

Many Stay At Home Parents Learn That They Are Not Creditworthy

By Paula Ebben, WBZ-TV

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BOSTON (CBS) – A successful professional, Jenn Mandelenakis of Northbridge feels lucky to be able to give up that corporate life for a life at home with her young son and daughter. “My husband and I have worked very hard to build a situation that’s secure, that is financially stable,” she said.

But all that planning won’t do her any good the next time she applies for a credit card in her own name. Chances are, she’ll be denied. “It’s really frustrating,” she said.

This is all the result of the financial meltdown when congress passed the Credit Card Accountability,

Responsibility and Disclosure Act. “The intent was really good,” explained financial advisor Dana Levit.

The law cracked down on all kinds of nasty bank fees. But one regulation that just went into effect in October requires lenders to consider a person’s ability to repay what they borrow. According to Levit, that means if you don’t have any income, you don’t get any credit cards.

“It was really intended for young people who were just getting out of college and establishing huge amounts of credit lines and getting in over their heads.

Unfortunately, it had a much bigger net than it was ever intended to,” she said. That net includes stay-at-home parents like Jenn, who just months ago, could claim household income and have no problem getting a credit card. “If she doesn’t have income now, she’s out-of-luck,” Levit warned.

Retailers are not happy about this either. They make money by offering discounts to shoppers who open instant credit cards and stay-at-home parents are a large part of their customer base. But that instant credit is just the kind of lending that some consumer groups believe gets people into trouble. That’s why the National Consumer Law Center and Consumers Union both support the ability to pay rule.

For Jenn it's about fairness and family values. "You have a working parent who is bringing home the dollar income, but you also have this other parent who is contributing. I feel as though the federal government is placing a zero value on my contribution here," she said.

Women's groups say this regulation could be crippling for those who are widowed or divorced. Some members of congress agree so there might be some changes coming down the road