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Time To Abolish Debt Slavery

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(The Nation) *This column was written by* ***Nicholas von Hoffman***.

In the old days, banks lent money to people they were confident would pay them back. No more. These days, banks search for people who cannot pay them back and lend them money anyhow.

These unsecured loans come in the form of credit cards. And the banks cannot find enough young people, students, sick people and old people on small fixed incomes to give credit cards to.

Once they've got them signed up for a card the tricks and traps begin. From then on their victims will spend their money and their lives paying on a debt which they will never discharge. It's as though they had been thrown into a new form of indenture to Citigroup or J. P. Morgan Chase.

An example of what credit card-issuing banks do to people was given to the Senate Subcommittee on Investigations, where Alys Cohen of the National Consumer Law Center, testified about "a young Navy sailor who opened a credit card account with First Premier Bank on November 21, 2006. The credit card had a $250 credit limit and a 9.9 percent APR for purchases. The same day that the sailor opened the account, he was assessed two fees — a "Program Fee" of $95 and an "Account Set-Up Fee" of $29. The next day (November 22), he was assessed a participation fee of $6. Three days later (November 24), he was assessed an annual fee of $48. When this young sailor received his first month bill, which had a closing date of Nov. 24, 2006, he had already accrued a balance of $178, without making a single purchase.

"The next week, the young sailor used the credit card for four transactions totaling $84.85.On Dec. 22, 2006, he was assessed a participation fee of $6. With all these fees, the young sailor was already over his credit limit, despite making less than $85 in purchases on a card with a $250 limit. He was assessed an over-limit fee of $25 and a late fee of $25, plus a finance charge of $1.96, on Dec. 26. He now owed a balance of $320.81."

The Wall Street Journal, covering the same Senate hearing, recounted the story of "an Ohio credit card holder named Wesley Wannemacher, who recounted for the committee how he wound up paying $6,300 on a $3,200 debt on a credit card issued by J.P. Morgan Chase & Co., and still owed $4,400. He was charged $4,900 in interest, $1,100 in late fees and $1,500 in over-the-limit fees. Chase eventually forgave the remainder of what Mr. Wannemacher owed, but Mr. Wannemacher said Chase only told him that after he was called to testify before the subcommittee."

It used to be that, if a person were caught in the credit card web, all else failing, he or she could get out of debt servitude by declaring bankruptcy. The new bankruptcy law, lobbied through Congress with **help from the credit card interest**, makes bankruptcy painful, expensive and hard to get.

With the Democrats in control — they are somewhat less tainted with bank money than the Republicans — some kind of a new credit card law is a possibility. It might make the tricks and traps used by the banks on their credit card customers illegal.

But that approach is slow, cumbersome and ineffective. A simpler law would make credit card debt arising from tricks and traps uncollectible in the courts. Take away the banks' power to force payment.

In the meantime if you need money to pay your medical bills or get your car fixed, get a loan from the Mafia. You'll get a lower interest rate and better terms.

By Nicholas von Hoffman