

## Going for broke, American-style

BYLINE Debra J. Saunders

When the GOP Congress passed and President Bush signed the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, supporters hailed the measure as a victory for "personal responsibility."

Three years later, the bill has managed to dent the number of bankruptcies filed in America - from 1.6 million in 2004 to 850,912 in 2007, according to the nonpartisan American Bankruptcy Institute. That number is great for the banks, but in the wake of America's subprime mortgage and home foreclosure wake-up call, you can't argue that either American lenders or consumers are exhibiting more personal responsibility.

Forget high gas prices. If you're among the 1 in 5 households with credit-card debt service payments exceeding 10 percent of your income, you probably have bigger problems. Congress refused to cap interest rates at 30 percent when it passed the bankruptcy bill. Predatory lenders remain free to charge usurious interest rates, as well as to assess whopping late-payment penalties.

A report, "For a New Thrift: Confronting the Debt Culture," released last month by the Institute for American Values, **Public Agenda** and other do-gooder groups, catalogs the many ways that private and public institutions are making it fast and easy for working people to do the wrong thing with their hard-earned dollars.

Financial institutions that previously encouraged Americans to save a portion of their income now encourage consumers to

borrow for daily household expenses such as groceries. The credit-card industry pioneered a set of "practices and products that ensured long-term consumer dependency on expensive credit," the report noted.

The report's lead author, Barbara Dafoe Whitehead, told me that when her group first starting throwing out the term "thrift," others saw them as "stingy unimaginative people who live dreary lives." I hesitate, lest I come across as a middle-age woman wagging a finger at young people for spending too much money - which often entails having loads of fun.

So let me frame this as a class issue. People who are stuck in the credit-card trap - or worse, the pay-day lenders' snare - face huge impediments to becoming middle class.

It is shocking to learn that 56 percent of college students carry four or more credit cards. That's a big problem, but at least these young adults are likely to see the day when their incomes can buy an end to a cycle of debt. The majority of workers who are not college graduates stands to lose the most if they get snared by the lure of overborrowing.

As Whitehead noted, once people enter the late-payment-penalty loop, they are "reduced to falling down the ladder." Washington should be encouraging working families to save. As Whitehead noted, there has to be "a saving culture" that encourages working-class families to put money

aside for the future, or "you're in trouble as a middle-class society."

John McCain was one of 55 GOP senators, who along with 18 Democrats, voted for the bad bankruptcy bill. Democratic presidential candidate, Sen. Barack Obama, voted against the bill, but like McCain, Obama also voted against the amendment to cap credit interest at 30 percent.

Wednesday, at a roundtable on predatory lenders, Obama accused McCain of siding with the credit card-companies and faulted Washington's coziness with the predatory lending lobby.

Too bad for Obama that Wednesday was also the day Jim Johnson resigned from Obama's vice presidential search committee - after the Wall Street Journal reported that Johnson received \$7 million in below-market-rate loans from subprime giant Countrywide Financial Corp., through an informal program for "friends" of CEO Angelo R. Mozilo.

American consumers could use some friends in Washington, too. Supporters justified the 2005 bankruptcy bill as a way to discourage bad-faith borrowers, who rack up big debt without paying it back. OK, mission accomplished. Now, having helped the banks, Washington should do something about rapacious bad-faith lending, before there is a cascade effect across the economy. With the proliferation of predatory credit-card companies, the subprime mortgage and pay-day lenders, Whitehead said of the recent spate of foreclosures, "We haven't seen the end of this yet."