly they can be changed unilaterally by the credit card companies. We hear a lot of complaints about that. People aren't aware of how universal default works. I've spoken with a lot of Spanish speakers who just really can't make heads or tails of why, even though they were one of the good customers – somebody who pays on time every month and always pays off their balance – that a credit card company can use a declining credit score or some unrelated event to put them in the penalty pricing. That doesn't make sense to English speakers either, but that's one thing that affects Spanish-speaking people we hear from.

Another one is – and this is particular to the Hispanic community – would be affinity frauds. Pastor made reference to a company called Pro Line, and Rosario mentioned you had some contact with this as well, but this – from time to time we hear about fake credit cards being offered by people who purport to have something specific for the Latino community, a company that's looking out for the interests of recent immigrants, someone that'll give a card to someone [who] doesn't have

a Social Security number, for example. And what they end up doing is just taking their money in an advance fee loan scam and leaving them with nothing except a worthless piece of plastic that won't build a credit history or even be useful in an ordinary transaction.

The final thing – and this is the one that really, I think, if you were going to try to build a better card that is most applicable to Hispanic consumers – is to look at cards that impose a foreign currency conversion fee for somebody who travels to Mexico or parts of Latin America or buys a lot when they travel. Many cards – most cards, actually, will impose a foreign currency conversion fee of 3%. Typically Citibank, Wells Fargo, MBNA, Chase, all the major ones, they're going to impose a 3% fee, part of it theirs, part of it Visa and MasterCard. There are a few banks that don't impose this fee, and those are particularly advantageous, I would say, for Hispanic consumers [who] still have contact with Mexico or Latin America. Those are ones like Amalgamated Bank, Tompkin's Trust, Capital One, Discover, although you can't really use Discover abroad as often. But that's a feature that I think is particularly of interest if you were going to try to design a credit card, it would be most beneficial for Hispanic consumers.

**Mr. Herrera:** I really think the other issue here is that Hispanics, like every other consumer in this country, they want credit because they need credit and that's one of the first things that they hear about, whether it's on the radio or television, so they want a piece of the action. That's the reality. And I think the industry is responding to that need and that desire, and they're doing it by maybe lowering the standards of actually offering either secured or unsecured credit cards. Individuals don't care what it is, as long as it's a card. But the interest rates, as we have mentioned, are higher. The fees are higher, and the limit at which they can use that card is very limited. So then what happens is that then they get another offer for another card and then they begin to develop a situation that they're never going to be able to

get out of. That's unfortunate. On the flip side is the educational aspect. We have to come in and really make a concerted effort to teach Latinos that, yeah, these are offered – you have to be aware of the high interest rates, the fees, et cetera, but then you have to look at reality that there are consequences, and you have to be a responsible credit card user.

**Ms. Olguin:** At the OCC, our review of the credit card shops focuses on the different programs that they offer. And we do look for programs that we think may

be on the edge of being abusive or predatory, and we do take action. Our enforcement

*“many of the actions that we take against a bank, we learn about them through hearing the complaints from the consumers.”*

actions are public. They're on the website. But we have gone from imposing fines to closing their programs, and in one case the whole bank ended up liquidating because it was a whole bank based on issuing credit cards that we considered to be subprime or abusive practice. So we do review those portfolios and we look at what the issues are.

And you're right, we look closely at the secured credit card programs because when they give a line of credit of \$250, but \$240 is already in fees, what is that really doing? What are they really doing even for someone [who's] trying to build their credit? They're not giving them much room to do that. And a lot of times many of the actions that we take against a bank, we learn about them through hearing the complaints from the consumers.

**Ms. Ibarra:** Are these new issues, or have they been the most prevalent issues for many, many years?

**Mr. Arnold:** Secured cards have been around for years. Let me just say a quick follow-up on this First Premier Bank Gold Card, and this

goes back to education. That card has an interest rate of 9.9% fixed. So if someone that is trying to establish credit desperately, they may just know to look for the interest rate and that would probably be it. So they see that 9.9% fixed and they think, my God, that's a great offer. But, now go back to the fee.

And one other quick thing – and I'm not addressing your question, but I wanted to make this point. With any credit cards, particularly secured cards, the crucial thing is that the card reports to all three of the major credit bureaus, so that's a question that consumers need to be asking because that's how you're going to establish credit the fastest way and most efficient way. And typically, if you're using a secured card, if that's the way you choose to go, then six months, 12 months, your credit score – we hear this time and time again from consumers, we have a very active message board on our site – but a score could go up 50, 100 points or more within a 12-month, 18-month period, which is remarkable.

**Mr. Ridout:** If I might add, too, also in regard to secured cards, some more of the ABCs of how to get the best deal if you're trying to establish credit for the first time, you'd want to ask how long it would take to convert it into an unsecured card. It should always be 12 months or less or even six months. And you also can ask if they report to the credit bureaus as a secured card or as an unsecured card because surprisingly a few of them report it as unsecured, which is slightly more advantageous if you're trying to build credit.

**Ms. Castruita:** Beatriz, I'd like to add that what we've seen is the whole issue about cosigners or consigning. In the Latino community, it's really common for someone to lend – give out your information to someone else or go ahead and help you out and be your cosigner. And it goes back to what Joe said: knowing the ABCs. They don't even know the implications of consigning. They don't understand – totally understand – what they're liable for.

**Ms. Ibarra:** For those of you who are collecting complaints, are the issues that Latino consumers face different from other groups?

**Mr. Herrera:** In our experience, whether they're Latinos, or African Americans or Armenians, recent immigrants, for example, Armenians or Koreans, Chinese-speaking, overall they're the same other than the affinity aspect of it where you have the Pro Line – they're offering fake credit cards – or else that they do have a great opportunity. And the opportunity is, number one, that they speak your language, they are your friend, they are your *hermano* or your *hermana*, and they would not do anything to defraud you.

And the other unfortunate aspect of this is that the Spanish-speaking media use and buy this advertising, unfortunately, and they're the biggest, I'd say, perpetrators of some of these frauds. Pro Line was definitely – they were advertising on Telemundo and, I don't know, Univision.

**Mr. Ridout:** They pulled it off before Telemundo began.

**Mr. Herrera:** Yeah, but you know – I mean, here is the other issue which I don't see that as much in the English-speaking press. There are some, but not as much. And they take advantage of, unfortunately, the lack of sophistication of our Latino immigrants [who] do not understand the market.

**Mr. Ridout:** When it comes to scams like that, it's almost always old wine in new bottles. And for the fake credit card scam that Pastor was explaining, my understanding is that was something that was rolled out in the Midwest to African American communities a decade or two ago, and it was the same scam in a different part of the country, a different audience. But one problem is that it's always going to target the least sophisticated consumers, those who are brand new to credit. It might be recent arrivals to the United States or someone who's very young and is just beginning to understand the importance of credit.

**Ms. Méndez:** I want to mention the national consumer survey that the FTC conducted in 2003 and that the results show that Hispanics are twice as likely to be victims of fraud than non-Hispanic Whites. And that is important because it gave us empirical evidence that Hispanics are being, you know, are more likely to be victims of fraud including all of these, obviously, credit card issues.

But to answer one of your questions in terms of whether it's different for the Hispanic community, from that survey came that the top-ranking cards were advanced fee loans, buyer's club, credit card insurance, and credit repair. And that's for everybody, not just the Hispanic community. So, yes, Hispanics are twice as likely to be victims of fraud, but the frauds are the same as the rest of the population.

And then just to add to the Pro Line case, yes, it was a very good case. The Pro Line case – it's actually called Call Center Express. They were marketing credit cards under the names of La Familia Gold Card, Destiny MasterCard, Advantage Platinum Card, and Pro Line card. There were TV ads, if you're not familiar with it, on national Spanish-language TV where they were promising major credit cards for a charge of \$149 to \$299. So the consumer would pay that amount and then they thought that they were receiving a MasterCard or a major credit card. What they received was a card that was only good at the defendant's website or at the defendant's catalog. And so the defendants eventually were shut down, and they were banned from marketing any credit products, and they're required to pay almost \$14 million in consumer redress, so that's the status of that case.

Most recently, the FTC filed two other cases related to credit card scams. One is the Remote Response Corporation – the same type of scam where it's a TV ad promising a guaranteed MasterCard without a credit check or anything like that. In April of this year, the FTC also finally reached a settlement with two other companies that we had sued previously where they were promising \$2,500 of credit and people were just receiving bogus credit cards that were worth nothing.

But one important thing that is tied to that is that the FTC sent letters to these radio station owners and TV station owners of 40 stations in Los Angeles, Dallas, Houston, Miami, Chicago, and New York, informing these stations that they were airing ads that the FTC had targeted. The ads that prompted the letters were for different products – weight loss products and things like that – but also for these advanced fee credit cards. The letters were designed to help the radio station owners identify some of these ads that are deceiving or false on its face so that they don't continue airing them. So that's an important piece, too, because of course we want the industry to self-regulate and we want to give them business guidance and we try to do that as fast as possible, reaching out to the station owners and putting out business guidance in plain language that they can use to identify some of these scams that are especially damaging.

**Mr. Herrera:** You know, I just want to add something. I think this is a really good model for you to consider whereby the FTC at the federal level took the initiative to develop what is called a Hispanic initiative. And they really pulled together attorneys general offices, local consumer protection agencies such as ours, nonprofit groups such as Consumer Action, and we really worked to tackle the issue. I think this model – it's been very, very successful because you have the federal, the state, the local, and the nonprofits really working together to tackle an issue that really is impacting the community.

I applaud the FTC and what they did, and all the other agencies that really moved forward in trying to develop a model, and this, I think, is one thing that maybe NCLR should really look at in maybe sponsoring these with other issues – not only credit, but any other consumer protection issues.

**Ms. Carbonell:** I think I would also commend you, Rosario, and also Laura Koss from the FTC, for your work on Hispanic Surf. For those who are unfamiliar with what they did, it was an important effort to



educate the media and consumers on potential scams or fraud that target Latinos.

But if you're looking for data, the [FTC] Consumer Sentinel may have a lot of information. I don't know if I mentioned this to you before, but you could do a search [for complaints] by language – I don't know if they track race or ethnicity there, but we can definitely do a search by language, and that's a national database. I believe, Pastor, you may report to the Consumer Sentinel your information? I don't know how it works.

**Mr. Herrera:** We haven't done that because we have our own database.

**Ms. Carbonell:** Okay.

**Mr. Herrera:** We have a good relationship with them. They can contact us if they do need information from us.

## Systems for Filing Consumer Complaints and Documenting Personal Stories

**Ms. Ibarra:** Thank you for raising the Consumer Sentinel. An issue that we think is important is that some of the consumer complaint databases are not searchable by race and ethnicity. And when we're trying to develop a deeper understanding of what the big issues are affecting the Latino community, or what they're complaining about, we need to be able to do this.

**Ms. Olguin:** I do want to share something. We, obviously, at the OCC, have all sorts of metrics to measure the complaints that we get, and it is available through the Freedom of Information Act. Just to give you some highlights of what we're seeing as far as the credit products, the highest number of complaints that we get for 2005, and it is – for the last five years we've been tracking it – for credit cards followed by

checking accounts followed by mortgage loans. But we process, for example, about 35,000 complaints, 16,000 of which were in the credit card bracket. But only 104 were from Spanish-speaking consumers. So that shows that we really need to get the word out there.

I also have some metrics as far as where mainstream America – where do their complaints fit in the bucket of complaints versus the Hispanics? For example, truth in lending where you would see interest rates or fees, for the mainstream it's 52%, for the Hispanics it's 45%, so not much difference. Taking the fair debt collection practice, for mainstream it's 12%, for Hispanics it was 19%. And then for customer service – the other major one – it was 17% compared to 19%. So the things they're complaining about are about the same issues that the English-speaking community is complaining about.

What I found very interesting, though, is that in about half of those people [who] were calling in with concerns, half of them – while it was quoted in about a certain regulation, it was a miscommunication problem – the customer did not understand the product that they had, and whether or not what they were calling about fell within the disclosed policies and practices that were provided to them. So I found that very interesting.

The other thing that was interesting is that last year we facilitated consumers to get back about \$7 million in fees and charges that the banks returned to them. But of that amount only \$37,000 went to the Hispanic community. So it seems just a few complaints that we get from them, 104 complaints resulted in \$37,000 in fees back to them. To me, that speaks volumes in terms of there's a problem out there.

**Ms. Jimenez-Ronka:** I would like to add that we have to take into consideration that for what we have seen in the area, there are many people [who] don't complain. We're told, "Why complain?" If they need any help, nothing will happen. That's one of the attitudes. The other one is that they are embarrassed that they were taken, so

they don't want anybody to know. And the third reason is that they don't know how to complain. So we receive complaints – we tell them what to do, where to go, how to do it, et cetera. Some of them will do it, some of them won't. So the percentages that we have and see in different places, I don't think they actually have all the information about what's happening out there because [they] don't complain.

**Ms. Ibarra:** Well, that's good to know. What are some of the other challenges that you're experiencing in collecting consumer complaints?

**Ms. Méndez:** I can add anecdotally, personally, from talking to people. Like Pastor was saying, the Hispanic Initiative – we've gone across the country in different cities and we've had workshops and I've talked to a lot of consumers in my work and all that. And I can tell you that a lot of people in the Hispanic community, they really need handholding. They either don't trust the government at all or they're not used to government agencies solving their complaints. The FTC won't solve individual complaints, but people should report fraud because when we see a trend of complaints we can start a legal action.

And so that's kind of like a cultural issue, I think, that we need to be aware of, and when we talk to people we have to do some handholding. You need to explain to them that they can go to agencies like the credit counseling agencies, NCLR Affiliates, and community organizations that can give them that kind of one-on-one counseling and that one-on-one help they want. But the federal government can also help, so complain and contribute to the bigger picture.

**Mr. Herrera:** There is a definite fear of government agencies, particularly if you're undocumented. And of course a recent immigrant would not have any trust for a government agency because that's maybe one of the reasons they left their country because they don't have the trust in their government. But there is a need to really

develop local consumer protection agencies throughout the country because people really do not know where to go. There isn't a place to go. I mean, if you live in Illinois, if you live in — I mean, even in LA there is not a local consumer protection agency in San Bernardino County, in Orange County, in Riverside County, and in Ventura County. I mean, there isn't one.

So what do they do? They come to us. We can only help them to a certain extent. So there really is a need to have those grassroots entities that then could funnel information to you, information to the FTC, so that there is a concerted effort, there is some type of partnership, there is some communication, there is some sharing of information, which is very important.

The other thing is that I think that there's a need for Spanish-speaking personnel. And not only that they speak Spanish, but [that] they be sensitive to that — maybe handholding, to be respectful, to have the integrity to deal with them. I mean, sometimes you do have Spanish-speaking people, but they don't have the sensitivity, so why have them there? Because then in turn, they're going to lose the trust and the confidence of going into that office. So that is very, very important — and I think like you said, the embarrassment. The embarrassment may be like you said, the cosigning. Okay, are they going to file a complaint that they know that their brother-in-law or their *compadre* or their *comadre* were part of it? They will not do it. It's pride.

So those are some of the issues and some of the challenges that I think we have. There is a great need to have locally-funded consumer protection agencies that can assist consumers on a one-to-one basis, where there is a contact, communication, and that linkage with that community because it would be very hard for them to go to your agency [OCC] or the FTC. I mean, the FTC is a great resource. You handle it, you will accept complaints. But they can't do the individual counseling. They can't do the individual investigation. But it's a great place to at

least have a database for that information. So the last thing is resources.

*“I think the more significant problem are the practices by the credit card industry that technically are legal, like universal default.”*

**Ms. Ibarra:**

How do you know whether your educational efforts are working?

**Mr. Herrera:** Well, we’re very fortunate. We have a great word-of-mouth network because we do a lot of PR on the media, whether it’s the Spanish-speaking radio – talk radio is a great place to get the word out – or it’s having that 10-, 15-second sound bite on the news. It is the best education that you can use. Once you get them to your office, they develop a trust. They know that they’re going to be dealt with trust and respect. That’s the other part.

**Ms. Ibarra:** So what are we doing with the complaints once we receive them?

**Mr. Ridout:** Well, we educate consumers about what their rights are in these situations and how to take steps to prevent it in the future and what they can do to complain. And we always refer people to the OCC, every single one of them. Credit complaints we refer over there. Hopefully you get them.

**Ms. Olguin:** Thirty thousand of them, but thank you.

**Mr. Ridout:** But I think it’s easy to look at the scams or the kinds of things that are clearly against the law, frauds like the affinity scams, and say, well, these are awful. But I think the more significant problem are the practices by the credit card industry that technically are legal, like universal default, like charging people a \$39 over-the-limit fee when they allow the charge and then just impose a fee when they could have just prevented it electronically in the first place. There are a number of

things that are legal that clearly represent a problem. The data are there. And consumers are dismayed that nothing has been done.

And particularly in regard to universal default and these junk fees like over-the-limit fees, I think the data, frankly, are there for the OCC. It could be that people – as more and more knowledge has seeped out, and they realize that this is technically legal, they may be discouraged from complaining in the first place.

**Ms. Carbonell:** Well, I just want to add two comments. First of all, when I was participating in the credit card survey and we were calling the credit card companies pretending to be a consumer [who] wants to learn more about their credit card, sometimes the [customer service] representative didn't even know what universal default is. They have no clue. So you have to call like four or five times until someone else tells you, "Oh, yeah, if you don't pay your car loan we may raise your fees" or "That could really have a negative impact on your agreement with us." But there's a lot of internal miscommunication or whatever you want to call it, so I think there needs to be education inside the industry as well.

And the other thing is when we receive complaints, sometimes we have to refer them to the local department's financial institutions because there may be some other issues involved with local banks, for example. And what happens if you live in Wisconsin or any state in the Midwest or North of the country? They don't have someone [who] can speak Spanish. And sometimes the consumer has a very legitimate issue that needs to be addressed by someone – a regulator that could take some sort of enforcement action. And there's nobody there. So the local government needs to have representatives available in Spanish.

And right now, on a personal side, I'm helping one of the departments in Wisconsin to address these issues. Some – you know, in the northern part of the country – some smaller communities have a very

new Latino population, so there's a lot of issues that are coming up and nobody knows what to do about it.

**Ms. Olguin:** Joe is very right. Some of those practices, they are perfectly legal. One of the things that we try to do when we meet with the large banks is to use a little bit of a moral suasion. To say, yes, you're technically right, but is this the right thing to do? And what you have at risk is your reputation. And we're trying to work in that regard. Now, like I said, when the situations are extreme, we do take action, but many times do not. And the same issues that you're saying is the same as we hear.

**Mr. Arnold:** One of the beauties of our website is that we assign a numerical value – it's a cumulative value – to each credit card that we rate. And so, the OCC, FTC are all great organizations. We refer complaints there all the time. But they can only do so much. And the beauty of a site like ours is that, granted, the industry has very little federal regulation or any type of regulation for that matter, but competition is the thing that has kept this industry in check. I've followed this industry since '98 and the bad part about it is that within the last few years there's been more and more mergers and consolidation in this industry, so competition is waning and suffering tremendously. Having said that, there's still a lot of competition and the card industry is a fiercely competitive industry.

So how do consumers deal with the abuses in the industry and all these bad practices? Take your business elsewhere. We take complaints that we get – when we see in our consumer review section that one particular card company has bad practices, we go to the press with it because the press – I mean, I – you know, I love FTC, OCC, et cetera, but the press is a powerful vehicle to bring an end to these types of practices.

**Mr. Herrera:** One of the issues is of course choice. And even us, who are, I think, sophisticated consumers have problems really trying to decide which is the best product for us. So you can imagine the unsophisticated consumer trying to make that decision. You know, I agree with you: competition is great. But on the other hand, when you have people [who] are struggling to make a living wage and pay the rent – I mean, they just don’t have the tools or access to the tools that can [help] them [make] a good decision as to which is the best product for them in the marketplace, and that’s the reality unfortunately.

**Ms. Jimenez-Ronka:** One more thing, many immigrants come over here without any kind of experience – no credit culture. So a credit card is just an instrument for the family. They don’t have the education to get the things that they have never had. And that makes the whole thing worse for each individual. They try to get what they couldn’t get in their home country. We always say that having a credit card is not like winning the lottery. But that’s what people think. And I see the dangers that you’re describing. And where they don’t have that credit culture, having a rating is not going to help them so much. But, again, we have different levels of people, so for a part of the population, that will be very helpful. For others, it wouldn’t make any difference.

## Credit Card Use

**Ms. Ibarra:** Perhaps they don’t have the credit culture that you mention, but many low-income Hispanic consumers have to rely on credit cards because of a job loss, illness, or any other tragedy in their lives. Are you hearing these types of stories as well?

(Cross talk)

**Ms. Jimenez-Ronka:** Yes, completely. What we have been hearing all the time is that even when they get in with the right foot on the credit industry, they are living on the edge. And one little, tiny thing just does it.



**Mr. Cavazos:** You find hundreds of consumers [who] are using credit cards as a supplement to their income. That's the bottom line. When our counselors sit with them either face to face or on the phone and we're working out their budget, and it's \$500, \$600, \$1,200 in the deficit, you ask them, "How are you making ends meet?" Well, then you look at their credit card debt, and it's just way out here. That's how. You use credit cards to supplement where you don't have cash.

*“...hundreds of consumers...are using credit cards as a supplement to their income.”*

**Ms. Ibarra:** And that's true for all groups.

**Mr. Cavazos:** Oh yeah, absolutely – absolutely.

**Mr. Ridout:** If we're thinking about things that might distinguish the Spanish-speaking consumer in particular – another part of the back story that occasionally we hear, but I think it's more prevalent – you know, if you're from a country like Mexico or Argentina where there's a financial history of bank failures and sudden devaluations, there's a fundamental distrust for those institutions. The vehicles for savings, the vehicles for investment are very different than what they are in the United States, and people aren't going to be as familiar with that, for good reason.

**Ms. Carbonell:** Yeah, I definitely think the cultural things that you have already discussed in your report [to Mr. Rodriguez] are still applicable to credit cards. That's the same.

**Mr. Cavazos:** And it always relates back to – I mean, again, across all populations – that it's all about education. And I know that our organizations – that we try so hard to go out in the community and speak to everyone and say this is the way you establish credit properly. This is the way you use a credit card effectively. It's not a supplement;

it's a convenience and it's paid out within 30 days, and if you can't pay it off within 30 days, you have a plan to pay it off in 60 to 90 days. We try to do our best to try to reach as many people. And as we know here, a lot of these folks just don't have that knowledge or that training from their countries because that's just not what it was. In Houston they found a gentleman with \$30,000 in the trunk of his car. Why? Because he doesn't trust a bank to put it in. That's crazy, but they just don't trust banks.

**Ms. Olguin:** And in that regard as well, as far as people loading it up and not paying it off, that's a big problem that we find in the credit card industry across all groups. It was going to take people 20, 30 years to pay off certain balances. A lot of that was going to be just interest rates and fees. So one of the things that was just – it's a small step, but at least it's something when we forced the banks to require –

**Mr. Cavazos:** A higher minimum payment.

**Ms. Olguin:** Yes, a higher minimum payment to be able to pay off the balance in a reasonable amount of time.

**Mr. Arnold:** Maria, thank you for that.

**Mr. Ridout:** Yes, thank you.

**Ms. Olguin:** Well, the banks were reluctant to do that because the longer it takes a consumer to pay off a credit [card], the more money it means to them in interest rates and fees. So a lot of them waited until the last possible moment to do that at the end of 2005, starting in January. But they've really known about it for two years, and very few banks actually did it early. They all waited until the end. Initially, we thought we would get a lot of consumer complaints about that. And we did initially get some, but it's not been anything of significance.

**Ms. Jimenez-Ronka:** Well, I want to make a comment about that. We have seen more people coming to us because they were living

on the edge and because the higher minimum payment really had an impact on their monthly fees.

**Ms. Olguin:** Do they understand that actually in the long run it is a good thing for them?

**Ms. Jimenez-Ronka:** I will say that in the Hispanic population, no. And what happened is that they don't understand the difference between the minimum payment and your balance and how it works, so they think the bank is telling me that's that what I have to pay and I am being a good payer.

And they don't understand why the balance doesn't go down and it's a minimum payment trap and all that kind of stuff. So the only thing that they

*“We have seen more people coming to us because they were living on the edge and because the higher minimum payment really had an impact on their monthly fees.”*

complain to us is they are charging me more every month. So no, they don't.

**Mr. Herrera:** Wait until the mortgage payment goes up. You're going to get some more of those with the interest rates going up.

**Ms. Jimenez-Ronka:** We try to educate them and explain to them, but it's difficult.

**Mr. Arnold:** It's tough medicine. There was a lot of confusion in the media about this whole thing. There was a lot of hype. I mean, there were all these media reports that minimum payments were going to double from 2% to 4%, which as she'll tell you that that's not across the board at all. They issued guidance. So there's a lot of miscommunication out there about this issue.

## Consumer Protection

**Ms. Ibarra:** One of the topics that we need to discuss further is consumer protection. How effective are current laws at protecting consumers?

**Mr. Ridout:** I think the current laws are the problem.

**Ms. Ibarra:** Okay, can you elaborate on that a little bit?

**Mr. Ridout:** Yes. For example, essentially the OCC is the only regulatory game in town. When states try to curb abuses by the credit card industry like they did in California a few years ago, they were preempted. The courts have found that federal law preempts them, so states have been left powerless to protect their own consumers. And the OCC, fairly or unfairly, at times has been criticized for being a captured agency that's beholden to the interests it's supposed to oversee.

There's a very encouraging law that New York is poised to put into practice – it's been approved by the House and the Senate – that would ban the use of universal default. But like some of these other state laws, it's probably going to be preempted even if [Governor] Pataki signs it, so that's part of the problem right there. I think the OCC – not to pick on it, because we were very encouraged by that ruling at the end of last year, the guidance issued – but we hear from consumers that the OCC could do a lot more controlling than they are. [Referring to OCC guidance entitled, *Account Management and Loss Allowance Guidance*]

Look at, for example, the Office of Fair Trading in the U.K. Back in April, in response to junk fees of £39 for over-the-limit fees or late fees, they capped those limits at £12. They said they were unreasonable and unjust and allowed consumers to retroactively reclaim – “claw back” is that lovely phrase they have in British English – those fees that they've been paying for the last six years. So I think from what we're hearing from consumers, there is a lot more that the existing regulatory body could do. And the law, unfortunately, as it's being observed by the

credit agencies, isn't very encouraging. Give states more autonomy to find a solution, and there is legislation to allow that to happen.

**Mr. Herrera:** I really think that Joe brings up a very good point of the whole federal preemption statute. In California we have, I think, very progressive credit

*“But there are a lot of fees that I mentioned to you earlier that are very deceptive, and a lot of nuances of these credit card offers that aren't disclosed in the Schumer Box.”*

protections for consumers. I know, for example, we have stronger identity theft provisions here in California that they're trying to be preempted at the federal level. I mean, this is really tragic for us where we know that we may have stronger consumer protection here in — at the state level — but the federal preemption statute gives us less authority and less protection for our consumers. So if you want to tackle a national issue, that federal preemption is one of those you could do.

I think the other area is that there's a greater need for resources for enforcement. There are some good laws on the books, but there is a need to increase enforcement over at the FTC, the OCC, and any other agency doing prosecution, because I think when you do have prosecution it sends a message that something is wrong. And of course you try to negotiate that if it's not the right thing to do. But sometimes that doesn't work and you have to slap them a little bit harder. And it's unfortunate, but that's the reality. So I think those are two issues we should look at.

**Mr. Arnold:** Yeah, one of the things that I think needs to be expanded is the Schumer Box. [Congressman] Charles Schumer introduced the Schumer Box. For those of you who aren't aware, whenever you get a credit card solicitation or application, it's the grid that contains the interest rate and fee information. Now it's a great

thing, and my hat is off to Charles Schumer. But there are a lot of fees that I mentioned to you earlier that are very deceptive, and a lot of nuances of these credit card offers that aren't disclosed in the Schumer Box. In fact, a lot of the fine print of these credit card offers is not disclosed until you actually apply for the card, which is a crying shame. That is just unreal. And as Joe mentioned, in the U.K., I believe, they also have on their equivalent of the Schumer Box the thing that says how much interest you're going to pay if you carry X balance and how long it's going to take you to pay it off. It's almost like a Surgeon General warning. And I think something like that would be great for consumers as well.

**Mr. Ridout:** And just to add, too, it'd be great to have the OCC's number, perhaps in English and Spanish, on the credit card bills so people would know exactly who to turn to if they do have a problem. Most utility companies in California, for example, provide the PUC's

[Public Utility  
Commission]

number. I think it would be wonderful if more people were aware of the OCC and what they do and how to get in touch with them.

*...it'd be great to have the OCC's number, perhaps in English and Spanish, on the credit card bills so people would know exactly who to turn to if they do have a problem.*

**Ms. Olguin:** That's a great idea. We'll take that back with us. I will say that banking is one of the most regulated industries that there is. There are a lot of laws on the books, and in addition to those, the OCC does have many guidances that talk to looking at abusive practices or predatory lending. But the reality is that we are an enforcer of laws, and I think we need to put more pressure on our Congress to pass laws

like in the U.K. that we can enforce because that really is a complaint, but there's nothing we can do if what they're doing is within what the law allows them to do.

**Mr. Arnold:** You're right 100%.

(Cross talk)

**Ms. Ibarra:** I'm interested in the idea of expanding the Schumer Box. What additional information, do you think, must be there?

**Mr. Arnold:** Well, the credit card industry, when it comes to fees, that's been in more recent years their bread and butter. And the fees have been going up and up and up. So any type of fee – but the problem is that one credit card solicitation will name a certain fee, give it a certain name, and another company will give it a more creative name. And you don't know – like I went through all these fees – monthly maintenance fee – and another card will call it a different type of fee. There needs to be a universal name for all these laundry lists of fees so consumers can really compare apples to apples. And currently you have to really dig through the fine print. I get confused myself, and I do this on a full-time basis, so I can only imagine what a Latino [who] has had very little credit experience – the anguish they must go through.

(Cross talk)

**Ms. Ibarra:** Does anyone have any further thoughts on the information that is missing?

**Mr. Herrera:** Well, one of the things is the way it's written is also confusing. We have really made an effort in our office to do it in plain language. And I tell you, most things that you see, and they're printed there in the 12th, 13th grade level and most people cannot even understand that. So we have made a concerted effort to not dumb down the information, but really look at your audience. Who is going to receive

that material and write it at the level that they can understand? And we call it plain language or you can call it whatever you want. But it's just about writing it so that people can understand it, and understanding who you're targeting that message to. And that's very, very important.

**Mr. Herrera:** It's not easy to do, but it's important to do.

**Mr. Ridout:** Yeah, I couldn't agree more with Pastor. A good example is this widespread use of a fixed rate, which is a widespread misunderstanding by consumers who think that it means their rate won't change rather than it's not going to change with the prime rate

when it's altered by the Fed. The problem really is, I think, the language they use, and plain English would be a great step forward.

*“I don't think even one of us who are experts have read point by point through one of their entire contracts. It's not written in a language that even native English speakers can be familiar with.”*

Because consumer

deception – from what I understand, the laws in the book say that if a reasonable consumer can be expected to misunderstand, it's a deception. It's against the law. And we've had a professor of contract law at Harvard say that she can't even understand her credit card contract. And I don't think even one of us who are experts have read point by point through one of their entire contracts. It's not written in a language that even native English speakers can be familiar with.

**Ms. Olguin:** And that is an initiative that we have on our agenda to push toward statements and billing rights – things that a reasonable person could understand.

**Ms. Castruita:** And also the layout. It doesn't invite anyone to start reading it – that fine print.



**Ms. Ibarra:** Are there any credit card issuers that are doing the right thing?

**Mr. Arnold:** Citibank recently has a new initiative where they are taking certain credit card solicitations, what they call something to the effect of layman's terms. I've looked at these credit card offers. They have all the fine print, but they do have it in a more simple-to-understand – as you mentioned – everyday language that talks about the credit card offer. And so I think that's a great thing because this is a competitive industry. The other issuers will follow suit.

**Mr. Ridout:** And another competitor that people often forget about are credit unions. They often offer very competitive terms. You're not going to get the same rewards that you would with a major bank-issued card. But you're not going to get as many junk fees like over-the-credit-limit fee or you have to pay by 1:00 p.m. on the due date or else it will be marked as late. So that's another good source of credit cards for people who are looking for less confusing fine print and less dangerous fine print if you get tripped up by it.

**Mr. Herrera:** I think that was one of your questions: Who else should be at the table? Credit unions should be at the table, very definitely.

## Intermediaries: Credit Counseling and Credit Repair Agents

**Ms. Ibarra:** I would like to move into a discussion about the intermediaries here at the table. What challenges are you seeing specifically in the field?

**Mr. Cavazos:** I think that there's been a really strong trend recently in the last couple of years where financial institutions – banks and credit unions – are looking for partners like CCCS, MMI [credit counseling agencies], to help them spread the word on financial

literacy. Texas has mandated it in the schools, and I don't know about other states, but I'm sure that's kind of following along. And so that's picked up a lot. And that's good for everyone because we're teaching folks not only about credit cards, but basic budgeting. That's just important in order to reach any kind of financial goal. You start with a basic budget. So that's one trend that we've seen.

And then of course, we've seen bankruptcies. You know, we're doing about a third of the business in the country, and that hasn't slowed

down. We thought it would with October 17 [date when the new bankruptcy law took effect in

*Education is good for saving and budgeting. But so many times, the products aren't there.*

2005], and our numbers continue to increase in the pre-bankruptcy credit counseling that we offer, and the pre-discharge education.

**Ms. Jimenez-Ronka:** I would say that the same thing happened with us in the area. More banking institutions are actually trying to provide education, and that is very, very exciting, when they want to come to the table and say, yes, we want our consumers to be educated. We had that before mostly on the English side, but because of the growth in the area of the Hispanic population, they have been coming aboard and saying, okay, we want more Spanish-speaking education programs. And that has been really good.

The back side of that, is that in our area, there are not many products for the type of population that we have. So we do the education, but then there are not many banks that offer a bank account with the ITIN [Individual Taxpayer Identification Number]. Or they don't have investment products for that specific population. So we educate the community, but then they don't have the products, so it's a back side. Education is good for saving and budgeting. But so many times, the products aren't there.

**Ms. Ibarra:** What role are regulators playing in the credit counseling field?

**Ms. Olguin:** In our customer assistance group, to those [who] call us, we will answer their question, but specific to what their question is, we answer them. We don't really do any credit counseling services.

(Cross talk)

**Mr. Ridout:** But they have been rule mandated, you know, people who are going into bankruptcy or coming out of bankruptcy, and the Feds have said, you must go through credit counseling if you're going to go through bankruptcy. To that extent, they're involved.

**Mr. Cavazos:** And the credit counseling agency has also been checked on by the FTC, the IRS, and other government agencies, and some of them actually have been closed. I mean, there's one that was put into bankruptcy because of the practices that were within their organization that were totally wrong, so –

(Cross talk)

**Mr. Cavazos:** I think that's a good thing. That regulation of –

(Cross talk)

**Mr. Ridout:** Is that AmeriDebt?

**Mr. Cavazos:** Yeah, AmeriDebt.

(Cross talk)

**Mr. Rodriguez:** Can you just be more specific about those practices?

**Mr. Cavazos:** I can give you a general concept of what was happening. AmeriDebt had this front that they were a nonprofit organization providing you free credit counseling. But their objective and their goal was to put you in a debt management program. I mean,

in 15 minutes you were going to be on a debt management program, and you need to send me \$500 a month. I'm going to then distribute that money to creditors. Okay, so I provide you with free credit counseling, but I also sell you a debt management program. Then that debt management program was going to be administered by a company from one of the board members that AmeriDebt would pay a fee to. So they were back-end practices that were for-profit, for this nonprofit façade of a company, so the agencies came in and shut them down.

[For more information about the AmeriDebt case, please visit <http://www.ftc.gov/opa/2005/03/ameridebt.htm>]

**Ms. Jimenez-Ronka:** And also the fees.

**Mr. Cavazos:** Yeah, the fees.

**Ms. Jimenez-Ronka:** Many consumer credit agencies just pop up like mushrooms and were actually taking money from people. The agency would request the first monthly payment and then were not distributing the money to creditors or they were paying late, et cetera. This led to a regulation where they actually said, okay, a counseling agency can charge this way. And that actually made many agencies to close their doors because it was not a business.

**Mr. Ridout:** Yeah, I think AmeriDebt was telling consumers that they started making payments to each of the creditors and instead they just pocket the first month. And they didn't disclose this so it was very, very deceptive.

**Ms. Méndez:** Yeah, AmeriDebt is a good example of the federal government working with state governments because this was originated by the Montgomery County Consumer Protection Agency and they shared information with the FTC. You can find a press release with information on the [ftc.gov](http://ftc.gov) website.

And the other thing that I wanted to add is that a lot of the credit counseling cases are tied with credit repair. The Credit Repair

Organization Act is a statute that the FTC enforces. And so there's a lot of fraud related to that where companies are promising a complete new credit history, to clean your credit, repair your credit, and they're not giving people the information correctly – as to only time can clear your credit, so it's tied with credit repair.

(Cross talk)

**Mr. Cavazos:** Also prices are \$750 to \$1,500 for that.

**Mr. Herrera:** Yeah.

**Mr. Cavazos:** And people pay that.

(Cross talk)

**Mr. Herrera:** I really think that's a challenge to credit reporting agency to so-called fake or for-profit credit reporting. And I don't know if there was some legislation pending to put a little bit more regulations or to stop the practices of these fake or these for-profit credit reporting agents. But that has been a big problem for, I know, Consumer Credit Counseling.

And the other thing is the media. The media has also bought into this. They do advertise – a lot of the Spanish-speaking media – you know, these debt-management services that really, I think, have a detrimental impact on our community.

## Credit Bureaus/Reports

**Mr. Ridout:** And that touches on the issue of credit reports and the fact that Spanish-speaking consumers really deserve more access to credit reports than they're currently getting. We hear a lot of complaints to back up – I mean, to understand what kind of terms you're getting from a credit card, you really have to know where you stand as far as your creditworthiness goes. And we hear a lot from Spanish-speaking consumers that when they call up the FTC and credit bureaus' phone maze, they're unable to access either someone who

speaks Spanish or even a voice tree within the phone maze where they can get information in Spanish. So that's a pretty simple way to address the problem that really has been pointed out for many months now. And the credit bureaus haven't really said – you know, they've said, well, it's the FTC's problem.

**Ms. Castruita:** And there's that need since we've seen it in our agency where credit report counseling has increased a lot. And there's a demand for that.

**Ms. Ibarra:** A demand for more information about what's in their credit report?

**Ms. Castruita:** Yes, consumers want to know what it is. And it's true it's not easily accessible to them, which is why they come to our agency.

**Mr. Ridout:** I mean, we can all agree that more information, more education – that's good for everybody, but it's not really a sufficient solution to these problems because if you can't get the information in Spanish, you won't have access to the same information as somebody who speaks English will, and you'll be at a disadvantage across the board in the credit world. Or, you know, for example, there was a recent report by the Federal Reserve a few days ago that concluded that "as a matter of industry practice, card issuers do not solicit customers or extend credit to them indiscriminately." It's part of the report on credit card issuers and whether or not they were practicing unfair things to consumers. But it's well known that they're issuing five billion credit card solicitations a year. I mean, it's as clear a definition of "indiscriminant" as we can imagine. So even if the education is there, if the Fed won't even own up to the fact that there is a problem, the education can only go so far.

**Ms. Ibarra:** What are some of the other consumer challenges in this area?

**Ms. Castruita:** Individuals are popping up businesses [claiming] that they're credit repairers. Also, we noticed that a lot of people are calling themselves credit counselors and they're not. They don't have the training, the experience, or the certification that most of these agencies have, and people are going to them.

**Ms. Jimenez-Ronka:** Another thing that I have been seeing a lot in the area is that if people are with a bank, they go into the plan with them so they can monitor their credit history. And they're paying a fee to the bank so they

can see the credit report, and I have seen that more and more and more.

*“We noticed that a lot of people are calling themselves credit counselors and they're not. They don't have the training, the experience, or the certification that most of these agencies have, and people are going to them.”*

**Ms. Méndez:**

That is a good point, because of course, I mean,

people can get their credit report once a year for free.

**Ms. Jimenez-Ronka:** And in Georgia, three times. In Georgia, we have nine credit reports for free.

**Mr. Ridout:** That's good.

(Cross talk)

**Mr. Herrera:** Wait until you're preempted.

**Ms. Jimenez-Ronka:** Three a year, so when I see somebody [who] is paying \$5, \$6, or \$7 a month to get what they can get for free, it's —

**Mr. Cavazos:** For credit monitoring.

**Ms. Jimenez- Ronka:** It's credit monitoring.

**Mr. Herrera:** Very progressive.

**Mr. Arnold:** Well, it's a scam, but it is a little different product than a credit report. There are certain isolated situations that I think credit monitoring could make sense. Let's say you're getting ready to apply for a mortgage. Well, check all your – you know – cross all your t's, dot your i's. You're being very savvy and proactive. Maybe in that case, creditor monitoring could make sense. But in general, it's a scam.

Let me add one more note about credit repair. The problem with credit repair is that it's very confusing to fix your credit, and there's a learning curve involved. Now we're big advocates of doing this yourself because that's the only way to do it. Don't pay any credit repair agency. The problem is there's all these little tricks you can use to boost your credit score, and it takes a learning curve. And on our message board, we have about 50,000 posts that go back several years. But someone could come to our message board and learn a lot of these tricks, but it's going to take some time to learn this. And it's not an instantaneous thing. It's not instant gratification.

So there needs to be some type of more comprehensive self-help tutorial that can help folks, and obviously Latinos have a big need in this area, to do it themselves. How do I boost my credit score? What techniques can I use? Because there's all kinds of tricks. One thing – I'm not advocating this, but you mention cosigners. You can become an authorized user, which is a distinction from a cosigner because you're not legally responsible for the debt on someone else's account [who] has good credit established, and all you are is an authorized user. You're not legally responsible for the debt. And that is reported to – I believe by most card issuers – to the credit bureaus, and it's a great secret technique that you can use to build your credit score. So there's a lot of little tips like that that are not well known.



**Ms. Olguin:** Curtis, is your website just in English or does it have a Spanish link to it?

**Mr. Arnold:** Just in English. That's on my list of things to do. But anyway – long list of things to do.

**Ms. Méndez:** And, Beatriz, I just want to point out that the FTC has education materials in Spanish and in English on all these topics that we've talked about, and especially on credit repair. It's called "Credit Repair: Self-Help May Be Best," which was the point that he's talking about. We have a publication called "Choosing and Using Credit Cards" that talks about the different types of credit cards. We have another one about credit and your consumer rights for people on debt management plans and, of course, on advanced fee loans, "The Truth About Advanced Fee Loans," and educating people on staying away from those.

**Ms. Castruita:** What I wanted to add was the credit score companies need to change their policy to be more open with us because their scoring system is something that they know, and we don't know everything. You have to go and pay to get on and do their credit score simulator so you would know how it's going to change on you, whether you do this to your account or you do different things, maybe that's something that at their end they need to be more open to consumers.

**Mr. Ridout:** And make credit reports available in Spanish, too. I mean, I believe there's one issuer, right? Is it TransUnion?

(Cross talk)

**Ms. Ibarra:** Yes, but have you been able to get it?

**Mr. Ridout:** TransUnion has begun offering them in Spanish. It would be great to see all three of them do the same because that would help people get a much better understanding of where they stand.

**Mr. Herrera:** Can you understand the Spanish?

**Mr. Ridout:** I haven't looked at one in Spanish yet, but I've heard it's available.

(Cross talk)

## Financial Education

**Ms. Ibarra:** For those of you who have financial education programs, are you taking the consumer complaint information that you're hearing and tailoring your programs based on this information?

**Ms. Jimenez-Ronka:** We use a lot of the FTC's materials besides the materials that we have. We try to tailor every session depending on the audience and depending on what we do. But unfortunately, many times when we get the clients even in a training session, they're already in trouble. I think that a big obstacle for us is that they don't know what they don't know. And that makes things really difficult for us because trying to take the education to people is not the problem; the problem is that actually they get it. They'll say, "I know how to manage my money. I don't need that." And then when they're in trouble is when we see them, so it's problematic.

**Mr. Cavazos:** Yeah, our programs, we keep our ear to the ground and tailor and customize our workshops to where they're going to be interesting and the information that we provide is going to be helpful for them. Some might be workshops that are telling people what red flags to look for so you can avoid bankruptcy, the credit and identity theft. You know, we target that to seniors in our community because they're one of the highest-risk populations, like children. So whatever is going on in our financial world here, we try to come up with customized workshops that can help the community.

Also bridging these partnerships, for instance in Texas, we have an organization called the Texas New Alliance Task Force out of Austin.

We're working with the FDIC, and we're creating a video that's going to teach new Mexican immigrants about credit, budgeting, money management, the banking process, and the *matricula consular* – all on a DVD while they sit and wait for their appointment at the Mexican consulate. Why? Because there's a need for that, and so we're always trying to come up with new educational tools and workshops.

**Ms. Castruita:** Yes, I want to really thank Consumer Action and FTC because they have really good materials. It's like hot potatoes in our agency. I can never have enough of your information. And we believe that why reinvent the wheel? If they have good information and it's free, you might as well use that. And it's really popular with consumers, so thank you.

**Mr. Ridout:** We're glad you appreciate it.

**Ms. Méndez:** Thank you. And I just want to add to that, that it's really important that organizations like yours take the information to the people who you're working with because the FTC can create all kinds of publications and spend all kinds of money on them, and then try to make it simple and in plain language and in Spanish and all that, but if we don't have cooperation from the community organizations that are really actually getting to the people, they just stay on the shelves basically. And we know that that's the best way to reach out to the Hispanic community, and so that's why we're really trying to go through community organizations, and I'm just really happy to know that you guys are using these publications.

**Ms. Castruita:** I'm trying to tell you.

**Ms. Méndez:** And that they're working out.

**Ms. Castruita:** It's part of our workshops. Why have me type up something when you already have it.

**Mr. Arnold:** Let me add to that. Consumer Action has PowerPoints that I found very useful, and presentations as well.

**Mr. Ridout:** Yeah, they're free. Take them all.

(Cross talk)

**Ms. Carbonell:** The model that we have, particularly the Spanish partnership with Capital One that is called MoneyWiše. We create the brochure and the leaders guide for the trainers, and we also create the PowerPoint presentation. And we train people all over the country. We have a huge network of community-based organizations. And we also bring people from other organizations to our training, like the FTC has always been there. And that's also a good avenue for other agencies to distribute information, for example, about, you know, ID theft campaign.

**Mr. Ridout:** One other thing we have, too, is CapWiz where people can find out about legislation that's on the horizon, kind of legislative answers to potential problems that are out there like these. I mean, if you go there right now, you can find some pieces of legislation that are very interesting. One is called the "Protection of Young Consumers Act of 2006." Among other things, it would protect people under the age of 22 from receiving credit card solicitations unless they proactively opted in. And it also would require roughly \$100 million in education at the secondary and even primary school level to educate people about these kinds of things. And you can also find out about [Senator] Christopher Dodd's piece of legislation S. 499 that would enact a lot of reforms, and it provides the tools to go to the website and write to their particular congressperson or local legislator to get them involved. So there's a lot of information out there.

**Mr. Cavazos:** That's a major concern that we hear from parents. They're concerned that their kids are receiving these credit card solicitations. You know, they have no money, they don't have a job, why are they receiving them? Can't you do something? And we're like,

well, no, we can't. But that is good to know that people are concerned.

**Mr. Ridout:** We heard from someone who contacted us whose baby got a credit card solicitation this year.

**Ms. Ibarra:** We've heard stories like that, as well.

(Cross talk)

**Mr. Herrera:** You know, we do have a number for information – and I'm going to give you a brochure for our office and it does list our website [<http://consumer-affairs.co.la.ca.us>]. We have a lot of our information on credit and different issues in plain language, and it will be in Spanish pretty soon. But our efforts are really kind of being proactive. We try to really reach out to the adult school, which is a great place to get information out because many of them, they are there to learn English, and they're learning – they're taking classes in English as a second language. We work very closely with churches and PTAs and community groups and community-based organizations because we know that many, many Latinos and recent immigrants will gravitate to their community-based organizations. So if you want to get information out, that's a great way to do it. And particularly, also, for them to refer people to you to develop that trust which is very, very important.

And the other thing, of course, is the media. We know how strong the media is. It's a powerful force. And like I had said, when we have 15 seconds on the news, I mean, that goes a long way to educate folks.

## Policy Recommendations

**Ms. Ibarra:** Well, we don't have a lot of time left, so I want to get into the last topic for discussion, which is policy recommendations. What are your opinions on fees? What should the limits be? Do we have opinions on a national usury law?

**Mr. Arnold:** You know, credit card fees have gone up. If you look at statistics, it wasn't too long ago fees were \$15, \$20, and now pretty

much across the board it's \$39 for a late fee. In my estimation, if someone is late – there is, as Joe mentioned, a 1:00 p.m. Eastern Standard Time cutoff and if the payment posted at 2:00 p.m. the same day, you're hit with a \$39 late

fee, that's outrageous. I think at the very minimum,

*“ we have seen more and more senior people going into bankruptcy because of credit card debt helping [their] children.”*

the fee should be capped at where they are because I see this trend continuing. I don't see any reason why, if nothing's done, why late fees, for example, won't be \$50, \$60, \$70 in a couple of years or so at the way things are going, which sounds unreal, but we're definitely on that path. That's my two-cents worth on that.

**Ms. Jimenez-Ronka:** Georgia has a good predatory lending law. I wonder how it is that there is not something similar to that for the credit card business. Something that can, at the federal level, put some stops on those fees and all the charges with it on the secured credit cards and all those charges. There has to be something done. And the credit card business gets rich every single day, and it looks to me like they are just sucking the money out of the community. And those people we see every single day in the bankruptcy seminars, we have seen more and more senior people going into bankruptcy because of credit card debt helping [their] children. So that is just a never-ending story.

**Mr. Ridout:** There's an interesting piece of legislation also out there called the "Credit Card Reform Act of 2006," S. 2655, but it would amend the Truth and Lending Act to do – among other things – capping what the fees are and requiring penalty fees to be reasonably related to the cost of what it actually costs the bank. Because according to the data that we have, late fees have gone from \$12.55 in 1994 to \$27.46 in 2005, while at the same time the available technology has made those fees far less costly to the banks. So these are junk fees. And I think

rolling the fees back to what it actually costs the bank is a very reasonable solution, and there are methods out there to try to do this.

**Ms. Ibarra:** Do you think that's the best solution?

**Mr. Ridout:** I don't know. I think it should be part of whatever solution we come up with.

**Mr. Herrera:** It's a good start, I think.

(Cross talk)

**Ms. Olguin:** I think if you look at the financial statements for most banks, they've gone from commercial-based lending to a higher percentage of retail lending. And if you look at the history of banks' failures, banks have not failed because they've had problems in their retail lending operation. They have failed because they've had problems in the commercial lending area. So that's a reason that we've seen the higher percentage of income coming in the retail side of their business.

**Mr. Ridout:** Yeah, and I don't think anyone's against banks making an honest profit and imposing whatever penalties and fees are reasonable. But I think a lot of us could agree that what we're seeing are fees that are unreasonable and unfair. According to R.K. Hammer Investment Bankers, there was \$16.4 billion in penalty fees last year. That's totally out of proportion to what the actual effect of the actions the consumers did to trigger these costs to the banks. And we'd like to see them put back in proportion.

**Ms. Castruita:** I'm going to first say, I'm probably dreaming, but I just got this idea. I was reading that New Mexico was going to put a cap on payday loan lenders on how much they could charge in finance charges. And when I read that, I was like, oh, wow, imagine if a credit card company would have a cap. They still would make a good profit. But then there would be a cap, and they're doing it to payday lenders.

**Mr. Arnold:** Yeah, well, if you're late one hour, that in and of itself, for most card issuers, constitutes their right to engage penalty or default pricing, so suddenly you may have an attractive rate – and today the average rate is in the mid-teens, let's say you have a 15% interest rate, which isn't bad. It's not great. But suddenly that rate goes to 35% overnight. That's a typical default rate, 30% to 35% overnight. And this is not just some scam artist's card issuer. This is what the major card issuers do – Citibank, MBNA, Capital One – so that's wrong. I mean, to institute that type of rate jack is unbelievable. By the way, Joe, you are prepared for this seminar today. The stats you were citing are amazing.

**Mr. Herrera:** Good work, Joe.

**Mr. Ridout:** I don't know what NCLR has in mind in terms of the future. Perhaps my real question is, are you considering some kind of partnered credit card with La Raza? I mean, I don't know if that's part of what's ahead. But if it is, one thing that we've seen a lot of, and we urge you to take caution with, is these affinity cards. Someone gets their favorite sports team, favorite school, or whatever. It's just a superficial picture, and there are no real benefits. They'll often have a picture of your university, a baby seal, whatever, but the underlying card terms are still there with all the problematic stuff.

There's even now, of all things, a lesbian credit card. It's issued by MBNA, and you can build up points toward gay-specific vacations. And the underlying principle is excellent, the idea that your spending has sociopolitical implications. But the fact is, if you're making money for MBNA and they're getting 2% of all your purchases as merchant fees, this is a company that donated thousands of dollars to Focus on the Family, one of the most anti-gay organizations in the country. So you can think that you're doing the right thing by putting a picture on a credit card, but you have to go beyond the picture and see if they're actually offering something underlying it that's a benefit to the constituency.



**Ms. Olguin:** I did see one of the vendors in the trade show that was offering an affinity card with NCLR.

**Mr. Rodriguez:** Yeah, I was going to speak to that, but thank you.

**Mr. Cavazos:** With Bank of America.

(Cross talk)

**Mr. Ridout:** Who issues it?

**Mr. Rodriguez:** We had an MBNA, and now Bank of America, affinity card that we had to deal with a number of years ago before we started looking into this issue as we are now, so we appreciate that. But we do have very honest and frank conversations with our partners across the board about a lot of these issues. That's why it's a good time for us to do this, break it down, and have us understand these issues more carefully so we can have more conversations with them. But that has to do with our financial partners, including principally mortgage lending as well.

So that being said, most of this work is geared toward building a policy agenda, a legislative agenda, which oftentimes is pushing on the other side of the banks who are our partners. We have a very clear firewall between what our programmatic and institutional partners would like us to be doing and what we do with respect to our community.

**Mr. Herrera:** Some of the issues that we discuss here are really concentrated on credit cards, but predatory lending is one big issue that impacts Latinos, as well as payday lenders, and that's something that you may want to consider as a future issue to tackle. They're not easy because there's a strong lobby, but they're definitely impacting the community.

**Mr. Rodriguez:** Yes, predatory lending and mortgage lending is an area that we actually are in a big way. It's a pretty robust policy area. Of course, I would say, however, that we're not opposed to federal

preemption. It's our belief that a very strong federal bill is better for Latinos across the board because there are so many variations between the states – particularly Texas and other places where the laws are really bad. In a lot of areas it becomes problematic. In addition to that, we have a lot of Latino members who are prepared, like in Texas and other places, to work toward federal legislation. Just to say that our basic bottom line is that national law is often better for Latinos, if we can get it to be rigorous and strong and enforced.

**Mr. Herrera:** And enforcement is a really important aspect of it. It really is. Because that's sometimes just left aside and really no resources are put to that. That's really important. At our level, I know that's very important.

**Ms. Ibarra:** Well, unfortunately, we're out of time. We'll have to continue the conversation, but I want to respect your time. Thank you so much for coming. We appreciate your being with us today and being so very helpful.

# Appendix

## Participant Bios

### CURTIS ARNOLD

Curtis Arnold, a nationally recognized consumer educator and advocate, has been educating consumers about credit cards since 1998. He is regularly interviewed and quoted by respected members of the national press regarding consumer credit issues. For example, National Public Radio, Dow Jones Newswire, CNN/Money, *The Wall Street Journal*, ABC News Radio, *The New York Times*, *The Washington Post*, CNN Headline News, *USA Today*, *Harper's* magazine, and *U.S. News & World Report* have interviewed Curtis regarding various credit card topics. Arnold is also quoted extensively in a new book entitled *Live Well on Less Than You Think: The New York Times Guide to Achieving Your Financial Freedom* by Fred Brock. On a related note, he is currently working on publishing his own book about credit cards.

Arnold has a particular passion for educating students about credit. He regularly speaks on college campuses about credit issues. He also currently serves as co-chair of the Arkansas chapter of the Jump\$tart Coalition for Financial Literacy, which seeks to educate students about personal finance issues. Finally, he is a member of the Financial Literacy Education Consortium (FLEC), a community of professionals concerned with “best practices” for the delivery of financial education to their constituents.

## SOL CARBONELL

As an Associate of National Priorities for Consumer Action, a nonprofit organization based in San Francisco, Sol Carbonell researches general consumer issues, trends, and scams. She advocates for Latino consumers throughout the nation, recommending strategic alliances and partnerships with national Latino organizations. She also assists consumers in understanding their rights and where to seek help. She represents Consumer Action to consumers, organizations, and media, producing press releases and alerts in Spanish and conducting TV, radio, and newspaper interviews.

Carbonell currently assists in preparation of the MoneyWi\$e financial literacy conferences. She conducts trainings and presentations for community-based organizations in topics such as talking to teens about money, banking basics, credit, and credit reports.

Carbonell was recently awarded the Wisconsin Idea Fellowship for the creation of an outreach and educational campaign called Reaching Latino Consumers in Wisconsin – Partnership, Awareness and Education. The program educates Latino consumers about the most common frauds, how to prevent them, and what local organizations are available for help. For her work in planning and coordinating the first two regional forums that brought together community leaders and state and federal agencies to discuss top frauds against Latinos and best fraud prevention strategies in Wisconsin, Carbonell was named in *In Business* magazine's 2006 "Top 40 under 40."

She is a member of the American Council on Consumer Interests (ACCI) and presented her work in the 2006 ACCI Annual Conference. She is also a member of the Wisconsin Women of Color Network and the National Council of La Raza. Carbonell studied social communications at the University of Buenos Aires and obtained a BA degree in communication arts from the University of Wisconsin-Madison.

## ROCIO CASTRUITA

Rocio Castruita is the education director for the YWCA's Consumer Credit Counseling Service in El Paso, Texas, the largest YWCA in the country and the only one to have a CCCS division. She started working with the YWCA-CCCS in 2000 and has six years of experience as a credit counselor. She is a certified credit counselor through the NFCC (National Foundation for Credit Counseling). Castruita is responsible for the homeownership education and counseling program of CCCS and also directs the financial literacy program for the credit counseling division. She serves on various boards and committees focused on affordable housing, community reinvestment, and financial literacy. She currently serves on the board of the El Paso Mortgage Bankers Association and is chair of the Education/Homebuyer Fair Committee. She is also part of the City of El Paso's Fair Housing Task Force. She is a graduate of Brown University with a BA in economics.

## RUDY CAVAZOS

Rudy Cavazos is Regional Director, Industry Relations for Money Management International (MMI) and its CCCS agencies. His current responsibilities include personal money management education and community business relations in Texas, and he manages a staff of directors who build community relationships with corporations, financial institutions, small businesses, and 501(c)(3) organizations.

Recognized as a credit authority, Cavazos has represented MMI and CCCS in numerous television, radio, print, and online interviews. He has hosted a weekly money management segment on a major San Antonio television station. Currently, he hosts the weekly "Economía" segment on Telemundo-40 evening news in the Rio Grande Valley. He has an online column on Univision.com called "Cuentas Claras." His quotes have appeared in national periodicals such as *The Wall Street Journal*, *TIME*, *The Washington Post*, *Chicago Tribune*, and *Newsweek* magazine.

Cavazos is bilingual and highly active in the Hispanic community and numerous professional associations such as League of United Latin American Citizens (LULAC), Real Estate Association of Latinos (R.E.A.L.), and American Bankruptcy Institute (ABI), and has received recognition three years in a row at the Hispanic Association of Colleges and Universities (HACU). He currently holds the Chair position for the Asset Building Committee for the Texas New Alliance Task Force and is a committee member with the Texas Mortgage Bankers Association Asset Building Committee. Cavazos is also an annual fundraising volunteer for St. Jude Children's Hospital.

Cavazos holds a bachelor's of business administration in business management from Texas A&M University, Kingsville, TX (formerly Texas A&I University).

## PASTOR HERRERA

Pastor Herrera, Jr. has been involved in the area of consumer protection for more than 30 years. In March 1991, he was appointed Director of the Los Angeles County Department of Consumer Affairs. The Department, created by County ordinance in July 1975, provides consumer protection services, including consumer counseling, complaint mediation and investigation, and consumer education devoted to the enhancement of public safety by the deterrence and elimination of consumer fraud. The Department implements a Real Estate Fraud and Information Program, Small Claims Court Advisor Program, a Dispute Resolution (Mediation) Program, and an Adult Protection Services Program, and monitors the county's Cable Television Operators within the unincorporated area and handles subscriber complaints. It also administers a Self-Help Legal Access Center (SHLAC) Program. Annually, more than 700,000 consumers contact the Department for assistance.

Prior to his employment with the County of Los Angeles, he was on staff with United Way, Inc., the East Los Angeles Community Service Organization, and has served as a consultant to community-based

organizations. He has also been employed as a part-time teacher and adult school counselor with the Los Angeles Unified School District.

Herrera graduated from UCLA with a bachelor of arts degree in political science. He is a native of Los Angeles, California and speaks Spanish fluently.

## *P*ATRICIA JIMENEZ-RONKA

The role of the Outreach Department of Consumer Credit Counseling Service is to assess the budgeting and money management needs of the Hispanic community, and respond to those needs through collaboration with other service providers and through the wide array of services in North Georgia and South Florida.

Patricia Jimenez-Ronka works with business and financial institutions to find the resources to bring financial education to the areas where the Hispanic community resides. She also conducts seminars for the Hispanic community.

Jimenez-Ronka came to CCCS in March of 2002, after being with United Way of Metropolitan Atlanta for seven years. At United Way, she developed the Hispanic Initiative, collaborated in the implementation of the nation's first three-digit telephone number (211) dedicated to information and referral of community services, and trained staff from Atlanta and other 211 centers in different states. In addition, she acted as a link with the Latino community in Atlanta, businesses, nonprofit agencies, and the community as a whole.

Jimenez-Ronka has been working in the social services area in Metropolitan Atlanta for 13 years and is on the Board of Directors of the Spina Bifida Association, and formerly of Atlanta Partnership for Arts in Learning, Inc.

Jimenez-Ronka has a bachelor's degree in accounting.

## ROSARIO MÉNDEZ

Rosario Méndez joined the FTC's Bureau of Consumer Protection, Division of Consumer and Business Education in 2004. Her duties include acting as FTC spokesperson for the Hispanic media, establishing partnerships with community-based organizations serving Hispanic constituents, coordinating the translation into Spanish of FTC consumer and business education publications, and conducting seminars on consumer protection laws under the FTC's jurisdiction. Prior to joining the FTC, she worked for the Hispanic Association of Colleges and Universities (HACU) where she managed a financial literacy program targeted at college students. A bilingual native of Puerto Rico, she completed her undergraduate studies at the University of Rochester in New York and obtained her law degree from Loyola University in New Orleans, Louisiana. She also has an MBA in marketing from Johns Hopkins University.

## MARIA OLGUIN

Maria D. Olguin joined the Office of the Comptroller of the Currency (OCC) in July 1980 in the Houston duty station. As a field examiner, she participated in the examination of community, regional, and large banks within and outside of the southwestern district. She also worked as a financial analyst from 1985 to 1988 in the newly-established Houston Field Office, during which time she had responsibility for off-site supervision and monitoring of the largest portfolio of problem community and regional banks. After returning to the Houston duty station, she was selected in 1993 for a position in the OCC's London office where she was the resident EIC for a portfolio of large, complex national banks operating in London and Europe, including Bank of America and Citibank. Returning stateside to Washington, DC in early 1997, she served for a year as a senior international advisor in the International Banking & Finance division. In 1998, Olguin accepted a position in the Office of the Ombudsman as an Assistant Ombudsman responsible for administering the



OCC's national bank appeals process. In October 2003, she was also appointed Executive Assistant to the Ombudsman. In this capacity, she provides advice and counsel to the Ombudsman handling executive issues as designated, and participates in all aspects of the daily management of the Office of the Ombudsman including planning, implementing, and administering functional and operational matters. She also serves as the Secretary to the OCC's Audit Subcommittee.

Olguin is a past recipient of the OCC's Equal Employment Opportunity Award in recognition of her outstanding contributions to the agency's Hispanic Employment initiatives, and currently serves as President of the OCC's Hispanic Affinity Group.

Olguin received her BBA in accounting from the University of Houston in 1980, and is a Certified Public Accountant licensed in the state of Texas. She frequently serves as an instructor for the Association of Bank Supervisors of the Americas in Mexico, Brazil, and other South American countries.

## JOSEPH RIDOUT

Joe Ridout is a spokesman for Consumer Action, a nationwide nonprofit organization based in San Francisco which annually distributes more than one million free consumer publications in up to eight different languages. A recent winner of the CRA Tiger Award for community activism, Ridout has taught college history classes at the University of Texas at Austin and the Instituto Tecnológico in Monterrey, Mexico. A former Fulbright Scholar, Ridout has been with Consumer Action since 2004. Before joining Consumer Action, he worked for Public Citizen at its Texas office. He is quoted regularly on consumer and personal finance issues by media outlets including CNN, *The New York Times*, MarketWatch, Univision, NPR, and *The Wall Street Journal*.



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