

VIEWPOINT THE CONSUMERS UNION PERSPECTIVE

Here, a monthly perspective from Consumers Union on the latest challenges--and possible solutions--facing U.S. consumers today. [See archived letters.](#)

Watch out for costly credit-card practices

For more than 25 years, Cathy Roper, an accountant from Missouri, has paid her credit-card bills and loans on time. So she was shocked to learn that her bank had cut her card limit to less than her outstanding balance, then charged her a fee for being over the new limit. Roper, who reached us through a Consumers Union Web site, was alert enough to notice the fee and angry enough to complain. Others might not be so aware or so persistent.

Among the reports we've received from a growing number of consumers are hefty late fees triggered when credit-card companies don't process on-time payments promptly; "over the limit" fees added when finance charges push balances too high; and interest rates raised even when the consumer has neither missed a payment nor been late with one.

A Florida man told us that within a month of using a 1.9 percent "convenience" check, his credit-card company raised his interest rate to 23.99 percent. He had written a single check for about \$11,000 of his \$20,000 limit and charged nothing else to the account. He didn't know that the card issuer considered him a risky customer once he used more than 50 percent of his credit limit.

Such practices are contributing to record credit-card debt in the U.S. According to a September 2006 report from the U.S. Government Accountability Office, more than half the consumers who hold credit cards carry a balance. Thirty-five percent of active cardholders were charged a late fee in 2005. At least some of those payments were late because of tight turnaround times set up by card issuers.

Terms spelled out in a credit-card agreement might be buried in pages of jargon, and they can change at any time. Enticingly low rates can balloon if a cardholder misses a payment or exceeds his credit limit, or for no reason at all.

But that might be changing. In March, Citi said it would no longer change rates and fees unless a card is expiring. It will also eliminate "universal default," which increases the interest rates of cardholders who make late payments to other creditors. Consumers Union applauds these changes and hopes that other card issuers will follow suit.

Congress is considering bills to curb the most egregious problems. We'll continue to monitor proposed legislation to ensure the strongest protection.

FOR MORE INFORMATION

Until federal law changes, you can protect yourself by doing the following:

- Read the fine print and be on the lookout for revised agreements that come with your statement. Your original terms can be changed by your bank even if you've played by the rules.

- Don't use cash advances or convenience checks. Both can come with fees on top of high interest rates.

- Get a credit card with no annual fee. You can find one in all categories, including rewards cards.

- Go to www.CreditCardReform.org for more information about what you can do to improve the credit-card marketplace or to tell us your credit-card story.