

June 10, 2005

**Federal Consumer
Protection Regulation:**

Disclosures and Beyond

A Symposium Sponsored by the Payment Cards Center



FEDERAL RESERVE BANK
OF PHILADELPHIA

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Over the past 25 years, policymakers have used a variety of tools to protect credit card consumers. The most popular of these tools, particularly among federal policymakers, is the standardized disclosure. Proponents of disclosures argue that they help consumers shop for credit, use credit responsibly, and understand the rights they have when they encounter a problem with their card. Recently, however, federally mandated credit card disclosures have come under attack. With the credit card product becoming more complex and with federal policymakers increasing the scope of what issuers must disclose, many stakeholders are asserting that disclosures may frustrate consumer efforts to understand any given credit card's terms and conditions.

While standardized disclosures are the backbone of federal efforts to protect credit card consumers, there are other tools that policymakers can, and often do, rely on to achieve consumer-protection-related goals. For example, federal banking regulators can curb certain practices perceived not to be in the interest of consumers through the use of advisory letters and enforcement actions. Other tools that can be used to protect consumers include substantive federal legislation, consumer education, and self-regulation by the industry.

In an effort to understand how disclosures and other tools can be employed to best protect credit card consumers, the Payment Cards Center of the Federal Reserve Bank of Philadelphia is hosting a symposium. The one-day event will bring together industry experts, economists, legal scholars, consumer advocates, and regulators to discuss issues surrounding mandatory federal disclosures and other forms of federal consumer protection regulation. Rather than looking backward and assessing the merits of federal preemption of state consumer protection regulation, the symposium will prospectively consider the following questions:

- What kinds of protections do credit card consumers need? Why?
- What should the goal of disclosure be? What can standardized disclosures accomplish? How should they be developed? How can we measure their effectiveness?
- What problems are not efficiently solved by disclosures? How can these problems be effectively addressed by alternatives to disclosure?

Friday, June 10, 2005

8:45 am **Registration & Continental Breakfast**

9:15 am **Welcome**

Anthony M. Santomero, President, Federal Reserve Bank of Philadelphia
Peter Burns, Director, Payment Cards Center

9:30 am **The Law & Economics of Credit Disclosures**

Thomas Durkin, Board of Governors

10:00 am **What Can Be Achieved with Standardized Disclosures?**

Moderator: L. Richard Fischer, Morrison & Foerster

Panelists: Clinton Walker, Juniper Bank
Travis Plunkett, Consumer Federation of America
Ralph Rohner, Catholic University
Scott Hildebrand, Capital One
Thomas Durkin, Board of Governors

This panel will address the following questions:

- What should the goal or goals of disclosure be? To inform all consumers? To reasonably inform most consumers? To prompt a certain response, such as an opt-out election? To promote comparison shopping and competition?
- What does a consumer need to understand in order to make informed credit decisions and informed choices about the use and sharing of information? When does he need this information?
- What kinds of problems are disclosures well suited to solving and not well suited to solving?
- How can we measure the effectiveness of a disclosure relative to a particular goal? What should be done if disclosures prove to be ineffective?
- How should the industry, consumers, and regulators work together to develop new disclosures or improve existing disclosures?

12:00 pm **Lunch**

1:00 pm **Federal Consumer Protection Regulation**

Todd Zywicki, George Mason University School of Law

1:30 pm **What Problems Are Best Solved with Alternatives to Disclosure?**

Moderator: Oliver Ireland, Morrison & Foerster

Panelists: James Brown, University of Wisconsin
Russell Schrader, Visa
Matthew Neels, MBNA
Todd Zywicki, George Mason University School of Law

This panel will address the following questions:

- What problems are not efficiently solved by standardized disclosure requirements?
- What other tools might federal policymakers rely on to solve these problems? How should these tools be used, and who should be responsible for their use?
- What impact do disclosure alternatives have on card issuer competition and pricing?
- What challenges do these alternatives present to issuers and consumers?

3:30 pm **Wrap-up**

4:00 pm **Conference Adjourns**

For more information about the Payment Cards Center, the events we sponsor, and the research we produce, please visit our web site at the following address: www.philadelphiafed.org/pcc