



The Daily Dish

Junk Fee Policy

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The Biden Administration’s [Junk Fee Follies](#) Tour (JFFT) continues, featuring the breathless [announcement](#) that “Live events and ticketing companies are taking steps to no longer surprise customers with fees at checkout and instead include those fees upfront in the total price. The White House, Live Nation and SeatGeek announced the voluntary moves Thursday morning.”

That’s right, the full weight and authority of the White House has been devoted to strong-arming two private-sector companies into adopting the pricing strategy that the administration likes best. No hearings, draft legislation, markups, votes, or passage of a bill. No delegation of authority, notice of proposed rulemaking, draft rule, public comment, and final rule. None of those pesky steps necessitated by optional documents like the Constitution. Nope, just straightforward channel-my-inner-banana-republic executive machismo directed at a gnat of an economic problem.

Meanwhile, Consumer Financial Protection Bureau (CFPB) Director Rohit Chopra – a mainstay of the JFFT – testified Wednesday before the House Financial Services Committee, including the agency’s proposal to cap the “safe harbor” for credit card late fees at \$8. Recall that, under a 2010 law, credit card issuers can charge up to \$30 for the first late payment and \$41 for each subsequent violation without any justification of the fees. The proposal is to change that to \$8, which the White House is claiming will save consumers \$9 billion a year (and cut profits correspondingly).

There are any number of problems with this. First, nobody can [figure out](#) where the \$9 billion figure came from. Second, it is extremely unlikely that consumers will reap these savings. Credit card companies will be forced to make up the lost revenue somehow, so it will show up as higher interest rates, lower credit card points, or some other change. Third, lowering the late fee would be administratively costly and these compliance costs will end up being passed to consumers.

But probably most important, the fees are at their current level to deter customers from being late; timely payments prevent them from getting overwhelmed by their card balances. From this perspective, lowering the fee is counterproductive and harmful to the consumers. Late fees are never the problem that overborrowing can be.

The CFPB effort has poor policy foundations and should be abandoned. But the White House version is worse.