



DEALING WITH CHANGES IN CREDIT CARD TERMS

by Texas Attorney General Greg Abbott

MOST TEXANS BELIEVE THAT RESPONSIBLE CREDIT CARD USE – paying balances on time, maintaining a good credit score and not exceeding the credit limit – will be rewarded with lower interest rates, higher credit lines and better terms. Unfortunately, that is not always the case. Recently, lenders have been modifying customers’ agreements to charge higher rates and fees.

Although the prime interest rate, the lending rate that banks charge other banks – is at an historic low, many reports indicate that credit-card companies are raising interest rates and increasing fees on customers – even those who have never exceeded their credit limits or made late payments.

Texas law generally caps the amount of interest that a credit card company can charge, but that interest rate limit only applies if the card issuer is a bank chartered by the state of Texas. And most credit card issuers are based in other states, so many Texans’ credit cards are and not subject to Texas’ limits.

Within the confines of state and federal law, many credit card accounts are governed by the agreement between the issuer and the card holder. Many credit card agreements also allow issuers to periodically change interest rates and other terms at their discretion.

Card holders should keep in mind that many credit card companies regularly monitor their customers’ overall creditworthiness. And they use penalty rate triggers to increase interest rates under certain circumstances. For example, interest rates can be raised if a customer fails to make a single payment on time. And in today’s economic climate,

interest rates are also being increased while credit limits lowered – largely because of elevated balances on consumers’ other accounts or changes in the way their information is reported to credit bureaus.

Credit card holders should watch for term-of-agreement updates from their issuer to determine if their interest rate is going to change. If the bank intends to change one of the terms, such as the interest rate, it must send notice at least 15 days in advance of the change. The 15-day advance notice requirement does not apply if the consumer has agreed to the change, or the change is due to delinquency or default, such as exceeding the credit limit.

Credit card customers with questions about their credit cards should review their cardholder agreement, ideally before signing up for a card. Among other things, these agreements should detail the interest rate, the length of any promotional rates, penalty fees and penalty fee triggers.

Cardholders should carefully monitor their statements and note any abrupt modifications from one statement to the next. Texans who notice a change, such as a sudden interest rate increase, can contact their credit card company for additional information and attempt to negotiate better terms. If customers receive notice of a change, they should determine whether the bank provided an opt-out of the change. Some banks allow customers to retain a lower rate by closing the account to future purchases and requiring payment of the balance under existing account terms. If any new terms are objectionable, Texans should weigh their options, which could include

paying off the balance or transferring the balance to another card with a lower rate.

Texans who have difficulty managing their credit debt may consider credit counseling. Credit counseling services are designed to teach people how to use credit responsibly and help debtors get out of serious debt by establishing a debt management plan.

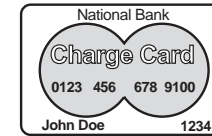
Debt management plans allow debtors to consolidate payments into a single lump sum paid to the credit counselor each month. The consolidated payment is then distributed to creditors, often at reduced interest rates, which allow the debtor to get out of debt faster.

Unfortunately, some scams have arisen that prey upon desperate debtors. So, Texans need to be careful when they select a credit counselor. The National Foundation for Credit Counseling can provide a list of accredited counselors by calling (800) 388-2227 or visiting their Web site, www.nfcc.org.

The federal government has recently taken some measures to help debtors with outstanding credit card balances. In December, the Federal Reserve approved new rules that prohibit unfair credit card company practices and improve disclosures to debtors. For example, credit card companies must notify customers 45 days before making any changes in the terms of their agreements – a 30-day increase. The new rules, however, do not become effective until July 2010.

Credit card holders with complaints or concerns should contact the Federal Deposit Insurance Corporation, the Federal Trade Commission or the Office of the Attorney General.

POINTS TO REMEMBER



CREDIT CARD TERMS

Get a free annual credit report from each of the credit reporting bureaus at www.annualcreditreport.com.

Contact the Texas Office of Consumer Credit Commissioner, which regulates Texas’s credit industry and offers assistance to consumers and creditors, at (800) 538-1579 or www.occc.state.tx.us.

If you believe you have been subjected to misrepresentation or deceptive practices by a credit card company, contact the OAG at (800) 252-8011 or www.oag.state.tx.us.

Other Resources:
Federal Deposit Insurance Corporation
(877) ASK-FDIC
www.fdic.gov

Federal Trade Commission
(877) FTC-HELP
www.ftc.gov
www.ftccomplaintassistant.gov



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