

# Consumer Finance Monitor Podcast (Season 9, Episode 8): Credit Card Rate Caps and the Credit Card Competition Act: The Right Problem, the Wrong Tools?

Speakers: Alan Kaplinsky and Marisa Calderon

Alan Kaplinsky:

Welcome to the award-winning Consumer Finance Monitor podcast, where we explore important new developments in the world of consumer financial services and what they mean for your business, your customers, and the industry. This is a weekly show, brought to you by the Consumer Financial Services Services Group at the Ballard Spahr Law Firm, and I'm your host, Alan Kaplinsky, the former practice group leader for 25 years, and the founder of the Consumer Financial Services Group and now senior Council of the group. And I'll be moderating today's program.

For those of you who want more information, don't forget about our blog, which also goes by the name of Consumer Finance Monitor. We've hosted our blog since 2011 when the CFPB became operational. So there's a lot of relevant industry content there, including a very recent blog about the topic that I'm going to tell you in just a couple of minutes we're going to talk about today. We also regularly host webinars on subjects of interest to those in the industry. So to subscribe to our blog or to get on the list for our webinars, please visit us at [ballardspahr.com](http://ballardspahr.com). And if you like our podcast, please let us know about it. You can leave us a review on whatever platform you happen to be using, be it Apple, YouTube, Spotify, or any other podcast platform. And please let us know if you have any ideas for other topics that we should consider covering on our podcast show or speakers that we should consider inviting as guests on our show.

Let me tell you about the topic we're going to be discussing today. We're mainly going to be talking about two proposals that sit at the intersection of consumer finance, politics, and affordability, and that have recently been embraced by President Trump as part of what he characterizes as a renewed populist focus on economic relief for American families.

The first proposal is to freeze credit card interest rates at 10% at per annum nationwide for one year period. The second is his support of the so-called Credit Card Competition Act, which has long been by Senator Dick Durbin and which require large credit card issuers to enable at least two unaffiliated payment networks on their cards when they are used at a merchant, only one of which can be MasterCard or Visa. That would give merchants alternative options. The theory is that increased competition at that level would end up reducing interchange or so-called swipe fees that are charged by credit card issuers, and that those savings will ultimately benefit consumers because the savings by the merchants will pay, presumably, a lower interchange fee would be passed along to consumers in the form of lower prices. Both of these proposals are being framed as pro-consumer and pro-affordability reforms. Both have also generated significant pushback from banks, card issuers and trade groups, including all the major banking trade groups like the Consumer Bankers Association, American Bankers Association, and Bank Policy Institute.

The 10% rate cap proposal in particular has sparked an intense debate. On the one hand, Americans are undeniably feeling enormous financial pressure. Not everyone, but certain segments of the population are clearly under financial stress. Credit card APRs are very high. No question about that. Household budgets remain strained by housing, food, child care, and transportation costs. For many families, credit cards are not discretionary devices. They are liquidity bridges between paychecks and emergencies. On the other hand, credit cards are unsecured, revolving products that are priced according to risk. And history shows, and we will show today through my guess, that when governments impose blunt price controls on credit markets, markets do not simply absorb the losses. They adjust to them. The question is, how and who ultimately would bear the consequences of the adjustments that would surely be made?

To help us unpack these issues. I'm joined today by our very special guest, Marissa Calderon. Marissa is president and chief executive officer of Prosperity Now, a nationally-focused nonprofit organization that supports economic mobility by providing tools, resources, and research to a network of more than 86,000 professionals in the field. She is an experienced

executive, widely recognized nationwide for her expertise in housing and financial services. Throughout her career in both the private and the nonprofit sectors, she's focused on economic development and community finance.

Prior to joining Prosperity Now, Marissa served as chief of community finance and mobility at the National Community Reinvestment Coalition, and as executive director of its subsidiary, the NCRC Community Development Fund. There, she helped deploy capital in 20 cities across the country to develop affordable housing, and she's oversaw the development of \$175 million in pandemic relief funding in the state of Illinois alone. Before NCRC, she served nearly a decade as executive director of the National Association of Hispanic Real Estate Professionals, the largest minority real estate trade association in the country. She's also had roles in the financial services industry, most recently, at Citibank. And she also has experience in public service including a run for Congress. Marissa is a native Spanish speaker and the granddaughter of braceros. She earned her bachelor's degree in anthropology from the University of California and Berkeley, and serves on several boards, including working solutions partners for the Common Good and ROC USA.

Well, Marissa, that is a very impressive CV that you have, and we are so delighted to have you as a guest on our program today.

Marisa Calderon:

Thank you so much. I'm delighted to be here.

Alan Kaplinsky:

Okay. Well, we have a lot of questions to talk about, but let's start with the proposal that has generated the most headlines in the last month or so, the idea of President Trump to freeze credit card interest rates at 10% for one year. In your recent January 29th article in the online publication called Open Banker, where your article was entitled, Why A Flat Credit Card Rate Could Hurt Working Families, you acknowledge something important, and that is Americans are right to be frustrated by rising credit card interest rates, inflation in general. And despite what we heard from President Trump on a State of the Union message where he said inflation is plummeting, I haven't seen it plummet. And policymakers want to respond to these concerns that consumers have. So let's start there.

My first question is, what do you think policymakers, and frankly, politicians are getting right when they focus on credit card interest rates as an affordability issue?

Marisa Calderon:

Yeah, thank you for that. I think that the first thing to acknowledge is that APRs are at an all-time high. So something odd potentially is happening in the credit card market. US credit card interest rates are significantly higher today than they have been as compared to just a long-term historical average. And in fact, today, they hover around 22%, whereas about a decade ago, they were about at 13%. So it's understandable that people are feeling a pinch in their pocketbook and that policymakers have noticed because that's a big spread. It's a big difference to just have to absorb over a 10-year period alone.

One thing that we've looked at is that what are some of the underlying causes for the increase? And the increase can't be explained by APR margins alone, so that the profit margin, if you will. APR margins have been increasing over the past decade. In 2013, they were at about 9.6%, and just a couple of years ago, by 2023, they were at 14.3%. So for consumers, for everyday people who use their credit card, this has real pocketbook consequences. About half of cardholders carry a balance. About one in five don't think that they'll ever pay it off. And that certainly is going to be harder if interest rates and APRs continue to climb. Credit card debt is increasingly long-term. 61% of Americans with credit card debt have been in debt for at least a year. That's up from 53% in late 2024.

The other thing I think that certainly is important from the perspectives that we look at is that while some folks might think, "Gosh, people should just spend less on their credit cards," the debt is actually reflective of consumer spending on essentials. So among credit card debtors, just over 40% say that their debt comes primarily from emergency or unexpected expenses, medical bills, car repairs, home repairs, other kinds of essential expenses, not extravagances or things that are other than something that helps you to get from one paycheck to the next. And this is especially true of those card holders that are in the bottom 20th income percentile. They carry a balance and they use that really as a liquidity vehicle to get them from one point

to the next. So it's not surprising to us that people are filling a pinch, and frankly, I'm glad that policymakers have noticed and are interested in doing something about it.

Alan Kaplinsky:

Right. In your article, you described the Trump proposal as, and I'm quoting, "the right problem, but the wrong solution." What specifically, Marissa, makes a flat 10% cap for one year so problematic compared to other types of consumer protections?

Marisa Calderon:

Well, I mean, I think that, for starters, a sweeping change that is not a durable change doesn't actually solve the problem. I reference that a lot of the debt that consumers are carrying, certainly the low and moderate income consumers that we spend our time thinking about, it's long-term debt. What that does is kick the can down the road, but it doesn't actually solve the problem. Some of what we look at also is that constricting credit quickly by applying that interest rate cap would make it impossible for credit card issuers to profitably lend to most of the people they're lending to. So the likely thing that would happen is credit constriction and the likely people who would be affected by that would be those consumers that are on the margins or that have lower income, and those are exactly the people who are leveraging their access to credit to be able to pay for those everyday essentials. A sweeping arbitrary doesn't actually address the kind of durable change that consumers need so that they can address their actual real affordability concerns.

Alan Kaplinsky:

You also emphasize in your article that credit cards are unsecured, revolving products that rely on risk-based pricing. Can you explain in practical terms exactly what happens when lenders can no longer price for risk and why that matters most for lower and moderate income households?

Marisa Calderon:

Sure. As you noted, credit cards are unsecured and revolving. Interest pricing is one of the main tools that issuers use to be able to cover expected charge-offs volatility. And when they don't have that as one of the tools in their toolbox as they think about extending credit, typically what happens is the response from issuers is to raise their approval standards, which means that they have a cutoff score that is much higher, they have tighter income or debt-to-income checks to help them determine whether and to whom they're going to extend credit. Oftentimes, they will either approve lower credit limits or they'll actually lower credit limits on existing cardholders, which has an adverse impact by increasing utilization rates by people who already have credit, thereby making it so they can't access the credit that they had. And issuers sometimes pull back entirely from what they would deem as higher risk segments.

So it has this net effect in multiple different ways of actually withdrawing credit from the very consumers that are most likely to use the credit for whom, frankly, they're profitable consumers for industry, for card issuers. And it has, of course, the adverse impact on households of not having some responsible-regulated credit markets. And what happens is those very consumers then are pushed to other less well-regulated, much higher cost, more predatory products, and that's a terrible outcome for consumers, certainly.

Alan Kaplinsky:

Yeah. Yeah, for sure. So who really bears the cost? I mean, based on history and evidence, who actually bears the cost when price controls are imposed in credit markets? I know we haven't had federal price controls since a long period of time, and although in some limited areas, there are some interest rate controls that have been imposed, but nothing similar to what Trump has proposed here. So what is the history that you have chronicled and the evidence show, Marissa?

Marisa Calderon:

I mean, I think the short answer is consumers, consumers pay the cost because they pay the cost through access loss and through other kinds of product changes that impede their ability to engage responsibly in the credit market. So those costs show up as fewer approvals, fewer rewards in some cases, higher non-interest charges, reduced service quality on the part of the card issuer as the card issuer tries to adjust their own expenses. Further, to my earlier point, when that mainstream responsible credit vehicle tightens those households needs don't go away. They still need to be able to pay for all of those underlying necessities that they were using those credit cards for. And so what they may do is shift to higher cost, less regulated substitutes like payday loans, certain types of FinTech or alternative products, all of which come at a much higher effective APR.

Alan Kaplinsky:

Right, right, right. You point out that even consumers who continue paying on time could be harmed through reduced credit limits and higher utilization ratios. How visible are these, what I'd call second order of facts to policymakers, and how real are they for consumers?

Marisa Calderon:

As credit card issuers make their internal adjustments to address costs and to address the imposition of a one-year rate cap, those 41% of consumers who say they use credit cards for emergencies, well, they suddenly no longer have access to that because if their credit line goes down, and if they've been carrying a balance and there's no buffer there, there isn't an actual remaining credit line for them to access, but they may still need to pay for a tire that's flat, they may still need to pay for some medical bills. They certainly still need to pay for groceries. And what they will do is they will turn to these other series of predatory products, or worse, if they are not able to pay for some of these necessities, it could have other harmful displacement impacts on them that create a series of economic dominoes that fall in a community that could be destabilizing for a series of communities.

Alan Kaplinsky:

Okay. I referred a few minutes ago to historical lessons. In your article, you reference two important historical examples. One was the Carter Administration's 1980 credit controls, which I'm old enough to remember going through, and the Military Lending Acts 36% APR cap. What lessons should policy makers take from those experiences before jumping to the conclusion that there's a need to impose a nationwide 10% cap for one year on all consumers?

Marisa Calderon:

Yeah, I mean, I think history is a beautiful thing. And so I'm glad for the example from the Carter administration because as you'll recall, it was so economically catastrophic that within just a few months, it was rescinded. And so I think that that's probably the best, most parallel example to a notion of a 10% cap for a period of time because in just a few months in 1980, when the credit card market was far smaller than it is today and far less complex, far fewer card issuers, far fewer card holders, it was so economically damaging to the country that it was withdrawn, it was rescinded. And so that's the thing that we look at to help inform why something like an arbitrary cap for a period of time could be damaging.

I think the Military Lending Act is a more complicated example because in many ways, it is actually a really great example of a number of different constituency stakeholders working collaboratively to get good legislation passed. I would be remiss if we didn't highlight that that kind of work is necessary, especially in today's environment, to accomplish good policy. I think what is also true is that in that one example, for the consumers who were most on the margin, it actually didn't improve their access to credit or default rates. And those were the consumers that were really focused on, which is why I think that what does need to happen is something that is legislative in nature and that addresses broad stakeholder needs, and that really calls for policy makers, as well as all of these different stakeholder populations to work together to the most harm from the kind of legislative changes that could be imposed.

Alan Kaplinsky:

Yeah. I also want to add two things you mentioned, the 1980 credit Controls and the Military Lending Act 36% APR cap, a very recent Federal Reserve study called Less For You, More For Me, Credit Reallocation and Rationing Under Usury Limits, authored by Rajashri Chakrabarti, Daniel Garcia, Donald Morgan, and Lee Seltzer. The study finds that when states put a cap on interest rates, credit to the riskiest borrowers contracts, credit to lower risk borrowers actually expands and delinquency rates do not meaningfully improve.

So Marissa, how should we think about this reallocation effect? Does that, the results of this FED study, reinforce your concerns about who ultimately benefits and who loses under a nationwide 10% credit card interest rate cap?

Marisa Calderon:

Yeah, I think the populations that have a higher degree likelihood of being harmed are often those that have fewer resources. And so that is why we are focused on ensuring that policymakers have access to good information, that they understand materially the consequences of the kinds of actions that they would take, and that ultimately, the focus is on durable change that can address these issues for the long-term and that those who would otherwise stand to benefit, which are often people who have more resources, that they are not disproportionately benefited by policies like this because, really, the people who end up paying are the consumers that are low income households and are on the margins.

Alan Kaplinsky:

You alluded to what I'm about to ask earlier, but I want to come back to it, and that is some supporters argue that this would only be a temporary one-year freeze. Why do you believe that temporary caps can create longer lasting distortions or damage in the credit markets?

Marisa Calderon:

Well, the credit markets are complex. They don't automatically rebound after price controls are lifted. Issuers have to make change. That is everything from internal policy and practice change to staffing changes. And that doesn't just... You don't hit the undo button and go back to what you were doing to begin with. They exit certain segments of the market and they may either return very slowly to those segments of the market or they may decide, "I'm not going to return to those segments of the market at all." Credit lines that are cut during a temporary policy shift might not be restored. There's nothing that would require or necessarily motivate card issuers to restore credit lines or return to those markets that they've exited. And ultimately, the downstream effects on consumer credit profiles are going to persist. They will persist for a long time after that policy lever has been implemented and potentially removed.

Alan Kaplinsky:

Right. I want to talk about something else in your article. You talk about the chainsaw versus the scalpel. I used to use the metaphor of a meat cleaver versus a scalpel, but I guess a chainsaw does the trick. If blunt caps, like a 10% cap here, are the chainsaw, what would a scalpel end up looking like in this space?

And let me layer in something else. On January 23rd, Senator Elizabeth Warren sent a letter to acting CFPB director Russell Vought urging action on the following things, which she considered to be within the jurisdiction of the CFPB. And she listed five things. One, to reinstate the \$8 late fee cap that under Rohit Chopra's directorship of the CFPB had been finalized, but then ended up being challenged in litigation. And ultimately, when the Trump administration came into office, the \$8 late fee cap rule went out the window.

Second thing is regulating deferred interest promotions, the kind of promotions where a lot of credit card issuers will say you don't pay any interest for six months, but if you don't pay the whole off, then you start paying interest. There have been some problems from time to time with consumers being surprised by the fact that they don't pay something off by the deadline. Not only do they pay interest going forward, but they pay it retroactively during the so-called deferred interests period.

Third thing, resuming examinations under the Truth and Lending Act and the Card Act. And as we all know, I don't think there've been any examinations conducted since Acting Director Russell Vought has taken over the leadership of the CFPB.

They're now talking about resurrecting some limited supervision and examinations, which would be remote not in person, and limited to a very small number of banks or non-banks over a period of a year.

The fourth thing she mentions, which is something you referred to earlier, increased oversight of credit card rewards programs. A lot of consumers, very, very attached to their credit card rewards programs and they certainly don't want to see them go away. And then finally, restarting complaint processing and investigations. While people can still submit complaints to the CFPB, I don't think there has been a lot of follow-up on the part of people working at the CFPB to see if there are systemic kinds of abuses that certain companies are engaged in.

How do you view these more targeted regulatory steps compared to a blunt nationwide 10% cap?

Marisa Calderon:

Yeah. Well, I think for starters, there's actually a current proposal by senators Fetterman, Booker, Baldwin and Schatz to codify that \$8 late fee cap. So in addition to Senator Warren mentioning it, as you noted, there is a piece of legislation that would make that a more durable change. So that-

Alan Kaplinsky:

Do you think, Marissa, that politically, that can be accomplished? Because wouldn't it require, in the Senate, supermajority vote and they're not going to get... Even though... They won't get the Republicans, I think to back that.

Marisa Calderon:

Well, there's the rub. So to harken back to my example about working broadly with stakeholders and addressing the needs of multiple different stakeholders to get true bipartisan alignment around issues, that's the sort of thing that would need to happen.

I do think that affordability issues like the ones that are reflected and that consumers are actively talking about that are affected by credit card APRs. This is the perfect issue area for folks to align around because being able to pay for groceries, being able to address affordability issues that consumers have, that's not a partisan issue. That's an economic issue. And addressing that is good for everyone. It's good for communities. It's good for any party and policymaker.

And back to the point about interest rates, having a higher price ceiling that's tied to a fixed spread above the federal funds rate is one way that you could address that rather than just having a blunt, arbitrary cap that is whatever percentage you select. That could move and be variable according to the Fed funds rate. So that's one solution. And I think, ultimately, policymakers are going to have to work together to be able to address durable change for consumers.

Alan Kaplinsky:

Yeah. One thing, a point I wanted to make sure that our audience is aware of, and that is that the CFPB is actually prohibited from setting or establishing any usury limits. So the CFPB wouldn't have the right to impose by regulation any kind of an interest rate cap, whether it was a fixed cap or a variable cap. One time, I thought that President Trump, who just loves executive orders, was going to try to impose the 10% cap through an executive order. I don't know if he was thinking of doing that, but he wisely backed away from that because that never would've withstood any litigation challenge because I don't think that... It's a function of Congress to decide something like that, not the president.

Before we turn to the credit card Competition Act, I want to raise with you something fairly new that came to my attention. It was published on February 19th by the Consumer Bankers Association and by their executive director, Lindsey Johnson, and it's called Affordability in the American Consumer. In her blog, she relies on some research that was supported by the CBA by Dr. Alexei Alexandrov, and it examines the biggest and the fastest growing expenses for American families during the decade of 2013 to 2024. And using consumer expenditure survey data, supplemented by personal consumption expenditures data, Dr. Alexandrov finds that four major expensive categories account for two thirds of all expanded spending by consumers. Healthcare is one of them, shelter, food and vehicles. And interest rates on credit cards amounts to less than 1% of the expenses of a household.

He gives an example of a household that earns about \$104,000 a year about which would amount to 68,000 after taxes. And their primary cost centers each month are healthcare \$6,197 per household. Shelter, \$19,116 per household. Food, \$10,163 per household. Vehicles, \$10,673 per household, excluding gas. And then he then talks about where the interest rate, where do they stand. In the 2024 interest account for roughly \$100 a month on average, a little over 1% of the average household budget.

So I guess my question is this is a type of price control, the Trumps call, the Trump proposal, limited price control just on interest rates. But even if you thought price controls were a good thing, this would never solve the affordability problem because the lion's share, the overwhelming share of household expenses for low and moderate income people is not the interest they pay on credit cards. How do you react to that, Marissa?

Marisa Calderon:

I mean, I think it just reinforces the point that we're making that these decisions, they can't be made in a silo. So changes to pricing and to rates that issuers would have to make, they do have a material effect on affordability because they constrain card holders ability to pay for nearly all of those things that you mentioned on their card. And it also reinforces the point that there are other policy issues that need to be addressed that are underlying issues. Much of what you just described is affected and made more expensive by rising costs associated with inflation, with costs associated with tariffs. And so those things are all a series of necessities. They're not extravagances. And the fact that card holders pay for all of those save shelter, in most cases though there are cards that allow you to pay for your rent, that the fact that consumers use these liquidity vehicles to pay for those things necessarily makes them interconnected issues. You have to address multiple issues to solve the affordability problem that the consumers are facing.

Alan Kaplinsky:

Right, right. Okay. Let's turn now to the Credit Card Competition Act. Shortly after Trump floated the idea that the 10% interest rate cap, and he got an immediate blowback on the part of the credit card industry and a lot of consumer advocates like yourself and other law professors who typically support things that seem to benefit consumers, he then turned to, somebody must have whispered in his ear and said, "There's something, a bill already pending called the Credit Card Competition Act." And that could have the effect of consumers with the affordability.

So this Credit Card Competition Act takes a very different approach. Rather than capping prices or interest rates directly, it attempts to introduce structural competition by giving merchants multiple routing options for credit card transactions with the expectation that anticipated lower interchange or swipe fees, and those are the fees that are newer to the benefit of the credit card issuer, that that will end up benefiting consumers, that merchants, the merchant discount, which is deducted from the price of the goods or services that are being purchased by consumers, that will be lower. And the theory is, and the hope is that that benefit will directly be passed on to consumers in the form of lower prices.

Banks and card issuers have been sharply critical of this bill, both before Trump's decided to support it and after he did, but merchants generally have embraced this bill. So my question for you, Marissa, at a high level, what is the basic consumer-facing promise of the Credit Card Competition Act?

Marisa Calderon:

I think the intent, as I understand it behind the proposal is that by providing merchants with routing choice, which they don't get to pick that today. They get what they get. But by providing merchants with a routing choice for networks, that there would be competition on price and service and it would lower the actual cost for merchants and that merchants would pass through that cost savings to consumers. I think that from a retailer perspective, they might argue that swipe fees raise overall prices, and that lowering those costs could then pass on as upward pressure on consumer pricing for essential goods, which is something that consumers do care about. And for those that are really aligned with the proposal, the small business case is potentially that smaller merchants have less leverage and that they might pay a higher relative cost and more network choice is being framed for them as a field leveling case.

I think that those are the intentions behind it and what those who are supportive of the CCCA would say.

Alan Kaplinsky:

Yeah, and we have a track record that we can look at in that there was another bill that became law, also supported by Dick Durbin quite some time ago. I lose track of time, but I would guess it's seven or eight years ago, when this bill went after fees charged on debit card transactions. And it actually put... It applied to the largest credit card issuers in the country, not all debit card issuers. And for the largest ones, there was a limit imposed on what could be charged in the way of interchange fees or swipe fees. And also, I believe there was a routing provision, something that required that debit card issuers allow two unaffiliated, I guess you could say tracks to be used for routing payments.

Based on that experience with the interchange debit card rules, how confident should we be that those savings will actually flow to households, to consumers on credit card transactions?

Marisa Calderon:

Yeah, I think this is another great example of where the lessons of history and the practical effects of policymaking are something that we can look to understand what the likely outcomes would be. The Durbin Amendment was part of the Dodd-Frank Act. I remember that too. It'll be 26 years this year that that was passed. I would say one important nuance is that debit interchange fees, understandably credit markets are different, but I think that the contours are similar. Debit interchange fees for the largest banks previously averaged 2% of the transaction value. Those things were meant to be more cost-effective for consumers. The reality is that those cost savings that were codified did not pass on to consumers. And I think the same thing is likely to happen in this construct, that simply because something is made to cost less or a different amount in one part of the infrastructure, does not automatically ensure that those costs savings, those caps that are imposed upon merchants or banks are going to pass along to consumers. And we can say that with relative certainty because in example over example, they simply have not.

Alan Kaplinsky:

Right, right. So credit card reward programs, fraud protection, other benefits are often funded through interchange revenue by credit card issuers. What risks do you see the cost reduction in one part of the system could lead to higher cost or reduce benefits elsewhere?

Marisa Calderon:

Yeah. I mean, I think it's important from our perspective to note that many of the consumers that we're sort of most focused on are low to moderate income households for whom the things that are important to them are different than folks that are higher wealth consumers and folks that have different kinds of credit products. I think the reality is that in both of these two different examples of the interest rate cap and in the CCCA, both policies really risk compressing funds that enable risk taking and servicing. So issuers might compensate by tightening underwriting standards or reducing credit lines, certainly by changing a construct of what they offer. The key difference, really, is that the CCCA is an indirect price pressure mechanism. It's focusing on routing competition versus the direct APR ceiling, but the downstream effects are going to look similar, most likely, because issuers are going to respond with tighter access or new fees to be able to really offset the imposition of that construct on them.

Alan Kaplinsky:

Right. I'm getting toward the end of our podcast today. And let me ask you really a final question. Both of these proposals, the interest rate cap, the Credit Card Competition Act, are framed as populist pro-consumer reforms. How should policymakers and voters distinguish between reforms that sound good politically and those that actually improve long-term financial stability?

Marisa Calderon:

Yeah. Think we think about not sort of being swayed by a flashy headline. I often say the devil is in the details. And some things that policy makers especially should think about as it regards to this is with respect to access, how does the change that

is being crafted preserve or expand access for low to moderate income or thin file borrowers? And if they can't answer that question, then go back to the drawing board. Incidence is another area to think about. Who captures the gains? Is it consumers? Is it merchants? Is it intermediaries? And this is important because as we can think about the Durbin Amendment example, evidence suggests that offsets equate to an uneven pass through or none at all in terms of affordability.

Another thing to think about is around substitution. Does the change being imposed or crafted push people toward worse, more predatory products that are less regulated, that have a higher effective cost because that would not be an ideal outcome or it wouldn't be an improved outcome. And then the last thing that I've referenced is around durability. What happens after implementation? Do markets rebound or do credit line reductions and score effects persist? And ultimately, what is the positive durable change that consumers can reliably expect?

Alan Kaplinsky:

Okay. Well, let me try to summarize we've heard from you in the last hour. There's one theme that runs through both of the proposals, it's that affordability is a real pressing concern, but, and it's a big but, design matters enormously. Blunt price caps may reduce rates on paper, but risk-reducing access, structural reforms may promise competition, but carry trade-offs that aren't always obvious. The challenge for policy makers is not choosing between affordability and access. It's designing reforms that reduce financial strain without narrowing the tools that families rely on when emergencies hit.

For our listeners in industry advocacy and government, the takeaway is clear, evidence and market mechanics matter. Populous framing may win headlines, but durable consumer protection requires very careful calibration, or as you put it, the scalpel, not the chainsaw.

I would note, as I mentioned a little bit earlier, that President Trump in his recent State of the Union message did not say anything about either of these topics we discussed today. And I would've thought that if he intended to do something more with these topics, he would've said something about them because he did mention a number of other so-called affordability he was going to support.

Marissa, want to thank you very much for joining us today, imparting to our listeners a very significant perspective on these kinds of issues. So thank you for being with us.

Marisa Calderon:

Yeah, thank you so much for having me.

Alan Kaplinsky:

Okay. And I want to thank all of our listeners for downloading our podcast show today, and we look forward to your joining us every Thursday. This is a weekly show. And I hope everybody enjoys the remainder of their day. Thank you.