Keith Vonhold - 07/25/2008 12:45:00 PM

Subject: Regulation AA

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Dear Email comments,

Details about top 10 "gotchas": Can it happen to you?

Consumers will continue to be bombarded with complex and unfair credit card practices during the holidays and into the New Year. We have identified these ten tricks credit card companies have created that trap consumers into undesirable terms and overwhelming penalties and fees. These tactics will continue until Congress requires credit card companies to stop these unfair practices. Tell Congress to pass real and meaningful credit card reform!
1. Universal default

Some credit card companies monitor your credit report under a universal default clause, looking for behavior with other creditors. If they believe that your behavior with other creditors signals that you're a greater credit risk, the company kicks up your interest rate.
For instance, your interest rate can skyrocket if your credit score declines because of your behavior with other creditors even if you

always pay your credit card on time and never miss a payment. Some card issuers will raise your rate if you inquire about a car loan or open a new credit card.
2. "Change of terms"
Card issuers have claimed they have abandoned universal default; however, many raising interest rates under change of terms clauses. Credit card terms are always in flux. This means, read the tiny print and chances are you'll find this disclosure: "We reserve the right to change the terms (including the APRs) at any time for any reason." A fixed rate is fixed until the bank gives you at least 15 days notice that it isn't.
3. "Teaser rates"
Teaser rates tease you into applying for that credit card with it's

incredibly low APR. But that low rate can be increased at any time with 15-days notice. A temptingly low introductory rate can climb to 30 percent or more. That low rate you signed up for expires suddenly and you end up paying more even on charges you already made.
4. Minimum payment
Making only the minimum payment can keep you in debt for a very long time. For example, if a consumer made the minimum payment on a $1,000

credit card balance at 15% APR, it would take 8 years and 10 months and cost $1,729.19 to pay off the balance. A consumer who owed $5,000 would end up paying $10, 729.18 over 22 years and 2 months if they made the minimum payment.

5. On time payment

Card issuers are systematically mailing statements closer to the due date, giving customers less turnaround time. You can be hit with a penalty fee even if you mailed your bill in advance of the due date. The average fee for a late payment has more than doubled in the past decade.

6. Double cycle billing

Double-cycle, dual-cycle, or two cycle billing allows you to avoid credit-card charges only if you have paid the last two balances in full. For example, if you have a $1000 balance due in December, and pay off half of that balance, you'd expect to only be paying interest on the remaining $500 December balance in the next billing cycle. Not so with double-cycle billing! In January, when you pay off the entire balance, you'll also be charged interest on the entire $1000 December balance, not just the $500 that carried over.

7. Cash advance/convenience checks

The interest rates for cash advances and convenience checks are even higher than the rate for purchases on your credit card.

8. Penalty interest rates and fees

Late payments can raise your interest from 7% to 30%! Rather than rejecting charges that exceed your credit card limit, issuers today often let them go through but then charge a hefty fee -- as high as $39. Penalty fees also add up. The recent Government Accountability Office report on credit cards found of active accounts with six of the largest credit card issuers, 35% were assessed a late fee in 2005 and 13% were assessed a over-limit fee.

9. Fees, fee and more fees

As if the penalties weren't enough, you pay more fees for paying by phone or charging abroad. You may have to pay a fee to receive what used to be free year-end summary statements. And oftentimes you won't know about these additional fees until you're on the phone with the credit card company since they aren't in the disclosure materials or existing cardholder agreement.

10. Balance transfer switcheroo

You transferred a balance from one account with a higher APR to take advantage of a new one with a lower APR. But this may come at a high cost. Any payments you make typically are applied first to the lowest rate balance. So while the credit-card company uses your payment to quickly pay off that 0% transfer balance, you are piling up interest on your new purchases, at say, 18%. Multiple balance transfers will also lower your credit score, which can raise your interest rate.

You call this fair?

Sincerely,

Mr. Keith Vonhold
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