

**Testimony of Larry Sharnak**  
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**American Express Company**

**Before the House Financial Services**  
**Subcommittee on Financial Institutions and Consumer Credit**  
**Hearing on H.R. 5244, the Credit Cardholders' Bill of Rights Act of 2008**

**April 17, 2008**

## **Introduction**

Chairwoman Maloney, Congresswoman Biggert and members of the Subcommittee, my name is Larry Sharnak, and I am Executive Vice President and General Manager of Consumer Cards at American Express. In that role, I am responsible for managing our consumer charge card and revolving credit card portfolios in the United States, including our co-brand relationships. I welcome the opportunity to testify today to provide background on American Express and offer our thoughts on H.R. 5244, the Credit Cardholders' Bill of Rights.

I want to thank Chairwoman Maloney and the other members of the Subcommittee for holding this hearing and for the ongoing dialogue on this important issue. As Congress considers any changes around credit card practices, we believe it is important to focus on three key principles:

- **Access** – preserve the ability to price cards appropriately to allow card issuers to serve as many customers as possible.
- **Choice** – provide consumers with the greatest number of competitive choices – in products, services and pricing – to best meet their individual needs.
- **Accountability** – create incentives for transparent pricing and clear disclosures that will ultimately help consumers better manage their use of credit, and encourage responsibility and accountability for both card issuers and consumers.

In my testimony today, I will focus my remarks on two topics:

First, how American Express is unique in the card industry, specifically:

- Our brand has stood for service over the past 158 years;
- Our unique “spend-centric” business model; and
- Our commitment to providing choice and clarity:
  - in the products and services we offer;
  - in the financial educational we provide to consumers; and

- through our card practices and policies.

Second, I will provide our comments on the Credit Cardholders' Bill of Rights Act. We agree with the bill's broad objectives to address many of the concerns that have been expressed about industry practices. However, we believe that if the legislation is adopted in its current form, some of its provisions would have negative, unintended consequences for consumers.

### **Our Commitment to Our Cardmembers**

In giving an overview of American Express, I want to focus on three themes: first, our commitment to providing exceptional service to our Cardmembers; second, our unique business model, and; third our emphasis on choice and clarity – from the products we offer, to our support for consumer education, to our approach on a range of card practices.

American Express is a leading global payments, network and travel company, which for more than 150 years has stood for service, clarity and trust. Our customers depend on us to provide a broad array of products that offer unparalleled value. This year marks a special milestone for the Company as we celebrate the 50<sup>th</sup> anniversary of the American Express<sup>®</sup> Card. While we have significantly expanded our business and product offerings over the years to meet the different needs of our Cardmembers, one thing has remained constant: our unwavering commitment to our customers.

American Express has received a number of awards that reflect our commitment to our customers. We were rated “Highest in Customer Satisfaction Among Credit Card Companies” in a recent study by J.D. Power and Associates, which was based on the direct feedback of customers.<sup>1</sup> We were also rated the highest among credit card providers in Forrester Research Inc.'s 2007 Customer Experience Index.

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<sup>1</sup>American Express received the highest numerical score among credit card issuers in the proprietary J.D. Power and Associates 2007 Credit Card Satisfaction Study<sup>SM</sup>. Study based on responses from 7,812 consumers measuring 10 card issuers and measures opinions of consumers about the issuer of their primary

We are very proud of these and other awards. However, we recognize that we must continue to earn the trust of our Cardmembers each and every day. In short, we must ensure that we keep our focus on the customer – now and in the future.

### **American Express Business Model**

American Express operates with a business model different from others in the industry. Unlike other large card issuers, we maintain direct relationships with merchants who accept our card products for payment; we manage the network that processes payment transactions; and we issue cards directly to consumers. In the Visa and MasterCard models, these functions could be distributed across two or three different companies; with American Express, it all takes place within one company.

In addition, our business has a different focus, based on what we call our “spend-centric” model. Our most important metric is the level of Cardmember spending on our network, not the outstanding balances Cardmembers choose to revolve. At American Express, our Charge Cards, which are pay-in-full products, represent the highest percentage of our Cardmember spending.

Lending balances are not a primary area of focus, but rather a byproduct of our business model. We want our Cardmembers to use their American Express Cards and to pay us back. Our business stands in contrast to most other large credit card issuers that generate the majority of their revenue from finance charges assessed on revolving balances.

A 2006 study by the Government Accountability Office (G.A.O.) found that the five largest credit card issuers generated 70 percent of their revenue from finance charges with the remainder coming from other revenue and fees. While income from finance charges is also important to our company, it accounts for a much smaller percentage of revenue than our competitors. For example, our U.S. Card Services segment received 33

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credit card. Proprietary study results are based on experiences and perceptions of consumers surveyed in June-July 2007. Your experiences may vary. Visit [jdpower.com](http://jdpower.com)

percent of its revenue in 2007 from net finance charges. Our largest source of revenue comes from facilitating Cardmember spending at our merchant partners to drive their business for which we collect a fee.

#### **Choice and Clarity: Card Products**

At American Express, we are committed to providing our customers with choice and clarity. We offer a wide array of card products that offer tremendous value to our Cardmembers, each tailored to meet their specific needs. For example, we offer pay-in-full products, like our Charge Cards, which have no pre-set spending limit and no overlimit fees. We offer credit cards that allow customers to revolve their balances, such as Blue from American Express®. In addition, we offer Clear from American Express, a credit card with no fees – no annual fee, no overlimit fee, no late fee, no fee for balance transfers, no returned check fee, no ATM fee, and a full month to pay. And, we have One from American Express, which deposits one percent of each purchase into a high-yield savings account and offers a full month’s grace period on each purchase, even for customers who carry a balance on their account.

#### **Choice and Clarity: Promoting Greater Transparency**

In addition to choice, we are committed to ensuring that all terms and conditions associated with our card products are clearly and fully disclosed to consumers. We believe that transparency is critical in building longstanding Cardmember relationships. We recently launched a number of initiatives to foster even greater transparency for our Cardmembers, including:

- “Get Off to the Right Start,” a quick reference guide that accompanies all new Blue from American Express Credit Card accounts. This guide highlights important information about the card’s terms and conditions in “plain English.” We are in the process of developing similar brochures for our other card products.

- “Be Smart About Credit: 10 Tips for Using Your American Express Card,” a resource on the American Express website that provides practical guidance for Cardmembers.

- “Credit Cards: What You Need to Know,” a multi-year consumer education program in partnership with Consumer Action.

- “LifeSmarts – The Ultimate Consumer Challenge,” a national competition for high school students that teaches practical life skills on a variety of consumer topics, including financial services. American Express is one of the leading sponsors of this competition, which currently reaches 100,000 students in nearly 1,000 high schools in 42 states.

We believe these initiatives, coupled with the efforts by the Federal Reserve Board and policymakers to improve credit card disclosures, will significantly benefit consumers. We also think that financial literacy programs are an important part of helping consumers make informed choices about the use of credit, and we applaud members of the Committee for their leadership in promoting financial literacy initiatives through the Financial and Economic Literacy Caucus.

### **Choice and Clarity: American Express Card Practices**

Choice and clarity is also reflected in American Express’ policies and card practices.

There are a number of practices we simply do not do:

- We do not increase an individual customer’s interest rate -- or APR -- for any reason other than the customer’s performance on that particular account. If you are an American Express Cardmember, your interest rate will be increased to a penalty rate **only** if you violate the terms and conditions on that specific American Express account.
- We do not charge a fee if a Cardmember exceeds their credit limit during a billing period and is below their limit at the end of the billing period.

- We do not believe customers should be charged to pay their bills, so we do not charge a fee to our Cardmembers when they use any of our payment channels, including the computer or phone.
- We do not engage in double-cycle billing. We do not calculate a customer's interest charges based on a two-month period, which can result in the customer paying additional finance charges. Instead, we calculate interest based only on the current billing cycle.
- We do not actively market to college students.

### **Interest Rates**

Recently, many have raised concerns that credit card customers have not seen the benefits of recent rate reductions by the Federal Reserve. This is not the case for American Express Cardmembers. As the Prime Rate falls, which normally follows any drop in the federal funds rate, the interest rates applied to American Express variable rate credit card accounts are reduced by an equivalent amount. Since the Federal Reserve began reducing interest rates in September 2007:

- American Express has reduced interest rates on all variable rate credit cards;
- American Express has made these reductions automatically, and;
- American Express has passed along all reductions in the Prime Rate directly to consumers.

It is important to note that while these rate reductions have been directly passed on to consumers, American Express' own cost of funds has not come down at an equivalent rate. As you know, the capital markets are experiencing considerable uncertainty, which has had an impact on the cost of commercial borrowing. Even for well-capitalized, A-rated companies, like American Express, interest rate spreads are extremely high. This means that the rate reductions American Express has passed along to consumers have exceeded the reduction in our own cost of funds.

As I mentioned earlier, American Express will not increase an individual Cardmember's interest rate based on their performance with other lenders, or based on a change in our

cost of funds. Moreover, we will not raise a Cardmember's interest rate because of their performance on another American Express account. The overwhelming majority of American Express consumer lending accounts, 94 percent, end the year with the same or a lower interest rate than they had at the beginning of the year.

### **Managing Risk**

American Express also manages risk by carefully monitoring the outstanding credit lines of our Cardmembers. While we will not increase a Cardmember's interest rate because of their performance with other lenders, or because of information contained in a credit report, we will use both internal and external information for purposes of managing credit lines and to determine whether to keep an account active. For instance, if we see a Cardholder's credit profile rapidly deteriorating, we may take action to reduce that customer's credit line as a prudent risk management step to limit our risk exposure.

### **Overlimit Fee Policies**

There has been a lot of discussion about overlimit fees, so let me take a moment to explain our policies in this area. First, we offer a number of products that do not have overlimit fees, including our Charge Card and credit cards like Clear and One. For other American Express cards, we charge an overlimit fee **only** if the account exceeds its established credit line at the end of the billing period. If an account goes overlimit during the billing period, but a payment is made that brings the balance under the limit before the end of the billing period, we do not charge an overlimit fee. Many customers who exceed their credit line will make payments during the month that will bring them below their limit prior to the end of the month. Our policy differs from other card issuers who may charge customers a fee when they exceed their credit limit at any point within a monthly billing period.

We also review Cardmember accounts when they exceed their limit to determine if, from an underwriting perspective, it would be appropriate to raise their limit (and avoid an overlimit fee). In addition, we also offer free account alerts, which notify Cardmembers when they are approaching their credit limit to help them avoid overlimit fees. Only a



very small percentage of American Express accounts are overlimit in a given month, and because of our policies, these customers are not assessed a fee in most cases.

### **Billing Statements and Payment Processing**

We recognize that the Subcommittee has heard complaints about the timeliness of billing statements and the prompt crediting of customer payments. At American Express, our goal is to make payment as easy as possible for our Cardmembers through whatever payment channel is most convenient for them. Today, over 60 percent of our customer payments are made electronically. In addition, our Cardmembers are increasingly using our website. We receive more than a million site visits a day on average from Cardmembers who are managing their accounts online.

American Express offers – free of charge – a number of alternative payment channels to our Cardmembers, including pay-by-phone and pay-by-computer. If a Cardmember chooses to pay by mail, their payment will be directed to the closest of our regional remittance centers to speed the process of crediting payments.

American Express maintains stringent standards to ensure billing statements are mailed promptly. Currently, approximately 99.5% of American Express billing statements are mailed within three days of the end of the billing period, with the remainder mailed within the next two days. We produce on average 750,000 Cardmember billing statements per day, or 280 million consumer statements annually. Our goal is to produce statements and place them in the mail as quickly as possible to help facilitate timely consumer payments.

We have a USPS Detached Mail Unit with dedicated Postal Service employees onsite at our mail production facility. Mail is picked up 12 times daily (including weekends) and is booked on the first available flights using the USPS Postal One system. This system enables us to place mail on planes promptly and efficiently.

The payment due date for American Express credit cards is set at the product level. The due date for a given product is calculated in the same manner each month and is between 20 – 25 days after the closing date of the billing period, depending on the credit card product. Payment due dates do not change whether a Cardmember carries a balance or pays in full each month. We do not think it is appropriate to adjust a consumer’s payment due date based on their payment behavior.

We also make statements available online within 48 hours of the end of the billing cycle, and we offer Cardmembers the option of being notified via e-mail that their statement is available online. We allow Cardmembers to choose their payment due date, and we offer account alerts to remind our customers when a payment due date is approaching.

#### **H.R. 5244, the Credit Cardholders’ Bill of Rights**

Let me now turn to H.R. 5244. We appreciate the opportunity to comment on the Credit Cardholders’ Bill of Rights Act. American Express supports the objectives of this legislation to empower consumers to make informed decisions about their credit card accounts through improved notice and enhanced choice.

We support many of the policies reflected in this legislation. Consumers should have additional tools to manage their accounts, such as allowing them to opt-out from exceeding their credit limit if they would like to do so. We believe that limiting the number of overlimit fees and assessing a fee only if the account is over the limit at the end of the billing cycle are sensible policy recommendations.

Most importantly, we believe that addressing the practice of increasing interest rates for any reason other than the consumer’s behavior on the account in question would go a long way toward resolving most of the concerns expressed by consumers who have seen their interest rate increase because of developments not related to that particular account.

While we support the objectives of this legislation, American Express is concerned about several specific provisions contained in this bill that could negatively impact consumers,

particularly at a time when lenders are already tightening underwriting standards due to market conditions. Let me briefly describe these concerns.

#### **Advance Notice of All Interest Rate Increases**

As currently drafted, H.R. 5244 would require a 45-day advance notice and an additional 90-day opt-out period for any rate increase on a credit card account. The bill treats all rate increases uniformly, whether the rate increase was triggered by a missed payment with a third party (e.g. another lender or a utility) or because a consumer failed to make a payment on the account in question.

The impact of this provision would be to delay card issuers from re-pricing for risk at the time that risk has become readily apparent, thus requiring them to account for that risk in other ways, such as by pricing accounts higher at the outset. It would also reduce incentives for consumers to make timely payments. For example, consumers could run up a balance on their account, make no subsequent payments, and still avoid a rate increase on the account by exercising their right to opt-out. Consumers who pay their bills on time should be protected from arbitrary rate increases. At the same time, consumers who fail to make timely payments on their accounts should be charged an interest rate commensurate with their increased risk profile. There must be shared responsibility and accountability by both the issuer and consumer.

We believe that the legislation should be revised to distinguish between rate increases triggered by a missed payment with another lender or a decrease in a credit score, and a higher APR that is triggered because the consumer failed to pay as agreed on the account in question. Research has consistently shown that most consumers agree that a rate increase based on their performance on the account in question should be treated differently than any other rate increase. Interest rate increases triggered by the customer's performance on the account in question should not be subject to a 45-day advance notice and an opt-out requirement. However, in circumstances where the rate increase results from reasons not related to the specific account in question, we believe it is appropriate to have advance notice and an opt-out.

As we discuss later in our testimony, advance notice and an opt-out should also apply to any terms change that an issuer may make to the account agreement, in lieu of a complete prohibition on “any time for any reason” terms changes as currently contemplated in the legislation.

If these changes were to be incorporated, they would create a strong incentive for issuers to be more transparent in both their pricing and disclosures, which would go a long way in helping consumers better manage their use of credit.

### **Payment Hierarchy**

H.R. 5244 would require credit card companies to allocate consumer payments on a “pro-rata” basis in the event a consumer has two or more different interest rates that apply to balances on the account. We believe this provision would ultimately have a negative impact on consumers because it would undermine the economics that enable credit card issuers to provide promotional and other low-rate offers, which can reduce a consumer’s overall effective interest rate. We think it is critical to preserve the ability of issuers to continue making promotional offers to consumers.

Credit card users may carry balances that are subject to different APRs. For example, there may be one APR for purchases, another for cash advances, a third for low-rate introductory offers or for balances transferred from other cards. Card issuers typically allocate payments on these accounts so that lower-APR balances are paid off first. The ability to utilize promotional offers to move higher-rate balances to another card, with a much lower initial rate, benefits consumers and enables them to substantially lower their overall effective interest rate.

Our research has shown that consumers can significantly reduce their overall effective interest rate, often by several percentage points, by taking advantage of low-rate promotional offers. This benefit is greater for the many consumers who are transferring balances from higher rate loans with other lenders. In addition, our data show that

consumers who take advantage of promotional or balance transfer offers pay down their accounts at a faster rate and exhibit lower delinquency rates than our average customer.

If this method of repayment is set in law, issuers will be less likely to make promotional offers to consumers. Many issuers have already curtailed balance transfer and other promotional offers in light of the current economic environment, and this legislation would likely accelerate that trend. Ultimately, this will place consumers at a significant disadvantage, by limiting the options of consumers who want to switch among credit card products. Impacting a consumer's ability to change among card products would leave them with fewer options, if they decide the terms of their current credit card are no longer favorable to them.

#### **“Any Time, Any Reason” Contract Changes**

H.R. 5244 would prohibit changes to a contractual agreement “at any time for any reason,” unless the specific reasons for the change were clearly specified in the original cardholder agreement. It is unclear that this requirement would lead to any meaningful benefit for the consumer. For example, a lender might comply by including an exhaustive list of reasons that could cause the terms of the account to change, even if the chance of implementing those changes was remote. It is questionable whether consumers would see any benefit from such detailed and lengthy disclosures. In addition, this could impede current efforts to simplify credit card disclosures, thereby undermining the intent of the Federal Reserve's recent Regulation Z proposals.

Moreover, if an issuer did not disclose the reasons why an account could change as part of the original cardholder agreement, it would be prohibited from ever changing the terms of the account, even if the change would benefit cardholders. An example would be a change in terms to provide enhanced rewards for a certain card product.

We believe a better alternative would be to require advance notice of any terms change to the account, similar to what is being proposed by the Federal Reserve Board, and allow consumers the choice to opt-out of any terms change by canceling their card and paying

off any balances under the existing terms and conditions. This would empower consumers to make informed decisions about how to use their credit card accounts.

### **Billing Practices**

H.R. 5244 mandates that all credit card consumers be given a statutory 25-day grace period. While the provision is intended to provide consumers more time to receive and pay their bills, it does not address underlying concerns about facilitating timely consumer payments. The practical effect would be to give consumers who pay in full each month an additional period of time for which they receive an interest free loan at the expense of consumers who revolve each month. Revolvers would likely pay additional interest as they continue to revolve a balance for those additional days.

Many consumer complaints in this area would be resolved by addressing the issue of due dates that are adjusted based on whether the consumer revolves a balance or pays in full. Our view is that due dates should remain constant regardless of how borrowers choose to use their accounts.

We also believe that more consideration should be given to encouraging issuers to offer at no-charge to consumers on-line statements that are available well in advance of the due date, to provide the option of making payments on-line or via telephone at no charge to the consumer, and to offer e-mail account alerts notifying consumers when their payment due date is nearing.

### **Additional Comments**

It is also worth noting that there are a number of technical concerns with the legislation. For example, the legislation seeks to ban the practice of double-cycle billing, but the definition included in the bill would go well beyond addressing that specific practice. The bill, as drafted, would prohibit the use of the “average daily balance” method of calculating finance charges. The provision would force all issuers, even those who do not engage in double cycle billing, to drastically redesign the terms by which interest free

periods are extended to consumers, or in extreme cases, to avoid the provision altogether by ceasing to offer interest-free periods.

## **Conclusion**

As I conclude my testimony, I hope I have demonstrated what is distinctive about American Express. We are committed to providing exceptional service to our Cardmembers. We operate a unique spend-centric business model. And, we demonstrate an unwavering commitment to providing choice and clarity through our products and services, our consumer education, and our business practices. I also want to emphasize that any legislation should focus on preserving consumer access to credit, enhancing choice in the marketplace, and ensuring accountability for both issuers and consumers.

I can't leave today without sharing a few words from some of our Cardmembers who recognize the uniqueness of American Express:

“The only company that dealt with me humanely, morally, ethically and reasonably was American Express. When I informed them that he [my former husband] was not a legal signature on my card, all charges made by him were wiped off my record. Just like that. . . This action certainly allowed my small family to survive very hard times. Without it we couldn't have eaten many days. I continue to be grateful 20 years later.”

--customer letter

“I would like to take this opportunity to thank you for your recent letter . . . As you can tell by our payment history of this account, we make it a practice to pay bills on time. This was not an oversight, but a situation beyond my control. Our daughter, who is away at school, became very ill. To make a long story short, a misdiagnosed appendicitis resulted in two hospital stays and two surgeries for her and I was away from home over three weeks in order to be with her. Of course, all my bills were at home, so they were all late this month. I wanted to let you know that American Express is the only company that contacted us and provided us this excusal. Again, I appreciate it.”

--customer letter

“My wife and I have been Gold Card members for some 30 years. Our experience with American Express has been outstanding. During the past year we have had an extremely unfortunate experience. Our forty year old son was in an

accident in Thailand and remains in a coma in a hospital in Bangkok. My wife and I have spent nine of the past twelve months at his bedside. . .Mrs. Sirivan Rogers, a customer service representative, went to extraordinary measures to assist us. . . Regardless of what issue I posed – and there were many, she extended herself beyond anyone’s expectations. . .She visited our son in the hospital, sent him flowers . . . she arranged for us to use our card for expenses up to \$50,000 and arranged systematically for us to make a payment by phone from Bangkok. We have encountered numerous administrative, legal, immigration and financial challenges and whenever I contacted Mrs. Rogers she was there with charm and an expedient resolve.”

--customer letter

I have been with American Express for almost 28 years, and our products, our commitment to our customers, and stories like these are why I am proud of every one of those years.

Chairwoman Maloney, Ranking Member Biggert, and members of the Subcommittee, American Express wants to play a constructive role in this process and hopes that any new policies will enhance clarity and choice for the consumer, without imposing regulation that will undermine competitiveness and choice in the market. Thank you for the opportunity to testify today, and I would be happy to answer any questions you may have.



# **Appendix**

1. “Get Off to the Right Start,” a quick-reference guide for new Blue from American Express® Credit Card Accounts
2. “Be Smart About Credit: Tips for Using Your American Express Card”
3. “Credit Cards: What You Need to Know”
4. “Families and Credit Cards”
5. Individual Customer Testimonials



## WHAT DOES APR MEAN?

APR, or Annual Percentage Rate, is the finance charge or interest rate you pay when you

- 1) choose to carry a balance
- 2) take a cash advance, or
- 3) do a balance transfer.

## UNDERSTAND YOUR CARD'S APR

Different APRs apply to your account. Remember that introductory and promotional offers, which may show lower APRs, may apply only for a limited time.

Your APRs are:

- ▶ **Purchase or Standard APR:** See the information listed next to your Card in the enclosed materials or your billing statement.
- ▶ **Cash Advance APR:** Prime Rate + 14.99% — Any time you use your Card to withdraw cash at an ATM, you will pay a Cash Advance APR on that withdrawal.
- ▶ **Late Payment APR:** Prime Rate + 12.99% — If you pay late, your APRs for all balances except Cash Advances will increase to the Late Payment APR for 12 months. Any introductory or promotional APRs will also increase to the Late Payment APR.
- ▶ **Serious Default APR:** Prime Rate + 21.99% — If your payment is returned for insufficient funds, or if within 12 months you make two late payments, or receive 3 over-limit fees, the APR on all balances will increase to the Serious Default APR for 12 months.

### If you pay your bill in full each month:

You will have a 20-day interest free period (or a grace period) for purchases. Cash advances or balance transfers have no grace period.

### If you do not pay your bill in full each month:

We will assess finance charges based on your average daily balance in that month, including new purchases.

We will assess finance charges until you pay your balance in full. That means if you pay your entire revolving balance in any given month, we will assess finance charges for the portion of the month that you had an outstanding balance. The finance charges will appear on the next month's statement.

If you previously revolved a balance, but paid your last 2 billing statements on time and in full, then you will receive a 20-day interest free period for new purchases.

### If you travel abroad:

We will convert any purchases you make overseas with this Credit Card to U.S. dollars using a base conversion rate plus 2%.

# BE SMART ABOUT CREDIT

## TIPS FOR USING YOUR AMERICAN EXPRESS® CARD

- ▶ Take the time to understand your terms and conditions.
- ▶ Pay your bill on time to avoid late fees and higher interest rates.
- ▶ Make payments electronically or by phone, free of charge.
- ▶ To pay off your balance more quickly and reduce interest charges, pay more than the minimum due.
- ▶ Take advantage of an interest-free grace period on purchases by paying your balance in full each month by the payment due date.
- ▶ Manage your accounts through free alerts by e-mail or phone.
- ▶ Know your credit limit and don't go over it to avoid over-limit fees and higher interest rates.
- ▶ Know the terms of special offers.
- ▶ Rest assured that you are not liable for fraudulent charges on your statement.

For more information about these tips, go to [americanexpress.com](http://americanexpress.com).



# GET OFF TO THE RIGHT START

## UNDERSTAND THE KEY TERMS OF YOUR BLUE FROM AMERICAN EXPRESS® CREDIT CARD ACCOUNT

This Quick Reference Guide gives you some important information about your new American Express Card. If you understand your account and manage it carefully, you can avoid paying penalty interest rates (APRs) as well as late and over-limit fees.

This guide does not explain everything about your account, and it does not change any existing terms. To learn all the details about your account, read the Cardmember Agreement, which you'll find inside this Guide.

## KNOW HOW PAYMENTS WORK

To keep your account up to date, make sure we receive at least the Minimum Amount Due by the Payment Due Date. If you prefer, you can pay more than that amount at any time.

When you make a payment, we will apply it to the part of your balance with the lowest APR, and then to any other balances in order of lowest to highest APR. (For more about APRs, see Understand Your Card's APR.)

You cannot use American Express Balance Transfer Checks (also known as convenience checks) to pay your American Express bill.

## LEARN ABOUT FEES

- ▶ **Annual Fee:** \$0
- ▶ **Pay-by-phone or Pay-by-computer fee:** \$0
- ▶ **Late Fee:** If your balance is less than \$400: \$19  
If your balance is \$400 or more: \$38
- ▶ **Over-Limit Fee** (month end only): \$35
- ▶ **Returned Check Fee:** \$38
- ▶ **Cash Advance Fee:** 3% of transaction amount; \$5 minimum
- ▶ **Balance Transfer Fee:** 3% of each transaction, \$5 minimum, \$99 maximum, unless otherwise disclosed in the applicable offer. (NOTE: Balance Transfer checks made payable to cash, you, a bank, or a brokerage are treated as a Cash Advance, not a Balance Transfer.)
- ▶ **Stop Payment Fee for Balance Transfer Checks:** \$29
- ▶ **Copying Fee** for hard copies of statements that are more than 3 months old: \$5 per copy requested (NOTE: You can view and print free copies of your statements that are up to 5 months old online.)
- ▶ **Fee to re-open your account:** \$25

## REMEMBER TO REVIEW YOUR CARDMEMBER AGREEMENT ENCLOSED IN THIS BOOKLET

## READ YOUR STATEMENT

Every month your billing statement shows you important information about your account. Be sure to carefully read your:

- ▶ New Balance (the amount you owe),
- ▶ Minimum Amount Due,
- ▶ Payment Due Date,
- ▶ APRs,
- ▶ Available Credit Line, and
- ▶ Available Cash Advance Limit (which is part of your credit line).



## WHAT WE DO NOT DO

- ▶ We do not charge a fee to pay your bill (e.g. Pay By Phone or Pay by Computer).
- ▶ We do not charge a fee if you go over your credit limit during a billing period and are below your limit at the end of the billing period.
- ▶ We do not engage in double-cycle billing.
- ▶ We do not practice universal default or change your APR solely because you pay late with any other creditor.

## ABOUT ARBITRATION

If you or we disagree about a transaction on your account, either of us may choose to have an impartial arbitrator settle the issue, therefore, the dispute will not be heard in court.



## **BE SMART ABOUT CREDIT**

### **10 TIPS FOR MAKING THE MOST OF YOUR AMERICAN EXPRESS CARD**

**1. Choose the Card that's right for you.** Think about the features that are important to you so you don't pay for features you won't use. Consider fees, rewards and interest rates. We offer a choice of products designed to meet specific customer needs, from charge cards with rich rewards, no pre-set spending limits and annual fees, to credit cards with no fees at all. [See our helpful Card Finder.](#)

**2. Take the time to understand your terms and conditions.** By signing up for a Card, you agree to adhere to the terms of the account. If you don't, there are penalties. This ensures that customers who adhere to the terms of their account aren't subsidizing those who don't. To help you understand the terms and conditions of your credit card, read [Credit Cards: What You Need to Know.](#)

**3. Pay your bill on time to avoid late fees and higher interest rates.** Paying late can be costly. Note your payment due date. You should also know that American Express will not raise your interest rate or assess fees based on your payment history with other companies.

**4. Make payments electronically or by phone, free of charge.** It's fast and avoids the time and expense of mail. [Sign Up to Pay Your Bill Online.](#) (Note: You'll be prompted to log in to your account first.)

**5. Pay more than the minimum due to pay off your balance more quickly and reduce interest charges.** By paying only the minimum due every month you will add to the amount of interest you pay over time. This means you'll end up paying more for your purchases.

**6. Pay your balance in full each month by the payment due date to take advantage of an interest-free grace period on purchases.** Unlike cash or debit cards, using a credit card to make purchases and paying your balance in full each month gives you an interest-free, unsecured loan.

**7. Use free alerts to manage your accounts via e-mail or phone.** You can sign up for alerts to let you know your payment due date, that your payment has been received, if there is irregular activity on your account, to provide an update on your balance, and to track spending. [Sign Up for Account Alerts](#) (Note: You'll be prompted to log in to your account first.)

You can also sign up to receive your statement online as soon as it's issued – free of charge. [Sign Up for Online Statements](#) (Note: You'll be prompted to log in to your account first.)

**8. Know your credit limit and don't exceed it to avoid over-limit fees and higher interest rates.** (See above tip to sign up for alerts to let you know when you are nearing



your credit limit.) Over-limit fees and default-tier interest rates will add to the total amount you end up paying for purchases.

**9. Know the terms of special offers.** Balance transfers and introductory offers can come with lower interest rates for a set period of time. Payments you make while taking advantage of low-rate offers will first be applied to balances carrying the lowest rates.

**10. Rest assured that you are never liable for fraudulent charges on your statement.** You can check your bill online for additional detail on any charges you don't recognize. Then, simply contact us if you notice any unauthorized charges. [Log In to Your Account](#).

*Note: These tips are applicable to all American Express-issued Cards in the U.S.*

# Credit Cards

## What You Need To

## Know

A Consumer Action Publication

**TIP:** Avoid last minute, fee-based payment methods. Look for online bill pay, pay-by-phone or automatic payments that do not carry a fee.

**Over-the-credit-limit fee:** Charged if you go over your credit limit.

**TIP:** Know your credit limit. Call your card issuer in advance if you need an increase. Ask your issuer if it has free e-mail services that alert you when you are approaching your credit limit.

**Statement copy fee:** Charged for extra copies of monthly statements.

**TIP:** File statements for the past three years in a secure location. If you sign up for online access to your accounts, you can download your statements and keep them in your computer.

**Stop payment fee:** Charged when you stop payment on a credit card convenience check.

**TIP:** Be cautious about using convenience checks. If you write one and it is lost, you may not be able to avoid this fee.

**Wire transfer fee:** Charged when you use your card to transfer money or when you buy money orders, lottery tickets or casino gaming chips.

**TIP:** Pay for these services with a personal check or cash.

### This brochure was created by

**Consumer Action (CA)** • [www.consumer-action.org](http://www.consumer-action.org)

CA's site features free credit card surveys with interest rates, fees and other terms for dozens of credit cards, as well as free brochures and guides on choosing and using credit cards. Counselors speak Chinese, English and Spanish. 415-777-9635 and 213-624-8327, TTY: 415-777-9456; e-mail: [hotline@consumer-action.org](mailto:hotline@consumer-action.org).

**American Express** • [www.americanexpress.com](http://www.americanexpress.com)

Find tips on using credit cards, money management, fraud protection, travel, shopping online and more. From the home page, click on "About American Express" and then on "Consumer Resources," then "Ask American Express."



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# Types of Cards

### Credit cards

- Revolving credit line
- Pre-set credit limit
- Pay charges in full, pay the minimum due or make a partial payment

### Charge cards

- All charges due in full every month
- No interest charged
- No pre-set spending or credit limits

### Secured credit cards

- Guaranteed by money deposited in an account
- Credit limit equals the amount of the deposit

### Sub-prime credit cards

- Low credit line, large upfront fees, high interest rates
- Marketed to people with lower credit scores

### Prepaid or stored value cards

- "Loaded" with funds using cash, debit or credit card
- Value reduced as card is used
- Can be "reloaded" to add more money
- No interest charged
- Initial fees to buy and load the card, subsequent fees to reload

### This guide can help you:

- Learn the different types of cards that are available.
- Sort through offers and choose the card that's right for you.
- Understand credit card terms and conditions.
- Avoid fees and penalty rates.

Credit is a valuable and necessary financial tool. It can help you establish a credit history, make purchases conveniently, and take advantage of the benefits and services offered by credit issuers.

*Not managing your credit wisely can lead to:*

- Increased annual percentage rates (APRs)
- Unnecessary fees
- A decline in your credit score
- Denials of future credit

*All of these negative consequences can be avoided.*



## Card Offers

There are two types of card offers — pre-approved and invitations to apply. These offers come in the mail, by telephone, online, and in-person at some retail stores.

**Pre-approved offers** are made based on your credit history. Federal law requires that these contain a firm offer of credit. The only exception is if you have experienced a serious decline in creditworthiness since the offer was made.

**Invitations to apply** simply ask you to apply for a card. This does not require a firm offer of credit.

To compare basic terms on card offers, look for a box listing interest rates, the grace period and annual fee, among other information. This box, required by law, is often headed with the words “disclosures” or “summary of terms.”

**Before responding to any offer, you should know that:**

- Not all terms are included in the initial offer. Important information can be found only in the “cardholder agreement” that will be sent with your new card.
- You may not qualify for some offers you receive. Once you apply, you may be offered less favorable credit terms.
- Card offers often state: “You have been approved for a credit line of up to \$100,000.” The key words are “up to.” When you apply, you won’t know how much credit you will receive. The company can, and often will, give you a lower credit limit.
- “No annual fee” offers may require you to make a mini-

mum number of purchases using the card or you will be charged an “inactivity fee,” similar to an annual fee.

- A “fixed introductory rate” is fixed, but only for the introductory period, such as six months. The rate will change after that time and may even become a “variable rate.”
- Fixed interest rates can change at any time after a 15-day change-in-terms notice. Fixed rates can also change if you pay late or do anything else to expose yourself to a penalty rate increase — for example, making a late payment or bouncing a check.
- Many offers include the opportunity to transfer a balance from another card without paying a fee. Ask if you can wait until you get the card to transfer a balance. If the balance you want to transfer is higher than the credit limit on your new card, the company will only transfer a portion of your balance, leaving you with a balance on the old card.
- Sometimes cards have low introductory rates that are good for balance transfers or purchases or both. In this case, your payments are typically allocated first to the balances with lower APRs. Higher interest balances are paid down only after balances with lower APRs. Sometimes the low balance transfer rate comes with a requirement that you must make a minimum number of new purchases each month.

If you have any questions about a credit card offer, check the company’s website for more information or call the company’s toll-free number before you apply.

## Card Terms and Conditions

When you receive your new card, you will also receive a “cardholder agreement,” a legal contract between you and the card issuer. By using your new card, you agree to honor the terms and conditions in the agreement.

Terms and conditions in the cardholder agreement can change at any time. Changes are usually sent to you by mail. When you use your card after receiving the notice of changes, this means you have accepted the changes, even if you didn’t read the notice. Read everything your card issuer sends.

Save your cardholder agreement in a file that is easily accessible, so you can refer to it when you have questions.

**Annual percentage rate (APR):** A card’s interest charge, expressed as a yearly rate.

**Variable rates:** Interest rates that change according to a set formula, such as Prime Rate + 3%. If your card has a variable rate, the APR changes when interest rates change.

**Fixed interest rates:** The set APR on your card, which can change only when you receive 15 days notice.

**Default or penalty rate:** A higher interest rate charged if you pay late, bounce a check or your credit gets worse. Also charged by some card issuers if you pay late on credit cards or loans with other banks.

**Cash advance APR:** The interest rate you pay when you use your card to get cash. Most cards charge a higher interest rate for cash advances than for purchases.

**Daily periodic rate:** Your APR divided by 365 days.

**Arbitration:** A form of dispute resolution that is often binding with no right to appeal. Arbitration provisions may prevent you from suing the company in court or participating in class action lawsuits. However, some companies allow you to take your case to small claims court if the amount you are disputing is within the small claims limit.

**Balance transfers:** The ability to transfer the balance from one card to another. If applicable, interest on balance transfers begins to accrue immediately.

**Convenience checks:** Checks linked to your credit card account. They can be used to transfer a balance from another card or to make purchases or payments.

**Double-cycle billing:** The calculation of your interest considering your average daily balance over a two month period, which may result in additional finance charges.

**Grace period:** Period in which finance charges do not accrue if you are not carrying a balance.

**Minimum monthly payment:** The lowest amount that you are required to pay the credit card company each month.

**Payment due date:** The last day that payment can be accepted without penalty. Your payment may be required to arrive by a deadline on the due date, such as 1 p.m.

**Prime Rate:** The “index” most commonly used to determine variable interest rates. It can be found in the business section of your newspaper or online.

## Avoiding Credit Card Fees

You can avoid fees by carefully managing your account. Here are common fees and tips on how to avoid them:

**Annual or monthly fee:** Common on charge cards, rewards and airline miles credit cards and on secured and sub-prime cards. Sometimes applied if you don’t use your card at least a few times during the year.

**TIP:** Consider the overall value when comparing fee and no-fee cards. If you are thinking about getting a rewards or airlines miles card, make sure the card’s benefits are worth the cost of an annual fee.

**Application processing fee:** Charged on many sub-prime cards and some secured cards when an account is opened.

**TIP:** Secured credit cards are generally much better deals than sub-prime credit cards, and you can find secured credit cards that don’t charge application fees.

**Account reopening fee:** Charged if your account is closed or cancelled by the issuer and you ask to have it reopened.

**TIP:** Pay your bills on time to avoid card cancellation and an account reopening fee.

**Balance transfer fee:** Charged for transferring a balance from one card to another, this fee is commonly assessed as a percentage of the balance transferred.

**TIP:** When you apply for a new card, ask about balance transfer fees. Most companies don’t charge these fees to new cardholders for the first month or two.

**Bounced check or returned item fee:** Charged if your check bounces.

**TIP:** Make sure you have sufficient funds in your bank account to cover your check.

**Cash advance fee:** Charged as a percentage of the cash advance, with minimum charges common.

**TIP:** Cash advances are an expensive way to get cash. Not only do you pay a fee, but interest on cash advance balances begins to accrue immediately. Instead, use your ATM or debit card to withdraw cash from your checking or savings account at ATMs.

**Foreign currency conversion fee:** Charged when you make purchases overseas and the charges have to be converted to U.S. dollars.

**TIP:** If you plan to use a card while traveling outside of the U.S., shop around to find a card with a currency conversion method that is favorable to you.

**Late fee:** Charged if your payment is late, sometimes even if it is received on the due date after a certain hour.

**TIP:** Always pay your bill on time. If you send your payment by mail, allow at least seven days for the payment to reach your issuer. Consider other payment methods, such as online bill pay, pay-by-phone or automatic payments. Ask if your issuer offers e-mail reminders.

**Pay-by-phone or computer fees:** Charged by some companies to pay your bill by phone or computer.



## Spending and saving

**Wants and needs.** Explaining the difference between wants and needs is an important lesson to help young people develop wise money management and spending habits.

Wants are items you'd like to have but can easily do without, like a new video game or a \$4 smoothie. Needs are items you can't live without, like food, housing and getting to work.

You can save money by doing without some of the things you want but don't really need.

**Setting limits.** If your children have credit cards on your account, agree on a spending limit before you hand over the card. Consider asking your kids to pay their own charges—or maybe ask them to pay just for special items.

**Talking money.** There are many opportunities to teach children about money.

- Give younger children a piggy bank to save for a toy they want. This illustrates that you can't always get things immediately—you have to save the money to buy them.
- When you go to the store, make a game of comparison shopping by asking your kids to find the products that are on sale.
- Next time your kids demand a costly item, talk about how many hours it takes to earn the money to buy it.

This brochure was created in partnership by  
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Free information and advice on choosing and using credit cards. Counselors speak English, Spanish and Chinese. 415-777-9635 and 213-624-8327, TTY: 415-777-9456; e-mail: [hotline@consumer-action.org](mailto:hotline@consumer-action.org).

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Find tips on using credit cards, money management, fraud protection, travel, shopping online and more, on the American Express "Financial Fitness" web site:

[www.americanexpress.com/financialfitness](http://www.americanexpress.com/financialfitness)

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# Families and Credit Cards

*Youth and credit cards*

*Adding cardholders to  
your account*

*Secondary cardholder  
policies*

*Building credit*

**A Consumer Action Publication**

*Parents usually are the best people to teach their kids about credit, and since even young children can use credit cards, it's never too early to begin this education.*

Many parents believe that giving children a credit card is like giving them training wheels to a lifetime of good credit management. However, bad credit decisions can haunt you for many years.

Early discussions about how to use credit wisely can help kids steer clear of trouble when they become adults, and show them how to get the most out of credit.

## It's your call

### Give your child a credit card? It's a decision only parents can make.

Consider age, maturity, life needs and your family's spending style.

While cards are available for even the youngest children, many parents postpone the decision until their children become teenagers.

#### Ask yourself:

- Am I comfortable with the idea of my child using a credit card?
- What would my child use a credit card for?

#### For example:

A credit/charge card could come in handy for emergencies.

If your child's school goes on a field trip, she could use a credit card to pay for lunch.

If your child likes to choose his own clothes, you could let him go shopping by himself.

- Is my child responsible enough to control the use of a credit card?
- Would giving my child a credit card help instill financial responsibility?

*If you decide that you want to give your child a credit card, it's important to understand the ways cards are issued to minors.*



## Minors and credit cards

Most U.S. credit card companies do not provide individual credit card accounts to minors, because children are not able to enter into legal contracts. Parents who want their minor children to have a credit card can get them a card that is linked to the parent's card account. The minor holding an additional card is called an additional cardholder, authorized user or secondary account holder.

Only the primary account holders are legally responsible for making payments. If the primary account holders fail to make payments, their credit history will be damaged. Depending on the issuer, the additional cardholder's credit may suffer, too.

## Additional cardholders

**Credit card policies for secondary accounts vary widely depending on the issuer:**

- **Minimum age.** Some card issuers have a minimum age for secondary cardholders, while others have no age limit.
- **Account numbers.** Depending on the issuer, secondary cardholders might be issued a card with the same account number as the primary cardholder, or one with a different number. A separate number can be a benefit if the card is lost or stolen.
- **Billing statements.** Depending on the issuer, charges may or may not be grouped by user on the billing statement. When transactions are listed in sepa-

rate sections on the statement, it is easier to keep track of spending by card.

- **Credit reporting.** Most companies report the primary cardholder's payment history on the secondary user's credit report. A few companies do not report this information for additional cardholders under 18.
- **Responsibility.** Most card companies do not inquire about additional cardholders' credit histories or income levels. The primary cardholder agrees to be responsible for all purchases and cash withdrawals made by the secondary cardholder.
- **Marketing.** Practices targeting secondary cardholders vary by issuer. Secondary cardholders might receive credit solicitations if information about the user is being reported to major credit reporting bureaus. Some companies voluntarily suppress credit reporting information on minors' accounts in order to avoid sending solicitations.
- **Debt collection.** If the primary cardholder defaults on the credit card, debt collectors may contact the secondary cardholder but cannot hold the secondary cardholder liable for payment on the account. Negative information about the primary cardholder may be reported to credit bureaus under the secondary cardholders' names. Some companies do not report credit data on minors. Secondary cardholders should dispute credit report information on debts for which they are not liable, and resist the pressure to pay.

## Credit & spending management tools

**Many card issuers offer controls and tools to help you manage your family's spending.**

**Online access.** Set up online access to credit cards and bank accounts, so you and your kids can track your spending. If you know your balance you'll be less likely to go over budget, incur over-the-limit penalties or face unexpectedly steep bills at the end of the billing cycle.

**Statements.** Credit, charge and debit cards (and some prepaid cards) list all purchases on each monthly statement, and many allow you to track unbilled activity online between statements. Some companies provide a year-end statement featuring purchase and payment history to illustrate where you have spent your money. Some companies allow you to track transactions by category across your cards.

**Alerts.** Many card issuers offer alerts to notify you when you are near your credit limit or when you have spent a certain amount on a card. You might be able to set up reminders or warnings for due dates, automatic payments, low balances, withdrawals or out-of-pattern activity. Alerts may be available by e-mail, phone or PDA (personal digital assistant).

**Financial calculators.** Online calculators make great interactive teaching tools. Show your kids how long it takes to pay off a certain credit card balance or compare how much interest you'll owe according to a loan's term and interest rate.

**Charge cards.** Some people find that charge cards are easier to control, as they require full payment each month. Since they don't have a pre-set spending limit, they might be a good option for travelers or for making important purchases.

## Credit card balancing act

To pay off a credit card balance of \$1,000 on a 15% card by making monthly minimum payments of 3% of the balance takes approximately 106 months (almost nine years).

Interest charges can add up to \$576 to the original \$1,000 balance.

Instead, if you pay \$40 every month, it will take less than three years to pay off, at a cost of \$206 in interest. Source: Bankrate.com

## Credit for the 18-plus set

If your child is 18 or older, and is denied a card because of a lack of credit history, you may choose to co-sign the application. Card companies allow people with good credit to co-sign accounts for people who need to establish credit.

When you co-sign a card account or loan, you are legally responsible for the debt. Your credit record could be damaged if payments are not made on the account.

As a co-signer, you will not receive statements. Check that payments are being made on time by getting the account number and setting up online or phone access to the account. Monitor the account and limit any negative impact to your credit history by making payments.

## Alternatives to credit cards

**Credit cards are not the only convenient plastic payment method:**

**Charge cards,** like credit cards, allow you to charge purchases. You must pay your bill in full each month, which avoids interest payments and helps you manage spending. Unlike credit cards, you can't carry a balance on a charge card.

**Debit cards** look like credit cards but the money spent is withdrawn from your checking account. Debit cards can be used to make purchases or to withdraw cash. If you are interested in this option, look for youth checking accounts that come with a debit card.

**Prepaid cards,** also called stored value cards, look like credit or debit cards but contain only the money you choose to load on it. The card can also be used to withdraw funds at ATMs or make purchases at stores that accept credit cards.

**Secured cards** are a way for people without a credit history to build credit. These are credit cards backed by money you deposit with the issuer. If you default on your card, you forfeit the amount deposited.

## Tips to share with kids

- Review bank account statements and credit card bills closely. Dispute unauthorized purchases within 60 days. Keep receipts and match them against statements.
- Don't lend your credit, charge or debit card to anyone. You can be held responsible for any purchases made.
- Pay more than the minimum monthly payment; even a few dollars more helps. Making minimum payments means it will take longer to pay off your balance and will increase the amount of interest you pay.
- Pay on time, since late payments can raise your interest rate and have a negative effect on your credit history.
- A damaged credit history can affect your life. It can make it difficult to get a loan, apartment or even a job.

## Kids away from home

On school trips, European tours or excursions to the mall, parents want to know that their children have enough money to get by.

**Credit, charge and debit cards.** Widely accepted, they can be used to get cash and can be replaced quickly if lost or stolen. Before international trips, check that ATMs will accept your assigned PIN numbers. Caution young people not to write PINs on the cards or carry them in their wallets.

**Prepaid cards.** Several companies offer prepaid cards for purchases or to withdraw cash at ATMs. You can load and reload cash onto the cards using your bank account or a credit card. Before you buy a prepaid travel card, make sure the balance can be replaced if the card is lost or stolen.

**Traveler's checks.** For extended trips, traveler's checks can be an option. Ask your card company or auto club if they offer any special deals on traveler's checks. Traveler's checks now come as either paper or a plastic card.

[REDACTED]

1) Name [REDACTED]  
Card Type [REDACTED]  
Member Since [REDACTED]  
Story

[REDACTED]: Back in the mid 1980's, my husband was perhaps not the best choice of life partners. In the end, he took the credit cards in my wallet without my knowledge and charged a large amount in purchases, which he then returned for cash and disappeared. This left me with a 2 year old, a newborn, and no one to watch the kids. We had been making ends meet by managing apartments, providing us with a 'free' apartment and allowing 'daddy' to stay home with the girls while I worked my University job to provide health benefits and cash for us all. When he left, he also took the month's rental payments from 2 apartment buildings, so the girls and I were out on the street. (My state was a community property state so we were BOTH equally responsible for those rent monies, even though his was a criminal act.)

He had applied for and received a [REDACTED] card in my name that I didn't even know existed, so of course I had never signed it. [REDACTED] did not care that the card was obtained through fraud and continued to press me to repay his charges. Although my other cards (local businesses and gas cards primarily) were legal cards, those providers also did not care about the circumstances and continued to press me to pay what I did not have. I felt the right thing for them to do would have been to report his actions to the police and follow through on criminal charges, though they didn't care about morality - just the easiest way to recover their funds.

At that time I was taking home \$810 a month, daycare was \$410 and rent on the tiny house we found - sans utilities - was \$350. The remaining \$50 was supposed to feed the 3 of us, pay utilities, transportation, medical costs --- everything else! I made \$10 too much for any assistance of any kind - even food stamps. I COULD NOT PAY ANYTHING to any of these creditors. I was forced to file bankruptcy with NO debts of my own making.

The ONLY company that dealt with me humanely, morally, ethically, and reasonably was American Express. When I informed them that he was not a legal signature on my card, all charges made by him were wiped off my record. Just like that. No threats, no demand letters, no collection calls, no lawyers. And no negative report against my credit history. This action certainly allowed my small family to survive very hard times. Without it we couldn't have eaten many days. I continue to be grateful 20 years later.

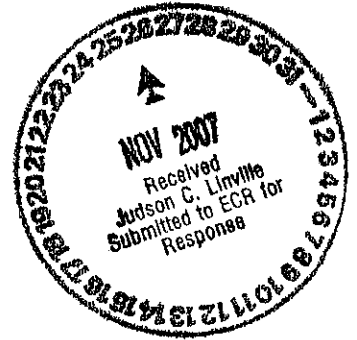
Not every card holder uses it for travel expenses, vacations, boats and luxuries. NO every card holder cares that they could get funds in any foreign country or that they could stay in a nicer lounge in some airports. Some of us rely on the card for necessities only, and to get past rough financial times. Some of us use it to survive.

My girls are now in their 20's, and I am sincere when I say my American Express card allowed them to get there. They were the only creditor that demonstrated true humanity - not to mention followed their own written contract with me!

I realize this isn't the 'usual' letter you get in support of AmEx, however, it just may be the most sincere! thanks again for showing me that big business CAN succeed with heart!

[REDACTED]

11/12/07



Mr. Jud Linville  
American Express  
777 American Express Expressway  
Ft. Lauderdale, FL 33337-0001

Dear Mr. Linville,

I would like to take this opportunity to thank you for your recent letter dated October 29, 2007 (enclosed). I appreciate this kind gesture.

As you can tell by our payment history of this account, we make it a practice to pay bills on time. This was not an oversight, but a situation beyond my control. Our daughter, who is away at school, became very ill. To make a long story short, a misdiagnosed appendicitis resulted in two hospital stays and two surgeries for her and I was away from home for over three weeks in order to be with her. Of course, all my bills were at home, so they were all late this month. I want to let you know that American Express is the only company that contacted us and provided this excusal. Again, I appreciate it.

Thank you for your consideration.

[REDACTED]

[REDACTED]

American Express  
777 American Expressway  
Ft. Lauderdale, FL 33337-0001



02139



[REDACTED]  
Saint Louis, MO [REDACTED]

October 29, 2007



Dear [REDACTED]

We understand that life can get busy and sometimes even everyday things can slip through the cracks. You may not have noticed, but you were recently late on a payment on your [REDACTED] account ending in [REDACTED]. This typically would have resulted in a late fee and an increase in your APR.

However, we greatly value your membership and, upon careful review of your account, we have decided to grant a one time late fee exception and will not be increasing your APR as a result of your late payment.

We want you to continue to enjoy the same great benefits you receive today. Remember to make all your future payments by the payment due date on your monthly billing statement and to follow the terms in your Cardmember Agreement. This way, you will always avoid late fees and APR increases due to late payment.

In order to help you pay on time, American Express provides two great tools to make monthly payments hassle-free:

- Make your payments on-line from virtually any location at [americanexpress.com/payonline](http://americanexpress.com/payonline) or by phone at 1-800-472-9297.
- Get notified when your payment is due by signing up for automatic text message alerts or e-mail statement alerts at [americanexpress.com/alerts](http://americanexpress.com/alerts).

Please do not hesitate to call us if you have any questions. You can always reach us by calling the number on the back of your Card.

Your membership is important to us. We thank you and look forward to serving you in the future.

Sincerely,

Jud Linville  
President, Consumer Cards  
Member Since 1989

[REDACTED]  
Big Bear Lake, California [REDACTED]

Email: [REDACTED]

DEC 2007  
Received  
Alfred E. Kelly, Jr.  
Submitted to E.O. for  
Response

Mr. A. Kelly, C.E.O.  
American Express, Executive Offices,  
200 Vessy Street,  
New York, New York, 10285-4900

November 24, 2007

Dear Mr. Kelly:

Subject: A letter of appreciation

My wife and I have been Gold Card members for some 30 years. Our experience with American Express has been outstanding.

During the past year we have had an extremely unfortunate experience. Our forty year old son was in an accident in Thailand and today remains in a coma in a hospital in Bangkok. My wife and I have spent nine of the past twelve months at his bedside.

We arrived in Bangkok with adequate cash but quickly found out the urgent medical needs and costs were far beyond the cash we had in hand. We went to your Ari/Bangkok office and met the most remarkable woman.

Mrs. Sirivan Rogers, a Customer Service Representative, went to extraordinary measures to assist us. She involved her manager, Ms. Panchita Suansilpphong, in our plight. The two of them could not do enough for us. Throughout the nine month sojourn, Ms. Rogers called my wife and me every week to ask how she could help. Regardless of what issue I posed--and there were many, she extended herself beyond anyone's expectation. She visited our son in the hospital, sent him flowers, called us before she left on vacation to give us a substitute contact and offered the services of a friend to bring us things from the U.S. More importantly, she arranged for us to use our card for expenses up to \$50,000 and arranged systematically every month for us to make a payment by phone from Bangkok. We have encountered numerous administrative, legal, immigration and financial challenges and whenever I contacted Mrs. Rogers she was there with charm and an expedient resolve.

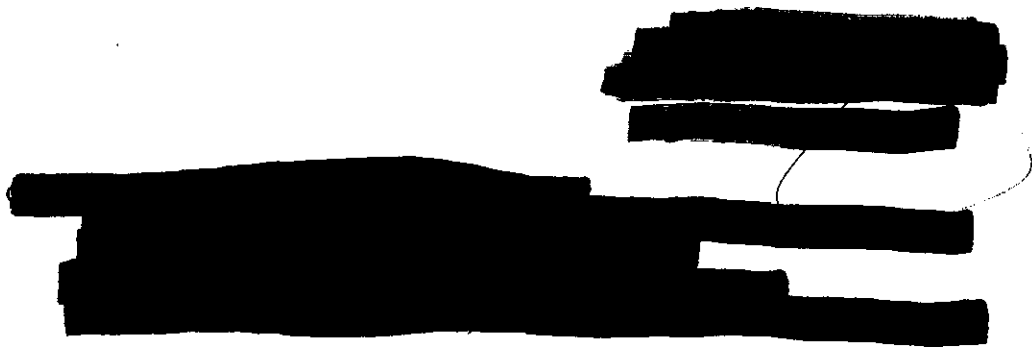
Personally, I have had a 45 year career as an H.R. executive--I have never met an employee as dedicated and service

oriented as Mrs. Rogers. Whatever your finest employee recognition award is, she deserves multiples.

I would be thrilled to speak to anyone or write to anyone in a testimony to her incredible dedication to service. I wish your company motto could read: "American Express don't leave home without it or Mrs. Rogers". Make her your star performer in Asia--she deserves it.

Thank you for employing such exemplary people in your world of service.

Sincerely yours,

A large area of the document is redacted with black ink. This redaction covers the signature and the name of the sender, which would typically follow the closing "Sincerely yours,". The redaction consists of several thick, horizontal black bars of varying lengths, completely obscuring the text underneath.