

Testimony of  
**Douglas Corey**

March 24, 2009

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Hearing on "Credit Cards and Bankruptcy" Committee on the Judiciary  
Subcommittee on Administrative Oversight and the Courts March 24, 2009

Chairman Whitehouse and Ranking Member Sessions, thank you for the opportunity to testify today about my experience with my credit card lender.

I am a victim of the predatory credit card banking practices that punish honest citizens who work hard every day to make an honest income, payoff their debt, and take care of their families.

I have had a Bank of America credit card for 6 years and I can't remember missing a payment in that time span. During most of this period I received an interest rate of 12.74 percent, and although it was tough making the payments, I did. I set up an automatic monthly payment of \$100 to pay down the principal, and each month when I received my bill, I paid the minimum payment.

In August of 2008 I was on vacation and inadvertently paid less than my minimum payment. The following month, I misread my credit card statement. One line on the bill said "minimum payment;" another said "pay this." I paid the minimum payment, which was about \$125 less than the amount on the line that said "pay this."

With my next statement in October 2008 came the devastating news that my interest rate had skyrocketed to an astonishing 28.99 percent. I went from paying \$360 in interest to \$792 in one month and I was charged a \$39 late payment fee. The following month, I was laid off from my sales representative position of seven years.

Once I realized my rate had increased I immediately called Bank of America and was repeatedly told that nothing could be done to my rate until I made the minimum payments for 6 consecutive months. In December I called again and at this time they credited my account \$759.23 in interest.

In January I called again, but the outcome was much different. I was told no discount could be given again but was offered the chance to increase my credit limit for a service fee of over \$150 a month. I asked the representative why would I do such a thing? She said to "help pay for any expenses I may have."

Several weeks later I called Bank of America, only this time they sent me to a rate adjuster who asked me several questions, one of which was my current work status. With a great deal of embarrassment I explained that I was "unemployed." He then suggested giving me back \$10,000 I had paid in October of 2008, effectively raising my balance by that amount. I explained to him that this would mean I would be paying 28.99 percent on ten thousand more dollars, which

would cause my payments to climb well over \$1,000 a month and would put me further into debt.

His second option was to create a long-term loan. He explained that he couldn't tell me the rate and terms unless I agreed to the long-term program first. He also explained that my account would be temporarily closed, and once I paid the loan off my account would be reinstated. I expressed my concern over the effect this would have on my credit rating and he suggested it would be fine over time.

I asked him why Bank of America was still offering me 3.99 percent on debt transfers but was imposing such lethal punishment on those of us who have been keeping them in business for years? He had no answer. I worried that the credit rating I had worked so hard for over the years could be lost.

As of March 13th I had made 6 consecutive minimum payments. On March 18th I enthusiastically called Bank of America, and was told that my reward for making my payments was a \$13,000 reduction in my line of credit. The rate adjuster explained that he would have to do so because I was unemployed. I told him I was on the brink of starting a new position in the upcoming weeks. He told me that he would call me at that time to see if I had actually started working and what my new compensation was.

He went on to say he could offer me a rate of 24.99 percent, but if he did, it would confuse the computer from "automatically adjusting my rate back from my default rate." He said if he didn't change my rate now, I potentially could get a lower rate in the coming weeks. I asked whether my rate would be 12.74 percent, and he reiterated that he could not tell me what the rate would be. I told him this was frustrating because I had been assured that if I paid for six consecutive months, my interest rate would go down.

With pride I can tell you that for the last 19 years I have never missed a credit card payment or auto payment. In 1994 I became a proud homeowner and was living the American dream. Since becoming a homeowner I have made every mortgage payment up until this year. That all changed 7 weeks ago. I have to admit that for the first time ever I missed my mortgage payment. Fortunately last Tuesday I was able to make up the missed payment, but I am still catching up. As a responsible single father I quickly restructured my home budget and my spending, and I proactively began contacting my debtors to inform them of my situation and to negotiate an amiable resolution.

Senators, I find myself in the same circumstances that many parents are facing today: few job prospects, a stack of bills and the challenge of facing off against financial goliaths. There are many of us in the middle class (the unemployed) who may have overstepped our budgets but although we struggle to make our payments, we make them.

Bank of America has come before you asking for help, understanding, and, with both hands open, for financial support. Yet when we the consumers go to these institutions looking for the same help, understanding and financial support, we get roughed up and receive no compassion. Rather than negotiating, banks are preying on those of us who have been weakened by Circumstances beyond our control. Banks realize that they are holding all the cards and that the consumer is powerless to negotiate with them.

As a salesperson I understand the importance of making a profit, and banks are entitled to make a profit, but what is enough? Over the last six months I have paid a staggering \$1600 dollars more in interest versus what I would have paid at 12.74 percent. Their policies and actions are having a devastating effect on consumers that are hardest hit by our country's economic hardships.

Last week I was asked to come here and tell my story. I'm not here asking for anything for myself, I'm simply asking to stop the greed that is fueling banks' predatory behavior. Consumers are looking to you for leadership and to wage war against this greed that has taken over corporate America. My hope is that you will consider some form of legislation that levels the playing field and empowers consumers to negotiate with these institutions' strong arming tactics.

Thank you for your time.