



FREQUENTLY ASKED QUESTIONS ABOUT CREDIT CARDS

by Texas Attorney General Greg Abbott

EACH YEAR, THE OFFICE OF THE ATTORNEY GENERAL receives inquiries from thousands of Texans who have questions about credit cards. Their questions involve everything from the amount of interest they can be charged to whether businesses can impose surcharges if a customer pays for a good or service with a credit card.

Texans with questions about their credit cards should first review their credit card agreement. Frequently, these documents are lengthy and written in very fine print. Though it may take time, potential customers should read this agreement thoroughly, ideally before signing up for a card.

Many debtors complain that they were lured into high interest credit cards by promotions that touted low or even “zero interest” offers. Often, these rates last a few months and are subject to change for a number of reasons which are specified in the agreement.

While Texas law generally caps credit card interest, the interest rate limit only applies if the bank issuing the card is chartered in Texas. Most credit card companies are based out-of-state and therefore not subject to limits imposed by Texas law. While Texans with good credit histories are generally offered

a relatively low rate, many things can trigger a substantial rate increase, including being even a single day late on a payment.

Texans also should be aware that many credit card companies regularly monitor customers’ overall creditworthiness. This means that interest rates can be increased if the customer is delinquent paying another debt, such as an auto loan or mortgage. Most credit card agreements also allow the issuer to periodically change the rate at its discretion.

Credit card holders should keep a close watch on each month’s statement to find out if their interest rate has suddenly changed. This might happen even if the card holder has made timely payments on the card and all other outstanding debt. To dispute a sudden rise in interest, card holders may contact the credit card company and attempt to negotiate a better rate.

Just as credit card companies are permitted to raise interest rates, they are generally allowed to change other terms, including late fees and the minimum payment amounts. Again, if terms abruptly change from one statement to the next, card holders should contact their credit card company to find out

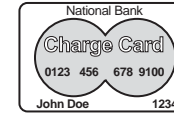
why, and see if the company is willing to reinstate the original terms.

In Texas, a business generally cannot penalize customers who pay for a good or service by using a credit card. Businesses that add a surcharge to those who pay by credit card might be violating provisions of the Texas Finance Code. Usually increased payment fees can only be charged by government entities, such as for the payment of property or other taxes and fees required by a government agency.

However, businesses in Texas can discount the regular retail price of an item for customers who pay cash instead of using a credit card. Consumers who are charged extra for using a credit card should report it to the OAG by calling (800) 252-8011 or filing a complaint online at www.texasattorneygeneral.gov.

Similarly, businesses that accept credit cards are generally forbidden from setting a minimum amount to be charged to the card. While there is no law that prohibits this practice, virtually all agreements that merchants have with credit card companies prevent businesses from imposing a minimum charge for card users. Card holders who are faced with this should report it to their credit card company.

POINTS TO REMEMBER



UNDERSTANDING CREDIT CARD TERMS

- Read the credit card agreement carefully before signing up for a card.
- Check the monthly credit card statement for changes in interest rates, late fees, and the minimum amount due.
- Contact the Texas Office of Consumer Credit Commissioner, which regulates the credit industry and offers assistance to consumers and creditors, at **(800) 538-1579** or www.occc.state.tx.us.
- Texans who believe they have been charged additional fees for using a credit card or been subjected to misrepresentation or deceptive practices by a credit card company should contact the Office of the Attorney General at **(800) 252-8011** or www.texasattorneygeneral.gov.



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