

Credit: Friend or Foe?



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Read the Fine Print!!!



Advantages of Using Credit

- Build a solid credit history
- Get goods and services before paying for them
- Make a large purchase without waiting
- Use for emergencies
- Do not need to carry cash



Disadvantages of Using Credit

- Credit costs money
- Spending future income
- May overspend
- Tempted to impulse buy
- Run the risk of too much debt



Before Using Credit

- Ask yourself:
 - Do I really need this item now?
 - What are the extra costs?
 - Is the item worth the extra costs?
 - Can I make the monthly payments?
 - What will I have to give up in the future?
 - What if an emergency comes up?



Comparison Shop for Credit

- Smart consumers shop for:
 - Mortgages
 - Auto loans
 - Credit cards
- Compare offers from several creditors



Types of Credit

- **Sales or installment credit**
 - Car dealers, furniture stores
- **Loans**
 - Banks, credit unions
- **Credit Cards**
 - Financial institutions
- **Service Credit**
 - Doctors, utility companies



Basic Credit Accounts

- **Open-end accounts**
 - Repeated purchases
 - Credit card, revolving charge
- **Closed-end accounts**
 - Set amount and period of time
 - Vehicle, home, appliance



Minimum Payments



Beginning Balance	APR	Monthly Payments	Months to Pay Off Balance	Total Interest Paid
\$2,000	15.04 %	2% - \$40	169 (14 years)	\$2,205.63
\$2,000	15.04 %	5% - \$100	65 (5½ years)	\$589.74
\$2,000	15.04 %	10% - \$200	24 (2 years)	\$269.31

Pay more than the minimum to save additional interest charges.

Debit Cards

- **Do not confuse with credit cards**
 - Debit cards are "pay now"
 - Credit cards are "pay later"
- **Can be used at ATM's**
 - "Inter-system" no fee
 - Fee for "out of system" use



Types of Debit Cards

- **Direct Debit Card**
 - PIN (personal identification number)
 - Immediate withdrawal
- **Deferred Debit Card**
 - Signature
 - 2 to 3 day withdrawal
 - Visa or MasterCard logo
- **Combination Debit Card**



Credit vs. Debit Card?

- **Credit cards offer additional protections against fraud when used for Internet purchases**
- **Use debit card for small purchases and credit cards for large merchandise**



Credit is Convenient



- **But:**
 - Understand what you are agreeing to
 - Know how much it will cost you in the end
 - Never spend more than you can repay!

What Is a Credit History?

- **Credit history is a record of how you have managed your money**



Building a Credit History

- **Pay bills on time or early**
- **Maintain a checking account**
- **Apply for a credit card**
- **Apply for a small loan**



Building a Credit History

- **Avoid frequent changes**
- **Review your credit report**
- **Make arrangement with creditors if you are going to be late with a payment**



Rebuilding Credit History



- **Use the same process as you would in building credit**
- **Decrease debt and increase income**
- **Don't spend more than you make**

Rebuilding Credit

- **Limit how often you apply for credit**
- **Check your credit report annually**
- **Correct any errors**
- **Bankruptcy is the last resort**



"Anything to declare, aside from personal bankruptcy?"

What Is a Credit Report?

- A credit report is a record of your financial activity



Credit Reports Include:

- Identifying information
- Public record and collection agency account information
- Record of inquiries
- Trade lines



Identifying Information

- Name
- Address
- Social Security number
- Date of birth
- Employment history



Public Record/Collection Agency Account Information

- Bankruptcies
- Foreclosures
- Lawsuits
- Wage garnishments
- Liens
- Judgments
- Collection-agency actions



Inquiries

- Voluntary - when you apply for a loan or credit card, job, housing, or utilities
- Involuntary - unsolicited requests for credit such as pre-approved credit cards



Trade Lines

- A list of all accounts, type, the date opened, and current status.
 - "R" - revolving - credit card
 - "I" - installment - car loan
 - "J" - joint - someone else is also responsible



Request Your Credit Report

- To obtain a free copy of your credit report:

Order online:

www.annualcreditreport.com

Call toll-free: 877-322-8228

Mail the Annual Credit Report form printed from www.ftc.gov/credit to:
Annual Credit Report Request Service
PO Box 105281
Atlanta, GA 30348-5281



Check Your Credit Reports

- To correct any errors on your credit report contact:

Equifax – www.equifax.com

1-800-685-1111

Experian – www.experian.com

1-888-EXPERIAN (397-3742)

TransUnion – www.transunion.com

1-800-888-4213



Closing An Account

- Date
- Name & Address of the Creditor
- Card Name & Account Number
- The "Request"
- Zero Financial Liability Claim
- "Closed by the Consumer"
- Your Signature & Contact Information
- Written Confirmation Request
- Attachments
 - The Cut-Up Card
 - Final Bill



What Is a Credit Score?

- A credit score is a number between 300 and 850 that indicates whether or not you are a good credit risk.
- The lower your score, the harder it will be to get credit.

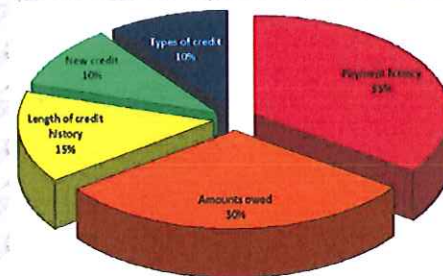


What Does the Score Mean?

- A score in the 400 to 599 range will result in a higher interest rate, and a larger down payment.
- Most people score in the 600 to 799 range.



What Influences Your Score?



Payment History

- 35% of the score is determined by payment history
- Recent payment activity counts more than past payment history



- Includes
 - Payments on:
 - Credit cards
 - Retail accounts
 - Installment loans
 - Mortgage loans
 - Finance company accounts
 - Reports of:
 - Bankruptcies
 - Foreclosures
 - Lawsuits
 - Wage attachments
 - Liens
 - Judgments

Amount Owed

- 30% of a credit score is determined by the amount owed
- A score is reduced if cards are “maxed out,” or there are large unpaid balances



Length of Credit History



- 15% of the score is determined by the length of time you have used credit
- Both the age of the oldest account and the average age of all of the accounts contribute to your score

New Credit

- 10% of the score is based on recent requests for credit
- Do not apply for several credit cards at one time



Types of Credit in Use

- The type of lenders you do business with determines the last 10% of the score
- Select a cross section of reputable lenders to achieve the highest score



Information Not Considered

- Race
- Religion
- National origin
- Gender
- Marital status
- Age
- Salary
- Where you live
- Current interest rate you are paying



Tips to Raise Credit Scores

- **Pay your bills on time**
- **Reduce indebtedness**
- **Do not apply for new credit**
- **Only do business with reputable lenders**
- **Be patient – it takes time**



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IMPORTANCE OF CREDIT HISTORY AND SUCCESSFUL SAVING

From America Saves and Experian



WHAT IS A CREDIT REPORT AND SCORE?

A **credit score** is a three-digit number that measures how likely you are to repay a loan on time. It uses information from your credit report to predict the risk of you not paying that loan back 24 months after scoring.

A **credit report** is an explanation of your credit history. It states when and where you applied for credit, whom you borrowed money from, and whom you still owe. Your credit report also tells you if you've paid off a debt and if you make monthly payments on time.

How can I get a copy of my credit report and score?

The three nationwide consumer reporting companies- Equifax, Experian, and TransUnion are required by The Fair Credit Reporting Act (FCRA) to provide you, at your request, with a free copy of your credit report once every 12 months. (Available at www.annualcreditreport.com)

How much does it cost?

You will have to pay around \$14 to receive an additional credit report within 12 months of when you received your free report. To receive a copy of your credit score, you will have to pay one of the three nationwide consumer reporting companies around \$8.

Who do I get help from if I find something wrong?

You are responsible for correcting inaccurate or incomplete information in your report. There are two things you should do if you find an inaccuracy. First, tell the consumer reporting company (that provided the report), in writing, what information you think is inaccurate. Contact information will be provided with your personal credit report. Consumer reporting companies are required to investigate anything in question and must forward all relevant data to the organization that provided the information. Second, tell the creditor or other information provider in writing that you dispute an item.

Who has access to my credit score?

The FCRA specifies who can access your credit report. Those who have access to your credit report include creditors, insurers, employers, and other businesses that use the information in your report to evaluate your applications for credit, insurance, employment, or renting a home or apartment.

WHY IS SAVING SO IMPORTANT?

It is important for all Americans to have savings. Having a savings account allows people to pay for emergencies, gives people financial freedom, and can help you avoid credit problems that could hurt credit scores. A high credit score can make it easier to rent an apartment, get utility services, and qualify for new credit.

Paying for Emergencies

Having a savings account allows people to pay for emergencies on their own instead of turning to high-interest credit cards or payday loans. Not being able to pay off these types of loans will be shown in your credit report and can severely affect your credit scores.

Financial Freedom

Having savings allows you to have financial freedom. People with lots of debt often say they lack peace of mind. They worry constantly about paying off debts and making ends meet. The stress of these worries affects their family life, work performance, and other areas of their lives.

Higher Credit Scores

Having savings allows you to pay your bills on time. Paying your bills on time can lead to higher credit scores.

HOW DO I START SAVING?

When it comes to saving money, the sooner you start the better. It's not an act that's accomplished overnight, but a process that happens gradually and grows over time. Just remember, slow and steady wins the race.

Making ends meet can be a challenge. And you may wonder how it's possible to spare anything. But any amount saved - a quarter, a dollar - is progress. Those quarters and dollars add up. As you get into the habit of routinely "paying into your savings" you'll see the money you're setting aside grow.

The first thing you have to do to start saving is take a look at your finances and make sure that you are spending less than you earn.

- Make a budget
- Find ways to cut back on spending
- Set up automatic savings

WHAT SAVING OPTIONS ARE AVAILABLE TO ME?

There are many savings options available. Some are designed for short term goals while others are designed to help you save for the long term.

Pay Off High-Cost Debt

Before you start to save, it's important to pay off any high-interest debt you have. Having these types of debts is one of the easiest ways to lower your credit scores.

If you have a \$3,000 credit card balance at 19.8%, and you pay the required minimum balance of 2% of the balance or \$15, whichever is greater, it will take 39 years to pay off the loan. With accumulating interest, you will pay more than \$10,000 in interest charges.

Save for Emergencies

Saving for emergencies is a sound choice. Having an emergency savings fund may be the most important difference between those who manage to stay afloat and those who are sinking financially. Maintaining an emergency savings of \$500 to \$1,000 allows you to easily meet unexpected financial challenges such as repairing the brakes on your car, buying your child a new pair of needed shoes, or flying to visit a sick parent.

Save at Tax Time

Tax time is a great opportunity to save. Your tax return allows you to deposit money directly into your savings account or purchase savings bond with all or a portion of your return.

Save for Retirement

Many employers allow employees to participate in an employer-sponsored retirement plan, such as a 401(k) plan. But even if your employer doesn't offer a retirement plan, you can still save for retirement, and get some tax benefits in the process, by putting money in an Individual Retirement Account (IRA).

Save for a Home

Almost anyone can afford to own a home with proper preparation. Develop a savings plan to build up money for a down payment at purchase, for moving expenses, and for post-purchase emergency expenditures such as needed home repairs. Having a good credit score will allow you to save on your mortgage payments because having a better score will allow you to secure a lower interest rate.

WHY IS GOOD CREDIT MANAGEMENT SO IMPORTANT?

Good credit plays an important role in your financial life. Not only is it essential for obvious things like qualifying for a loan or getting a credit card, but also for less obvious things like getting cellular telephone service, renting a car, and perhaps even getting a job.

Managing your credit will also help you save for a rainy day. A strong credit history, reflected in good credit scores, will let you qualify for lower interest rates and fees, freeing up additional money to set aside for emergencies, retirement, and other smaller unexpected expenses. Decreasing debt and increasing savings reduces stress and leads to greater financial freedom.

The good news is that having good credit is not difficult. Simply follow these five fundamentals of good credit management and you will build and maintain a credit history that will enable you to get the credit you need, when you need it.

5 TIPS FOR BUILDING GOOD CREDIT

1. Establish a credit report

To establish a credit report you must have an open, active credit account. To get your first credit account talk to your bank or credit union.

2. Always pay as agreed

Make at least the minimum payment due each month and never be late. Delinquent payments and payments that don't meet at least the minimum contractual amount will have the most immediate, negative impact on your credit report and credit scores.

3. Keep your balances low

Keeping your balances low as compared to your available credit limits is a sign of good credit management and shows lenders you are a good credit risk. Your utilization rate, also called your balance-to-limit ratio is a key component to credit scores.

4. Apply for credit wisely

Do not apply for multiple accounts in a short period of time. Taking on large amounts of debt in a short time is a sign of high credit risk. Apply for credit when you need it, and only in the amount you need. Just because credit is offered, doesn't mean you have to accept it.

5. Demonstrate good credit habits over long periods of time

In order to have good credit scores you must demonstrate a habit of good credit management over a long period of time.

FREQUENTLY ASKED CREDIT QUESTIONS

Do Missed Payments Affect My Score?

How many payments you miss, if you don't pay the debt at all, and how long ago late payments occurred are all important. The further in the past a late payment occurred, the less impact it will have on credit scores and lending decisions. That is why it is important to catch up on your payments if you have fallen behind.

How Can I Get Credit if I Can't Open a Credit Account?

If you cannot get a credit account through a bank or credit union, you may need a friend or family member to cosign for you or add you as an authorized user on an existing account.

Will Closing Accounts Raise My Credit Score?

Be cautious about closing accounts. Doing so will reduce your available credit limits and will increase your overall utilization rate, making it appear as if you have suddenly taken on more debt. The result is a temporary negative impact on your credit scores.

Will Applying for New Accounts Raise My Credit Score?

Each time you apply for credit an inquiry is added to your credit report. Inquiries are a record that a lender has reviewed your credit report in response to your application for credit. They indicate that you may have new debt that is not yet shown as an account in your credit report, and so represent an unknown risk to lenders. For that reason, recent inquiries can have a small but meaningful impact on credit scores. However, that impact is temporary.

How does Shopping for a Car or Home Affect My Score?

Inquiries for auto purchases and mortgage loans are unique. Because lenders recognize you will shop for the best auto and mortgage loan rates, inquiries for those types of loans in a short period are counted as a single inquiry by credit scoring systems. Doing so enables you to find the best rates with little or no impact on your credit scores.

What is the First Step to Rebuild My Credit Score?

The first step in rebuilding strong credit scores after having credit problems is to bring your accounts current. Before your credit scores will improve significantly, however, you must show that you have regained control of your credit by making on-time payments over time. The more serious your past credit difficulties, the longer it will take to rebuild a positive credit history and strong credit scores.

IS CREDIT REPAIR A GOOD IDEA?

Every day, companies target consumers who have poor credit histories with promises to clean up their credit report so they can get a car loan, a home mortgage, insurance, or even a job once they pay them a fee for the service. The truth is, these companies can't deliver an improved credit report for you using the tactics they promote. It's illegal: No one can remove accurate negative information from your credit report.

WHAT IS LOAN CONSOLIDATION?

A Direct Consolidation Loan allows a borrower to consolidate (combine) multiple federal student loans into one loan. The result is a single monthly payment instead of multiple payments. Use a loan consolidation calculator to find out if this is a good option for you.

WHAT IS A DEBT MANAGEMENT PLAN?

Organizations that advertise credit counseling often arrange for consumers to pay debts through a debt management plan (DMP). In a DMP, you deposit money each month with a credit counseling organization. The organization uses these deposits to pay your credit card bills, student loans, medical bills, or other unsecured debts according to a payment schedule they've worked out with you and your creditors. Creditors may agree to lower interest rates or waive certain fees if you are repaying through a DMP. Some organizations that offer DMPs have deceived and defrauded consumers. If you are paying through a DMP, contact your creditors and confirm that they have accepted the proposed plan before you send any payments to the organization handling your DMP.

WHERE CAN I GET HELP WITH DEBTS I CANT AFFORD TO PAY?

In most communities, there are agencies that can help you manage your debts. The most helpful and most widely available are non-profit Consumer Credit Counseling Services (CCCS). CCCS counselors can work with you privately to help you develop a budget, figure out your options, and negotiate with creditors to repay your debts. Call 1-800-388-2227 to locate the office nearest you.

If your debts are too large, you may want to consider bankruptcy. It can give you a fresh start, but declaring bankruptcy is a serious step that can make it harder to get credit for years. Call your local Legal Aid or Legal Services office for advice. If you don't qualify for their services, ask them for a referral to a bankruptcy attorney

FDIC MODEL SAFE ACCOUNTS TEMPLATE

The FDIC Model Safe Accounts Template provides insured institutions with guidelines for offering cost-effective accounts that are safe and affordable for consumers. The accounts reflect the following guiding principles: transparent and reasonable rates and fees and access to banking services that are FDIC insured.

Elements of the FDIC Model Safe Accounts

	Transactional Account	Basic Savings Account
Core Features and Fees		
Card-based electronic account	√	√
No overdraft or NSF fees	√	--
Interest bearing	--	√
Direct deposit	Free	Free
Automatic saving	Free	Free
Online and mobile banking/ bill pay	Free	Free
Electronic statements (with consumer's consent)	Free	Free
Opening balance	\$10 - \$25	\$5
Monthly minimum balance	\$1	\$5
Monthly maintenance fee	Up to \$3	None, if minimum balance is met
Money orders/e-checks	2 free per month, additional for a fee that is reasonable and proportional to the cost	--
Check cashing	Drawn on insured institution: Free Not drawn on insured institution: Fee that is reasonable and proportional to cost	Drawn on insured institution: Free Not drawn on insured institution: Fee that is reasonable and proportional to cost
General funds availability (subject to appropriate exceptions, e.g. large deposits)	Same day or next day from an established customer	Same day or next day from an established customer
Auxiliary Services and Fees		
Financial education	Free	Free
Linked savings account	Transfer fees that are reasonable and proportional to cost	--
Line of credit	Rates and fees that are reasonable and proportional to cost	--
Small-dollar loans (less than \$2500)	Terms and conditions consistent with the FDIC's Safe, Affordable, and Feasible Template for Small-Dollar Loans	Terms and conditions consistent with the FDIC's Safe, Affordable, and Feasible Template for Small-Dollar Loans
Kiosk bill payment	Fees that are reasonable and proportional to cost	Fees that are reasonable and proportional to cost
Domestic and international wire transfers	Fees that are reasonable and proportional to cost	Fees that are reasonable and proportional to cost

ADDITIONAL RESOURCES

Industry Resources:

Consumer Federation of America's Vantage Credit Score Website

<http://www.creditscorequiz.org>

<http://www.creditscorequiz.org/espanol>

Financial Industry Regulatory Authority (FINRA) website

<http://www.finra.org/>

Live Credit Smart, Experian credit education

<http://www.livecreditsmart.com>

My Fico, About Credit Scores

<http://www.myfico.com/crediteducation/creditscores.aspx>

Money Under 30, Understanding "Your Number"

<http://www.moneyunder30.com/what-is-a-credit-score>

Bankrate, Credit Scores Explained

<http://www.bankrate.com/brm/news/cc/20010223a.asp>

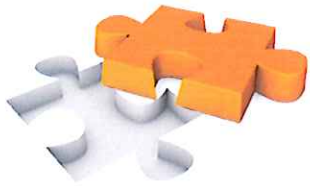
Government Resources:

U.S. General Services Administration, Federal Citizen Information Center and Fair Isaac Corporation (2008)

<http://publications.usa.gov/USAPubs.php?PubID=3379>

Federal Trade Commission's, Facts for Consumers (2011)

<http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre34.shtm>



WHAT YOU NEED TO KNOW: New Credit Card Rules

The Federal Reserve's new rules for credit card companies mean new credit card protections for you. Here are some key changes you should expect from your credit card company beginning on February 22, 2010.

What your credit card company has to tell you

- **When they plan to increase your rate or other fees.** Your credit card company must send you a notice 45 days before they can
 - increase your interest rate;
 - change certain fees (such as annual fees, cash advance fees, and late fees) that apply to your account; or
 - make other significant changes to the terms of your card.

If your credit card company is going to make changes to the terms of your card, it must give you the option to cancel the card before certain fee increases take effect. If you take that option, however, your credit card company may close your account and increase your monthly payment, subject to certain limitations.

For example, they can require you to pay the balance off in five years, or they can double the percentage of your balance used to calculate your minimum payment (which will result in faster repayment than under the terms of your account).

The company does not have to send you a 45-day advance notice if

- you have a variable interest rate tied to an index; if the index goes up, the company does not have to provide notice before your rate goes up;
- your introductory rate expires and reverts to the previously disclosed "go-to" rate;
- your rate increases because you are in a workout agreement and you haven't made your payments as agreed.

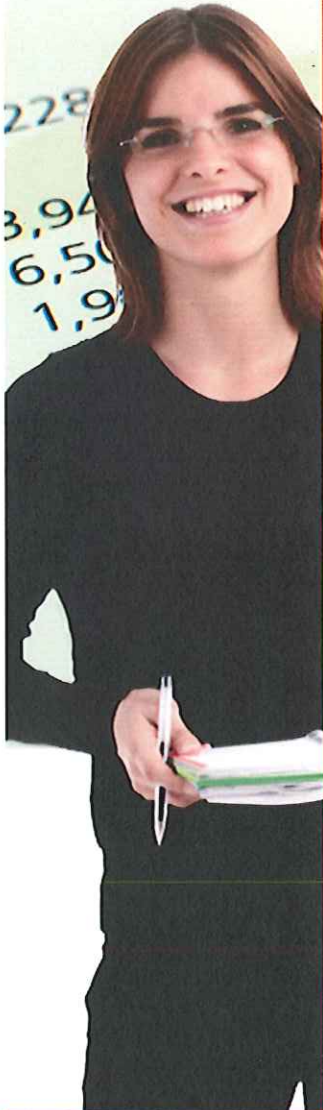
- **How long it will take to pay off your balance.** Your monthly credit card bill will include information on how long it will take you to pay off your balance if you only make minimum payments. It will also tell you how much you would need to pay each month in order to pay off your balance in three years. For example, suppose you owe \$3,000 and your interest rate is 14.4%—your bill might look like this:

New balance	\$3,000.00
Minimum payment due	\$90.00
Payment due date	4/20/12

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 late fee and your APRs may be increased up to the Penalty APR of 28.99%.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay . . .	You will pay off the balance shown on this statement in about . . .	And you will end up paying an estimated total of . . .
Only the minimum payment	11 years	\$4,745
\$103	3 years	\$3,712 (Savings = \$1,033)



The Federal Reserve Board
www.federalreserve.gov

New rules regarding rates, fees, and limits

- **No interest rate increases for the first year.** Your credit card company cannot increase your rate for the first 12 months after you open an account. There are some exceptions:
 - If your card has a variable interest rate tied to an index; your rate can go up whenever the index goes up.
 - If there is an introductory rate, it must be in place for at least 6 months; after that your rate can revert to the "go-to" rate the company disclosed when you got the card.
 - If you are more than 60 days late in paying your bill, your rate can go up.
 - If you are in a workout agreement and you don't make your payments as agreed, your rate can go up.
- **Increased rates apply only to new charges.** If your credit card company does raise your interest rate after the first year, the new rate will apply only to new charges you make. If you have a balance, your old interest rate will apply to that balance.
- **Restrictions on over-the-limit transactions.** You must tell your credit card company that you want it to allow transactions that will take you over your credit limit. Otherwise, if a transaction would take you over your limit, it may be turned down. If you do not opt-in to over-the-limit transactions and your credit card company allows one to go through, it cannot charge you an over-the-limit fee.
 - If you opt-in to allowing transactions that take you over your credit limit, your credit card company can impose only one fee per billing cycle. You can revoke your opt-in at any time.
- **Caps on high-fee cards.** If your credit card company requires you to pay fees (such as, an annual fee or application fee), those fees cannot total more than 25% of the initial credit limit. For example, if your initial credit limit is \$500, the fees for the first year cannot be more than \$125. This limit does not apply to penalty fees, such as penalties for late payments).
- **Protections for underage consumers.** If you are under 21, you will need to show that you are able to make payments, or you will need a cosigner, in order to open a credit card account.
 - If you are under age 21 and have a card with a cosigner and want an increase in the credit limit, your cosigner must agree in writing to the increase.

Changes to billing and payments

- **Standard payment dates and times.** Your credit card company must mail or deliver your credit card bill at least 21 days before your payment is due. In addition
 - Your due date should be the same date each month (for example, your payment is always due on the 15th or always due on the last day of the month).
 - The payment cut-off time cannot be earlier than 5 p.m. on the due date.
 - If your payment due date is on a weekend or holiday (when the company does not process payments), you will have until the following business day to pay. (For example, if the due date is Sunday the 15th, your payment will be on time if it is received by Monday the 16th before 5 p.m.).
- **Payments directed to highest interest balances first.** If you make more than the minimum payment on your credit card bill, your credit card company must apply the excess amount to the balance with the highest interest rate. There is an exception:
 - If you made a purchase under a deferred interest plan (for example, "no interest if paid in full by March, 2012"), the credit card company may let you choose to apply extra amounts to the deferred interest balance before other balances. Otherwise, for two billing cycles prior to the end of the deferred interest period, the credit card company must apply your entire payment to the deferred interest-rate balance first.
- **No two-cycle (double-cycle) billing.** Credit card companies can only impose interest charges on balances in the current billing cycle.



Useful terms...

"go-to" rate
interest rate you are charged after the introductory rate

index
an economic indicator used to calculate interest-rate adjustments (e.g. the Cost of Funds Index)

opt-in
giving your credit card company permission to include you in a particular service

workout agreement
a type of debt management plan

Other resources...

Visit the Federal Reserve's website at www.federalreserve.gov/consumerinfo to get more information about

bank accounts and services
consumer credit
identity theft
leasing
mortgages
personal finance
federal agency contacts

Need more direction...

To learn more about how these new rules directly apply to you, contact your credit card company by calling their toll-free number



WHAT YOU NEED TO KNOW:

New Credit Card Rules Effective Aug. 22

More new rules from the Federal Reserve mean more new credit card protections for you. Here are some key changes you should expect from your credit card company beginning on August 22, 2010:

Reasonable penalty fees

Let's say you are late making your minimum payment.

- **Today:** Your late payment fee may be as high as \$39, and you likely pay the same fee whether you are late with a \$20 minimum payment or a \$100 minimum payment.
- **Under the new rules:** Your credit card company cannot charge you a fee of more than \$25 unless:
 - one of your last six payments was late, in which case your fee may be up to \$35; or
 - your credit card company can show that the costs it incurs as a result of late payments justify a higher fee.

In addition, your credit card company cannot charge a late payment fee that is greater than your minimum payment. So, if your minimum payment is \$20, your late payment fee can't be more than \$20. Similarly, if you exceed your credit limit by \$5, you can't be charged an over-the-limit fee of more than \$5.

Additional fee protections

- **No inactivity fees.** Your credit card company can't charge you inactivity fees, such as fees for not using your card.
- **One-fee limit.** Your credit card company can't charge you more than one fee for a single event or transaction that violates your cardholder agreement. For example, you cannot be charged more than one fee for a single late payment.

Explanation of rate increase

- If your credit card company increases your card's annual percentage rate (APR), it must tell you why.

Re-evaluation of recent rate increases

- **Today:** Your credit card company can increase your card's APR with no obligation to re-evaluate your rate increase.
- **Under the new rules:** If your credit card company increases your APR, it must re-evaluate that rate increase every six months. If appropriate, it must reduce your rate within 45 days after completing the evaluation.

This set of rules is the latest in a series of regulations that implement the Credit Card Accountability, Responsibility, and Disclosure Act (the Credit Card Act). For information on protections under the Federal Reserve's other credit card rules, see "What You Need to Know: New Credit Card Rules Effective Feb. 22."



Useful terms...

annual percentage rate (APR)

for credit cards, the APR is the cost of credit expressed as a yearly interest rate. Each billing period (usually about a month), the company charges a fraction of the annual rate, called the periodic rate.

penalty fees

fees charged if you violate the terms of your cardholder agreement or other requirements related to your account. For example, your credit card company may charge a penalty fee if you make a late payment or if you exceed your credit limit.

Other resources...

Visit the Federal Reserve's website at www.federalreserve.gov/consumerinfo to get more information about

bank accounts and services

credit cards

identity theft

leasing

mortgages

personal finance

federal agency contacts

Need more direction?

To learn more about how these new rules directly apply to you, contact your credit card company by calling their toll-free number.



Interest Rates and Interest Charges

<p>Annual Percentage Rate (APR) for Purchases</p> <p>1</p>	<p>8.99%, 10.99%, or 12.99% introductory APR for one year, based on your creditworthiness.</p> <p>After that, your APR will be 14.99%. This APR will vary with the market based on the Prime Rate.</p>
<p>APR for Balance Transfers</p> <p>2</p>	<p>15.99%</p> <p>This APR will vary with the market based on the Prime Rate</p>
<p>APR for Cash Advances</p> <p>3</p>	<p>21.99%</p> <p>This APR will vary with the market based on the Prime Rate.</p>
<p>Penalty APR and When it Applies</p> <p>4</p>	<p>28.99%</p> <p>This APR may be applied to your account if you:</p> <ol style="list-style-type: none"> 1) Make a late payment; 2) Go over your credit limit; 3) Make a payment that is returned; or 4) Do any of the above on another account that you have with us. <p>How Long Will the Penalty APR Apply?: If your APRs are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.</p>
<p>How to Avoid Paying Interest on Purchases</p> <p>5</p>	<p>Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.</p>
<p>Minimum Interest Charge</p> <p>6</p>	<p>If you are charged interest, the charge will be no less than \$1.50.</p>
<p>For Credit Card Tips from the Federal Reserve Board</p>	<p>To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard.</p>

Fees

<p>Set-up and Maintenance Fees</p> <p>7</p> <ul style="list-style-type: none"> • Annual Fee • Account Set-up Fee • Participation Fee • Additional Card Fee 	<p>NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of \$250, your initial available credit will be only about \$209 (or about \$204 if you choose to have an additional card).</p> <p>\$20</p> <p>\$20 (one-time fee)</p> <p>\$12 annually (\$1 per month)</p> <p>\$5 annually (if applicable)</p>
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• Late Payment	\$29 if balance is less than or equal to \$1,000; \$35 if balance is more than \$1,000
• Over-the-Credit Limit	\$29
• Returned Payment	\$35



11

How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

12

Loss of Introductory APR: We may end your introductory APR and apply the Penalty APR if you become more than 60 days late in paying your bill.

CALLOUT DESCRIPTIONS:

1) APR for purchases

The interest rate you pay, on an annual basis, if you carry over balances on purchases from one billing cycle to the next. If the card has an introductory rate, you will also see the rate that applies after the introductory rate ends. Multiple interest rates may be listed here. Your rate will depend on your creditworthiness, which is based on your debt, income, credit score, and other factors, such as your history of paying bills on time.

2) APR for balance transfers

The interest rate you pay, on an annual basis, if you transfer a balance from another card. Balance transfer fees may apply, even if the balance transfer APR is 0%. If there is an introductory rate, pay attention to when that rate ends and what the new rate will be.

3) APR for cash advances

The interest rate you pay if you withdraw a cash advance from your credit card account. Cash advance fees may also apply. Most credit card companies charge interest immediately, starting from the date you get the cash advance.

4) Penalty APR and when it applies

Your credit card company may increase your interest rate for several reasons. For example, if you:

- pay your bill late,
- go over your credit limit,
- make a payment that is returned, or
- do any of these on another account that you have with the same company.

Be sure to read the terms and conditions of your card to know what can cause your interest rate to go up. If you trigger the penalty rate, your credit card company must tell you that they will be raising your rate 45 days in advance of the increase.

How long will the penalty APR apply?

Credit card companies must tell you how long the penalty rates will be in effect. You may be able to go back to regular rates if you pay your bills on time for a period of time (for example, 6 months). Companies may not automatically remove the penalty rates. You may have to ask your credit card company to lower the rates.

7) Set-up and maintenance fees

Some credit cards offered to people with lower, or subprime, credit scores may charge a variety of fees. Some fees are charged before the card is used and may reduce the amount of credit initially available. These fees can include:

- **Annual fee**--The amount you'll be charged during each 12-month period for having the card.
- **Account set-up fee**--Usually a one-time fee for opening and setting up the account.
- **Participation fee**--Usually a monthly fee for having the card.
- **Additional card fee**--This can be a one-time fee or an annual fee for having a second card for the account.

Example: You are assigned the minimum credit limit of \$250, your initial available credit will be only about \$209 (or about \$204 if you choose to have an additional card).

8) Transaction Fees (balance transfer, cash advance, foreign transaction)

Credit card companies may charge you a fee for transferring a balance, getting a cash advance, or making a transaction in a foreign country. These fees can be either a fixed dollar amount (for example, \$5) or a percentage of the transaction amount (for example, 3%). If you are planning to transfer a balance, get a cash advance, or make foreign transactions, check your agreement for these fees.

9) Penalty fees (late payment, over-the-limit, returned payment)

Late payment. Credit card companies may charge you a fee if you pay your bill late. Some companies may charge different fees depending on your balance--the higher your balance, the higher the late fee.

Over-the-limit. If you have consented to extensions of credit that exceed your credit limit (opt-in to going over the limit), credit card companies may also charge you a fee if your balance goes over your credit limit. Rather than denying a transaction, your credit card company may let the transaction go through but then charge you a fee for going over your limit.

Returned payment. If you make a payment, but you don't have enough money in your account to cover the payment, your credit card company may charge you a returned payment fee, just like a bounced check fee. This can happen whether you pay with a check or with a direct debit from your account.

10) Other fees

Some cards require credit insurance, or debt cancellation, or debt suspension coverage. Credit card companies may call this "account protection" or something similar.

Example: Your credit card offers debt suspension coverage for up to 90 days if you become unemployed. If you lose your job, you may be able to stop making payments on your credit card for about 3 months. But interest may still continue to be added to your balance during the debt suspension period.

11) How we will calculate your balance

Credit card companies can use one of several methods to calculate your outstanding balance. The method they use can make a big difference in the interest charges you'll pay. Find out if the card calculates your balance:

- using average balance or adjusted balance,
- by including or excluding new purchases .

Depending on the balance you carry over and the timing of your purchases and payments, you'll usually have a lower finance charge with:

- the adjusted balance method,
- the average daily balance method , excluding new purchases, or
- the previous balance method.

Previous balance method. The balance is the outstanding balance at the beginning of the billing cycle.

12) Loss of introductory APR

If your card has a special, lower rate that is called an "introductory rate," this area will list the ways that you can lose this lower rate. For the first year after opening an account, you can only lose an introductory rate if your account becomes more than 60 days past due.

XXX Bank Credit Card Account Statement
Account Number XXXX XXXX XXXX XXXX
February 21, 2012 to March 22, 2012

Summary of Account Activity	
Previous Balance	\$535.07
Payments	-\$450.00
Other Credits	-\$13.45
Purchases	+\$529.57
Balance Transfers	+\$785.00
Cash Advances	+\$318.00
Past Due Amount	+\$0.00
Fees Charged	+\$69.00
Interest Charged	+\$10.89
New Balance	\$1,784.53
Credit Limit	\$2,000.00
Available credit	\$215.47
Statement closing date	3/22/2012
Days in billing cycle	30

QUESTIONS?

Call Customer Service 1-XXX-XXX-XXXX
 Lost or Stolen Credit Card 1-XXX-XXX-XXXX

Payment Information	
New Balance	\$1,784.53
Minimum Payment Due	\$53.00
Payment Due Date	4/20/12
Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 fee and your APRs may be increased up to the Penalty APR of 28.99%.	
Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:	

If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	10 years	\$3,284
\$62	3 years	\$2,232 (Savings=\$1,052)

If you would like information about credit counseling services, call 1-800-XXX-XXXX.

Please send billing inquiries and correspondence to:
 PO Box XXXX, Anytown, Anystate XXXXX

Notice of Changes to Your Interest Rates

You have triggered the Penalty APR of 28.99%. This change will impact your account as follows:

Transactions made on or after 4/9/12: As of 5/10/12, the Penalty APR will apply to these transactions. We may keep the APR at this level indefinitely.

Transactions made before 4/9/12: Current rates will continue to apply to these transactions. However, if you become more than 60 days late on your account, the Penalty APR will apply to those transactions as well.

Important Changes to Your Account Terms

The following is a summary of changes that are being made to your account terms. For more detailed information, please refer to the booklet enclosed with this statement.

These changes will impact your account as follows:

Transactions made on or after 4/9/12: As of 5/10/12, any changes to APRs described below will apply to these transactions.

Transactions made before 4/9/12: Current APRs will continue to apply to these transactions.

If you are already being charged a higher Penalty APR for purchases: In this case, any changes to APRs described below will not go into effect at this time. These changes will go into effect when the Penalty APR no longer applies to your account.

Revised Terms, as of 5/10/12	
APR for Purchases	16.99%

XXX Bank Credit Card Account Statement
Account Number XXXX XXXX XXXX XXXX
February 21, 2012 to March 22, 2012

Transactions					
Reference Number	Trans Date	Post Date	Description of Transaction or Credit	Amount	
5884186PS0388W6YM	2/22	2/23	Store #1	\$133.74	
854338203FS8OO0Z5	2/25	2/25	Pymt Thank You	\$450.00-	
564891561545KOSHD	2/25	2/26	Store #2	\$247.36	
1542202074TWWVZV48	2/26	2/26	Cash Advance	\$318.00	
4545754784KOHUIOS	2/27	3/1	Balance Transfer	\$785.00	
2564561023184102315	2/28	3/1	Store #3	\$34.32	
045148714518979874	3/4	3/5	Store #4	\$29.45	
0547810544898718AF	3/15	3/17	Store #5	\$72.25	
			Fees		
9525156489SFD4545Q	2/23	2/23	Late Fee	\$35.00	
84151564SADS8745H	2/27	2/27	Balance Transfer Fee	\$23.55	
256489156189451516L	2/28	2/28	Cash Advance Fee	\$10.90	
			TOTAL FEES FOR THIS PERIOD	\$69.45	
			Interest Charged		
			Interest Charge on Purchases	\$6.31	
			Interest Charge on Cash Advances	\$4.58	
			TOTAL INTEREST FOR THIS PERIOD	\$10.89	
2012 Totals Year-to-Date					
			Total fees charged in 2012	\$90.14	
			Total interest charged in 2012	\$18.27	

Interest Charge Calculation			
Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99% (v)	\$512.14	\$6.31
Cash Advances	21.99% (v)	\$253.50	\$4.58
Balance Transfers	0.00%	\$637.50	\$0.00

(v) = Variable Rate

1) Summary of account activity

A summary of the transactions on your account--your payments, credits, purchases, balance transfers, cash advances, fees, interest charges, and amounts past due. It will also show your new balance, available credit (your credit limit minus the amount you owe), and the last day of the billing period (payments or charges after this day will show up on your next bill).

2) Payment information

Your total new balance, the minimum payment amount (the least amount you should pay), and the date your payment is due. A payment generally is considered on time if received by 5 p.m. on the day it is due. If mailed payments are not accepted on a due date (for example, if the due date is on a weekend or holiday), the payment is considered on time if it arrives by 5 p.m. on the next business day.

Example: If your bill is due on July 4th and the credit card company does not receive mail that day, your payment will be on time if it arrives by mail by 5 p.m. on July 5th.

3) Late payment warning

This section states any additional fees and the higher interest rate that may be charged if your payment is late.

4) Minimum payment warning

An estimate of how long it can take to pay off your credit card balance if you make only the minimum payment each month, and an estimate of how much you likely will pay, including interest, in order to pay off your bill in three years (assuming you have no additional charges). For other estimates of payments and timeframes, see the [Credit Card Repayment Calculator](#).

5) Notice of changes to your interest rates

If you trigger the penalty rate (for example, by going over your credit limit or paying your bill late), your credit card company may notify you that your rates will be increasing. The credit card company must tell you at least 45 days before your rates change.

6) Other changes to your account terms

If your credit card company is going to raise interest rates or fees or make other significant changes to your account, it must notify you at least 45 days before the changes take effect.

7) Transactions

A list of all the transactions that have occurred since your last statement (purchases, payments, credits, cash advances, and balance transfers). Some credit card companies group them by type of transactions. Others list them by date of transaction or by user, if there are different users on the account. Review the list carefully to make sure that you recognize all of the transactions. This is the section of your statement where you can check for unauthorized transactions or other problems.

8) Fees and interest charges

Credit card companies must list the fees and interest charges separately on your monthly bill. Interest charges must be listed by type of transaction (for example, you may be charged a different interest rate for purchases than for cash advances).

9) Year-to-date totals

The total that you have paid in fees and interest charges for the current year. You can avoid some fees, such as over-the-limit fees, by managing how much you charge, and by paying on time to avoid late payment fees.

10) Interest charge calculation

A summary of the interest rates on the different types of transactions, account balances, the amount of each, and the interest charged for each type of transaction.

Welcome to ABC Bank.

You'll find the terms of your credit card here.
It's a contract that starts as soon as you sign or use the card.

For each underlined word or phrase, the definition in the Consumer Financial Protection Bureau Definition of Credit Card Terms is part of your contract.

These definitions are available at www.cfpb.gov or www.abcbank.com. Or call 1-800-xxx-xxxx for a free printed copy.

1. Costs

You may use your card for purchases, cash advances, or balance transfers. Each type of charge will have its own balance. Each balance may have a separate interest rate.

What are the charges?

Interest rate for [period] on <u>purchases</u>	X% <u>APR</u> → Interest rate after [period] on <u>purchases</u>	X% <u>APR</u>
Interest rate on <u>balance transfers</u>	X% <u>APR</u> + <u>Balance transfer fee</u> (per transaction)	X%
Interest rate on <u>cash advances</u>	X% <u>APR</u> + <u>Cash advance fee</u> (per transaction)	X%
Penalty interest rate	X% <u>APR</u> <u>Late payment fee</u>	\$X/\$Y
<u>Returned payment fee</u>	\$X <u>Rush card fee</u>	\$X
<u>Replacement card fee</u>	\$X <u>Foreign currency transaction fee</u>	X%

Your APRs are variable, except [excluded rates]. They increase or decrease with the prime rate. From the [day] of each billing period, we apply APRs based on the prime rate published x business days before the end of that period. To determine your APRs we add to the prime rate: x percentage points for purchases after [period], x percentage points for balance transfers, x percentage points for cash advances, and x percentage points for the penalty interest rate.

What do I have to pay and when?

We will send your bill to the address on file. You agree to pay all authorized charges on the bill, including interest and fees. You agree to pay us for charges that we allow over your credit limits. You must pay at least the minimum payment by the due date stated on each bill. Your minimum payment will be [insert formula].

We choose which balances to pay with the minimum payment. We apply payments above the minimum to balances with the highest APRs first.

You must pay in U.S. dollars, without restrictive terms, and according to all the other standard payment instructions. Mailed payments should be sent to [payment address].

What if I pay late?

If you don't pay at least the minimum payment by the due date, you'll be charged a late payment fee of \$X.

In addition, if you make a late payment, you will be in default and you may be subject to interest rate increases.

If you are late more than once in a six month period, the late payment fee will go up to \$Y. If you make on time payments for six months, it will return to \$X.

Special Promotions

How is interest calculated?

We calculate interest using the daily balance method with compounding. This means that interest compounds daily.

We will not charge you interest on purchases if you pay your full account balance by the due date each month. This is called a grace period. If you do not take advantage of the grace period, we will charge interest starting the day you make a purchase. If you do not pay your full account balance on time in any month you will lose your grace period until you pay your full account balance on time x months in a row. You pay interest on cash advances or balance transfers from [date].

2. Changes

We can change some of your rates and other terms in accordance with the law. This table shows some of the possible changes. Written notice will explain how changes apply. You cannot change the terms of this agreement.

Type of Change	What may trigger change	Advance notice
Penalty interest rate applies to new charges	[penalty rate information]	45 days
Other interest rate increase on new charges	In the first year, a promotional rate ends or the prime rate changes. After that, any reason	Promotional rate ends or prime rate changes, no notice. Otherwise, 45 days
Penalty interest rate applies to existing balances	If you are 60 days past due	45 days
Other interest rate increase on existing balances	Promotional period ends, prime rate changes, or a workout arrangement	No notice required or per terms of workout arrangement
Increase or decrease to credit limits	Any reason	None
Some fees and other terms	Can change for any reason	Up to 45 days for certain fee and minimum payment changes

3. Additional Information

Some of our rights

We reserve the right to not allow charges, including a recurring charge that we previously allowed.

If we sue you to collect debt owing on the account, you agree to pay us reasonable attorneys' fees and costs.

We may [assign](#) the contract to another company without notice.

We can close the account at any time without notice. If we close the account, you must still pay all outstanding amounts on the account. Interest will continue to accrue on your unpaid balance.

If we close the account or if you [default](#), we can demand immediate payment in full, except for [protected balances](#).

Some of your rights

You have the right to close the account by [doing this]. You must pay all outstanding amounts on the account. Interest will continue to accrue on your unpaid balance.

You have the right to dispute charges on your [bill](#), including billing errors, unauthorized charges or charges for unsatisfactory goods or services.

How are billing and other disputes handled?

If your [bill](#) has an error or a charge you did not authorize, you must tell us in writing within 60 days after you get that [bill](#). You must follow all instructions on that [bill](#). If we find no error after investigation, you owe us the original amount plus applicable interest and fees.

If you are not satisfied with a [purchase](#), you may not have to pay if you contact us in writing before paying us for that purchase. You must follow all dispute instructions on your [bill](#) and assign to us your claim against the merchant. The Billing Rights Notice further explains your rights.

What are the other terms for this agreement?

Other defined terms in this contract are: "We" or "us" means ABC Bank and any and all affiliates, parents, subsidiaries, and directors, officers and employees of same. "You" means yourself and any [authorized users](#) of the account.

We do not guarantee that your card will be accepted when you attempt to use it.

You cannot [assign](#) the contract.

If any part of this agreement is found to be unenforceable, the rest will remain in effect.

Do not exceed your credit limits.

Federal law and the law of [State] will govern all disputes between us about this account.

Privacy

We may report information about you to credit reporting agencies.

We may share information about the account with [authorized users](#).

We may contact you by different means, as allowed by law.

The Privacy Notice further explains how we may share your data.

SAMPLE REPORT

Consumer Credit Report
January 5, 2004



A Consumer Information

	<u>Experian</u>	<u>TransUnion</u>	<u>Equifax</u>
Name:	Sample Report	Sample A. Report	Sample Report
Current Address:	123 Main St, Los Angeles	123 Main Street, Los Angeles	123 Main Street
Previous Address:	000 Garden St, Orange, CA	000 Garden St, Orange, CA	000 Garden St
Current Employer:	TrueLink	TrueLink, Inc	

B Consumer Statement

I did not make the payment to ABC Electronics because the radio I bought was delivered in defective condition. ABC Electronics would not repair or replace the radio and they would not let me return or exchange the radio. Since the radio was defective and un-useable I refused to pay for it.

C Summary Information

<u>Real Estate Accounts</u>	<u>Experian</u>	<u>TransUnion</u>	<u>Equifax</u>
Count	1	1	1
Balance (\$)	106400	106400	106000
Payment (\$)	1130	1130	1130
Current	1	1	1
Delinquent	0	0	1
Derogatory	0	0	0
Unknown	0	0	0
<u>Revolving Accounts</u>	<u>Experian</u>	<u>TransUnion</u>	<u>Equifax</u>
Count	3	2	2
Balance (\$)	1354	1173	1173

A The **CONSUMER INFORMATION** section contains information about your name, addresses, and employment.

- **Date reported:** The date the information was first reported to the bureau by your creditors.
- **Last updated:** The date the information was last updated with the bureau by your creditors.

B The **CONSUMER STATEMENT** section contains a personal comment that you have submitted to the credit bureaus for inclusion in your report.

C The **SUMMARY INFORMATION** section contains a list of your payment history--broken down by account type.

The five types of accounts are--

- **Real Estate:** Primary and secondary mortgages on your home.
- **Revolving:** Accounts comprised of opened terms with varying payments, such as a credit card account.
- **Installment:** Accounts comprised of fixed terms with regular payments, such as a car loan.
- **Other:** Accounts in which the exact category is unknown. This could include 30-day accounts, such as an American Express® account.
- **Collection:** Accounts seriously past due including accounts assigned to an attorney, a collection agency, or a credit grantor's internal collection department.

The summary includes the following information for each of the five types of accounts--

- **Count:** Total number of accounts you have in the given category.
- **Balance:** Total amount you owe on all accounts in the category.
- **Payment:** Total monthly payments you must make on all accounts in the category.
- **Current:** Number of accounts in the category that are properly paid.
- **Delinquent:** Number of accounts in the category for which payments are past due.
- **Derogatory:** Number of accounts in the category that negatively impact your credit rating.
- **Unknown:** Number of accounts in the category whose condition was not reported by the credit bureau.

This section also summarizes your open accounts, closed accounts, public records, and inquiries--

- **Open/Closed Accounts:** A total number of all accounts that are either open or closed.
- **Public Records:** A count of any public records in your name, and the total amount of money involved for all public records. Public records may include judgements against you in civil actions, state or federal tax liens, and/or bankruptcies.
- **Inquiries:** An inquiry appears when an organization such as a bank or retail store requests a copy of your credit report. This number reflects how many inquiries were made on your credit report within the last two years.

D

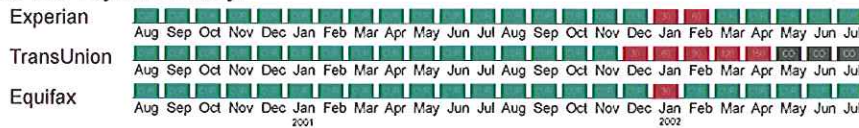
Account History Information

CREDITOR NAME

	<u>Experian</u>	<u>TransUnion</u>	<u>Equifax</u>
Account Number:	1234****	1234****	0-1234****
Type:	Real Estate	Real Estate Mortgage	Real Estate
Condition:	Open	Open	Open
Responsibility:	Individual	Individual	Individual
Pay Status:	60 days late	Charge off	30 days late
Date Opened:	06/01/2000	06/2000	06/2000
Date Reported:	01/01/2002	01/2002	01/2002
Balance and Limit:	Balance of \$104,000	Balance of \$104,000	\$104,400
Payment and Terms:	\$1130 for 360 months	\$1130 for 360 months	Payment \$1130
High Balance:	\$106,400	\$106,000	\$106,400
Past Due:	\$0	\$0	\$0

Remarks:

Two Year Payment History:



Seven Year Payment History:

	<u>Experian</u>	<u>TransUnion</u>	<u>Equifax</u>
30 Days Late:	1	1	1
60 Days Late:	1	1	0
90 Days Late:	0	1	0

D

The **ACCOUNT HISTORY INFORMATION** section provides detailed information about all credit accounts in your name. Accounts are divided into five categories—Real Estate, Revolving, Installment, Other, and Collection.

This section includes the following information for each of the five types of accounts—

- **Creditor Name:** The abbreviated name of the person or agency that gave you the credit account, such as a bank, credit card company, or mortgage lender.
- **Account Number:** An identifying number for your account. Typically, this would be a credit card number for a credit card account, or a loan identification number for a mortgage.
- **Type:** The type of account. Some common account types are Real Estate, Automobile, Educational, and Credit Card.
- **Condition:** A detailed description of the account's payment status as of the last reported date.
- **Responsibility:** The role that you play in the account. For example, "Individual" or "Joint."
- **Pay Status:** The state of the account. For example, "Open" or "Closed."
- **Date Opened:** The date when the account was opened.
- **Date Reported:** The last date when any activity in this account was shown. Activities include payments, credit card billings, etc. Very recent activities may not yet show on your account, since it takes time for them to appear in the bureaus' computer system.
- **Balance and Limit:** The amount you presently owe on the account (based on the last reported activity) compared to the maximum amount of credit approved. Very recent activities may not yet have appeared in the bureaus' computer system, so this balance may be a few days out-of-date.
- **Payment and Terms:** The amount and number of monthly payments scheduled.
- **High Balance:** The most you have ever owed on this account. In the case of a credit card, for example, this would be the highest balance you've ever accumulated. For a mortgage, it would be the initial amount of the mortgage, not the current paid-down principal.
- **Past Due:** The amount of payment overdue as of the most recent reported activity. Very recent payments may take a few days to appear on your credit report.
- **Remarks:** If there are any remarks by you or your creditor included in the account information, these remarks will appear here.
- **Two Year Payment History:** At the bottom of the account information, you will see a histogram that graphically illustrates your payment history over the past two years.
- **Seven Year Payment History:** A record of any late payments that have occurred over the past seven years.

E Public Record Information

BANKRUPTCY

	Experian	TransUnion	Equifax
Type:	Chapter 7 Bankruptcy	Chapter 7 Bankruptcy	Chap 7 Bankruptcy
Status:	Filed	Filed	Filed
Date Filed/Reported:	08/1996	08/1996	08/1996
How Filed:	Individual Acct	Individual Account	Individual Acct
Reference #:	10-11-15	10-11-15	10-11-15
Closing Date:	12/15/1996	12/1996	12/15/1996
Court:	County Court	County Court	County Court
Liability:	\$50,000	\$50,000	\$50,000
Exempt Amount:	\$1,000	\$1,200	\$1,000
Asset Amount:	\$15,000	\$15,000	\$15,000
Remarks:			

F Inquiry Information

Creditor Name	Date of Inquiry	Credit Bureau
Bank	01/02/2002	TransUnion
Credit Card Company	12/13/2001	Equifax
Credit Card Company	12/05/2001	Experian
Mortgage Lender	11/19/2001	Experian

G Creditor Information

Creditor Name	Address	Phone Number
Bank Credit Card	123 Main Street, Los Angeles, CA 000000	(800) 000-1234
Bank Credit Card	333 Garden Street, Orange, CA 000000	(800) 000-1234
Auto Lender	000 Main Street, New York, NY 000000	BY MAIL ONLY

- E** The **PUBLIC RECORD INFORMATION** section lists publicly available information about legal matters affecting your credit. These public records may include judgements against you in civil actions, state or federal tax liens, and/or bankruptcies.

For each public record, some or all of the following information may appear—

- **Type:** The type of record, be it a Tax Lien, Legal Item, Bankruptcy, Wage Item, Judgment, etc.
- **Status:** Current status of the record.
- **Date Filed/Reported:** Date when the record was initially filed or created.
- **How Filed:** The role that you play in the record, usually the record is either filed Individually or Jointly.
- **Reference #:** Identifying number for the record.
- **Closing/Released Date:** Date when the record was closed or the judgement awarded.
- **Court:** The court or legal agency that has jurisdiction over the record.
- **Amount:** Dollar amount of the lien or judgement.
- **Remarks:** If there are any remarks by you or the court included in the public record information, these remarks will appear here.

If the Public Record is a Bankruptcy, three other fields will be visible—

- **Liability:** The amount the court found you to be legally responsible to repay.
- **Exempt Amount:** A dollar amount claimed against you, but an amount in which the court has decided you are not legally responsible.
- **Asset Amount:** The dollar amount of total personal assets used in the court's decision. The Asset Amount can include items of value that can be used to pay debts.

- F** The **INQUIRY INFORMATION** section lists details about each inquiry that has been made into your credit history. Details include the name of the creditor or potential creditor who made the inquiry and the date when the inquiry was made.

An inquiry appears when an organization such as a bank or retail store requests a copy of your credit report. These requests can only be made if you have a credit granting relationship or are applying for credit with the organization. The requestor's name will appear on your credit report, allowing you to monitor who accessed your credit report.

Please Note: An excessive number of inquiries may adversely affect your creditworthiness. However, inquiries you personally have made via TrueCredit.com are considered to be "soft inquiries" that will not negatively impact your credit standing.

- G** The **CREDITOR INFORMATION** section lists the names of all creditors and potential creditors that appear on your credit report. The list includes both creditors that appear in your Account History section and creditors that appear in the Inquiry Section. Each creditor's address is listed to the right of the creditor's name. When available, the creditor's phone number is also listed. Creditors without listed numbers must be contacted via the U.S. Postal Service.

CONSUMER ACTION NEWS

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Secured Credit Card Survey

Secured credit cards can help build good credit

By *Alegna Howard and Ruth Suswein*

It's not easy to build a credit record or to rebuild a damaged credit history. One of the few ways to do it legitimately is with a secured credit card. Consumer Action's new Secured Credit Card Survey found many secured card options that could be used to build a solid credit record.

Many people were deeply affected by the financial crisis, and scores of them are still working to put their personal finances in order. Those who lost jobs often fell behind on their bills, and because of this, many people lost their homes to foreclosure. As if that weren't bad enough, financial troubles often result in damaged credit and lower credit scores, leading to the loss of the financial safety net provided by access to reasonably priced credit.

Secured credit cards are bank credit cards backed by money that you deposit and keep in a bank savings account—as little as \$200 for an equal credit line. A

"fully secured" card is one with a credit limit that equals the dollar amount in your security deposit. One surveyed bank, Capital One, requires a partial deposit of as little as \$49 to secure a \$200 line of credit, depending on the applicant's credit.

The deposit account serves as security for the card. If you default (don't pay your credit card bill for several months) the issuer has the right to cover your debts with the money in the deposit account. You cannot use or withdraw any funds from the security deposit while the secured credit card account is open. (Charges you make with the secured card appear on your statement but are not debited directly from the security account.)

Consumer Action reviewed 13 secured credit card offers from 12 issuers and found a wide range of interest rates on surveyed cards. Four of the surveyed cards had interest rates on purchases below 10% APR, and one charged no

Secured Credit Card Survey at a glance

Cards surveyed: 13

Range of interest rates: 0% (Applied Bank Platinum Visa) to 23.99% (Fifth Third Bank Secured MasterCard)

Range of annual fees:

No annual fee (with interest-free grace period: Golden 1 Credit Union and Navy Federal Credit Union; with no grace period: Applied Bank Gold Visa) to \$119 (Applied Bank Platinum Visa)

Minimum deposits:

\$200 (Applied Bank, Citi Secured MasterCard and Capital One Secured MasterCard¹) to \$500 (Applied Bank Platinum Visa and Navy Federal Credit Union)

Interest paid on deposits:

U.S. Bank (.50%), USAA Secured MasterCard (.92%) and Golden 1 Credit Union, CitiBank MasterCard and HSBC Orchard Bank (1%)

¹For applicants with an eligible credit history, Capital One's Secured MasterCard security deposit may be as low as \$49 to secure an initial \$200 line of credit.

interest on purchases because it carried monthly fees (Applied Bank's Platinum Visa).

The lowest annual percentage rates (APRs) in the survey are 7.99% on HSBC's Orchard Bank card (but beware of its 29.49% penalty rate), 8.99% on

Navy Federal Credit Union's card and 9.99% on cards from Applied Bank and USAA Bank.

Applied Bank's Platinum Visa, with a permanent 0% interest rate on purchases, seems like a deal, but the bank makes

See "Survey overview," page 2

40th Anniversary event mixes maritime with merriment



By *Michelle De Mooy*

Consumer Action celebrated its 40th anniversary with a memory-filled event in Washington, DC on Oct. 18. Held at the Naval Heritage Center in downtown DC, the fundraiser was an enormous success, raising \$147,760 to support Consumer Action's work.

More than 140 guests, including members of Congress, government officials, community partners, consumer advocates, industry representatives and Consumer Action staff, mingled amidst a backdrop of maritime history.

The reception included the organization's annual Consumer Excellence awards for outstanding consumer reporter, legislator and community group. This year's recipients are Eileen Ambrose, financial correspondent for the Baltimore Sun; Representative Carolyn Maloney (D-NY); and the Opportunities Industrialization Center of DC, a Consumer Action community partner.

In her acceptance speech, Congresswoman Maloney spoke about the impact that Consumer Action has had in helping protect the rights of ordinary Americans.

"Consumer Action was involved in making financial reform happen right from the start," Maloney said. "They were instrumental in developing the Cardholders Bill of Rights and in getting the historic CARD Act passed."

Ken McEldowney, Consumer Action executive director, shared his perspective on the organization's expansion into a national powerhouse over 40 years, with its offices in San Francisco, Los Angeles, and Washington, DC. "We are proud to be here tonight knowing that our work has made a positive difference in people's lives over the past four decades," said McEldowney.

He thanked Google, Tracfone, Capital One and Microsoft for providing major underwriting support. ■

See more photos and a list of supporters on page 4.



Top: Guests watch the award ceremony at the event. Above: Award recipient Eileen Ambrose, consumer reporter at the Baltimore Sun, is seen with Ken McEldowney, Consumer Action's executive director.

Photos by Stephen Baranovics

Consumer Action

www.consumer-action.org

Consumer Action has been a champion of underrepresented consumers nationwide since 1971. A non-profit 501(c)3 organization, Consumer Action focuses on financial education that empowers low- to moderate-income and limited-English-speaking consumers to financially prosper.

By providing financial education materials in multiple languages, a free national hotline, and an Annual Credit Card Survey, Consumer Action helps consumers assert their rights in the marketplace and make financially savvy choices.

Advice and referral hotline

Submit consumer complaints about consumer problems to our hotline: hotline@consumer-action.org (415) 777-9635 or (213) 624-8327 Chinese, English and Spanish spoken

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Secured Credit Card Survey (2011)

Warning: All rates are subject to change. Before applying for a new credit card, verify all information with the issuer. Please note that Consumer Action does not endorse any of the products in its surveys.

Issuer/Bank	Name of Card	Annual Percentage Rate (APR) on Purchases (Variable ¹ or Fixed)	APR on Cash Advances
Applied Bank	Gold Visa	9.99% (Fixed)	9.99% (Fixed)
Applied Bank	Platinum Visa	0% (Fixed)	9.99% (Fixed)
Bank of America	Fully Secured Visa	20.24% (Variable)	24.4% (Variable)
Capital One	Secured MasterCard	22.9% (Variable)	24.9% (Variable)
Citibank	Secured MasterCard	18.24% (Variable)	25.24% (Variable)
Fifth Third Bank	Secured MasterCard	23.99% (Variable)	24.99% (Variable)
First Premier	Centennial Secured ²	19.99% (Fixed)	19.99% (Fixed)
The Golden 1 Credit Union	Golden 1 Secured Visa	17% (Fixed)	17% (Fixed)
HSBC	Orchard Bank Secured MasterCard	7.90% (Variable)	24.9% (Variable)
Navy Federal Credit Union	nRewards Secured	8.99% (Variable)	10.99% (Variable)
USAA	Secured MasterCard	9.99% (Variable)	9.99% (Variable)
U.S. Bank	Secured Visa	20.99% (Variable)	20.99% (Variable)
Wells Fargo	Secured Visa	18.99% (Variable)	23.9% (Variable)

Footnotes

¹Variable rates typically are tied to the Prime Rate, which was at 3.25% during the survey.

²The security deposit depends on applicant's credit history—those with better credit histories only may be

Survey overview

Continued from page 1

up for interest with \$119 per year in "maintenance" fees charged in monthly installments of \$9.95. Take a cash advance on that card and you'll pay a fee of 5% of the amount, and interest begins to accrue immediately at 9.99%.

Excluding the 0% Applied Bank card, the average APR on surveyed secured credit cards is 16.60%.

"While rates are low on some secured cards, we caution consumers to check out all fees and to use these cards as credit building tools," said Consumer Action's Linda Sherry. "The focus should be on making timely bill payments so you can graduate to a regular unsecured card, rather than carrying a balance."

Interest earned

Six of 13 issuers paid annual interest on security deposits between 0.50% (U.S. Bank) to 1% (Golden 1 Credit Union). When you pay off and close the account in good standing, the security deposit plus interest, if any, will be returned.

Approval not automatic

Secured credit card applications are not always approved just because you have the money to secure a credit line. Some card issuers limit approval to those who have not been through bankruptcy recently or those who have no recent delinquencies. Many issuers require that there be no late payments recorded on your credit report in the last six months. Wells Fargo requires applicants to have

an income of at least \$12,000 per year.

Most secured card applications can be completed online or by calling the issuers directly. First Premier Bank only accepts secured card applications online. Citibank, Fifth Third and U.S. Bank require applications be completed at local branch locations. Golden 1 Credit Union, Navy Federal Credit Union and USAA require memberships before applicants are eligible to apply for secured cards.

Minimum/maximum

Most banks require at least \$200-\$500 to open a secured card account. Maximum deposits range from \$5,000-\$30,000.

Bank of America and Wells Fargo allow security deposits of up to \$10,000, HSBC's Orchard Bank, \$15,000, and Navy Federal, \$30,000.

(As noted, Capital One requires as little as \$49 to secure an initial credit limit of \$200, depending on the applicant's credit score.)

Extra deposit, please

Some secured card issuers require that you deposit more money than the credit line that you receive. Surveyors found that Fifth Third bank requires a \$150 balance, in addition to the minimum \$300 deposit (totaling \$450) to receive a \$300 credit line. Golden 1 Credit Union requires 1.5 times the credit limit on deposit—for example, a \$375 deposit is required for its minimum \$250 credit line.

Cardholders may find that the annual fee reduces their credit limit when it's posted. For example, on First Premier Centennial Secured Card only \$225 of the \$300 line of credit would be available until the \$75 annual fee is paid.

Building credit

The key to re-establishing a good credit record is not mysterious; It requires cardholders to make all monthly payments on time and to have that payment history reported to an independent source—the big three credit bureaus—to get "credit" for your responsible behavior.

Most cards surveyed send monthly credit reports to the three major credit bureaus: Experian, Equifax and TransUnion. Applied Bank sends reports to TransUnion and

Experian. (Information on which cards report to major credit bureaus is available on our website. See the full survey at <http://bit.ly/LXtyY>.)

After about 12 months of on-time payment history, cardholders should have built the credit needed to apply successfully for an unsecured credit card.

Four of the surveyed issuers (Bank of America, U.S. Bank, Wells Fargo and USAA) automatically review secured cardholders for eligibility to "graduate" to an unsecured card. In these cases, issuers will notify cardholders that they are eligible to apply for an unsecured card, usually by sending them an unsecured offer in the mail. ■

Secured credit card applications are not always approved even with money to secure a credit line.

About the survey: The Consumer Action Secured Credit Card Survey was conducted between June-November 2011 by Alegra Howard, Ruth Susswein and Linda Sherry of Consumer Action. Visit the online version of this survey newsletter to download a PDF report with additional details about these cards.

Note: You are prohibited from using Consumer Action's name or any reference to its surveys in advertising or for any other commercial purpose. © 2011

Minimum/Maximum Security Deposit	Annual Fee	Interest Earned on Deposit?	Automatic Graduation Review?	Grace Period (Interest free period if no prior balance)
\$200/\$5,000	None	No	No	No grace period
\$500/\$5,000	\$119 per year (\$9.95 monthly fee)	No	No	No interest on purchases
\$300/\$10,000	\$39	No	Yes	25 days
\$49, \$99 or \$200* for initial \$200 line of credit/\$3,000 maximum security deposit	\$29	No	No	25 days
\$200/\$5,000	\$29	1%	No	At least 23 days
\$450/\$5,000	\$24	Yes (varies by state)	No	At least 21 days
\$200/\$5,000	\$50	No	No	27 days
\$375/\$1,500	None	1%	No	25 days
\$200 (\$375 deposit required)/\$15,000	None first year, then \$35	1%	Yes	25 days
\$500/\$30,000	None	No	No	25 days
\$250/\$5,000	\$35	0.92%	Yes	25 days
\$300/\$5,000	\$35	0.50%	Yes	At least 24 days
\$300/\$10,000	\$18	No	Yes	25 days

required to secure part of the initial \$200 line of credit. If approved, you can deposit additional money, up to \$3,000, to secure a larger credit line.

**As of month 13, this card may automatically increase your unsecured credit line and charge you a fee of 25% of the increase.*

Scouting out a secured card

By Ruth Susswein

Secured credit cards are as varied as their better-known cousins, regular unsecured credit cards. It used to be that the main difference between secured and unsecured cards was a security deposit but now some issuers have gotten creative with partially secured cards and zero-interest cards with hefty annual and/or monthly fees. It's rare to find a secured card without an annual fee, but beyond that, rates, fees and terms vary widely.

The best secured card deals to look for have low interest rates and low annual fees, and pay interest on your security deposit.

When you apply for a secured credit card, you deposit money into a bank account and in return you will receive a credit line that in most cases is equal to your deposit. For example, you send "Issuer of Your Choice" a refundable \$500 "security deposit" and you get a credit card with a \$500 credit line. The bank keeps your money until you pay off any balance and fees and close the account. If you fail to pay for several billing cycles, the bank considers you a loss and confiscates your security deposit.

Sometimes the issuer gives you more credit than the amount of your deposit. Some issuers increase your line whenever you add to the security deposit account. Watch out for issuers that will increase your credit limit without additional deposits but charge you a hefty fee on each

credit line increase.

If you're looking for a secured card, check the fees and terms carefully, as many are buried in the fine print.

Consumer Action's Secured Credit Card Survey found annual percentage rates (APRs) of interest as low as 7.90%. If you plan to "revolve" a balance on a secured credit card look for the lowest APR. Ideally, you will pay all transactions in full and on time each month, and use the card just to build a good credit history or improve a damaged credit record.

Got grace?

While issuers may not call it a "grace period" anymore, you'll want a card that has an interest-free period on purchases you pay in full each month. Pay the bill on time and you're golden. If you allow the balance to carry over to the next month, you lose the "grace" period and you'll be charged interest on your existing balance and every purchase from the time you make it.

Fees and more fees

Some banks may charge you just to apply, although we did not find application fees on any of the cards in this survey. (Avoid cards that charge an upfront application or processing fee!)

The monthly fee is another term to avoid. Two surveyed banks, Applied Bank and First Premier, charge monthly (or maintenance) fees and/or credit line increase fees.

Cash advance, foreign transaction, returned payment, over-limit, late and "additional card" fees may exist on secured credit cards.

Credit limits

In past secured credit card surveys, Consumer Action found issuers that would extend a line of credit that was larger than the security deposit. In this survey Capital One offered to do this, but only for applicants who can qualify because of their credit history.

First Premier also extended extra credit initially but coupled it with hefty fees and exceedingly high interest rates.

Credit reports

The primary reason to get a secured credit card is to build—or rebuild—a strong credit profile. The one sure way to do that is by paying the card on time each and every month. Ask before you apply if your payment information will be sent to the big three credit bureaus, Experian, Equifax and TransUnion.

Even though you have the money to put into a security deposit, you might be prevented from getting a secured card. Some card issuers won't issue cards to applicants who have filed for bankruptcy in the past year or who have a current delinquency or charged off account on their credit reports.

After one year of timely payments you may be eligible for an unsecured credit card. You may notice that other lenders start to court you with unsecured credit card offers in your mailbox. When you successfully apply for and receive an unsecured card, pay off and close the

secured card. Then ask the secured card lender to return your deposit.

After a time, you may receive an unsecured card offer from your secured issuer—if it offers unsecured cards. This is because some secured card issuers automatically review your credit history after you've had your secured card for a year or so. These lenders are interested in keeping your business but you may find a better deal by shopping around for a new card with credit unions or community banks.

There is always someone looking to make a buck, so be sure you don't fall for a scam. Be wary of any company that "guarantees you'll get a secured card if you pay them a significant fee," warns Maxine Sweet, vice president of public affairs for Experian. In most cases all you get is a list of companies that offer secured cards, says Sweet. You can get that for free from Consumer Action, Bankrate.com and other sources. ■

Do secured cards carry a stigma?

When you use a secured credit card in a retail store, you and your issuer are the only ones who know it's secured. It looks and operates like any other credit card.

According to Experian, one of the big three credit bureaus, secured credit cards aren't flagged as secured on your credit report. Your secured card account is listed only as a revolving line of credit.

It is essential that secured card issuers report your timely payments to each of the big three bureaus (Experian, Equifax and TransUnion) as a way to rebuild your credit record. In our Secured Credit Card Survey, we have noted this information for each card in the full survey report, available for download from our website.

Scoring

A secured card can help you build a good credit record if you pay the bills on time. If you don't, your credit can suffer.

Secured cards in and of themselves have no detrimental effect on your credit score, according to Fair Isaac Corporation, or FICO, the company that offers the credit-scoring model most widely used by lenders. The same holds true for a Vantage credit score from Experian.

Paying on time

More than one third of your credit score is based on your payment history—so paying your secured or unsecured credit obligations on time is the most important factor in building or rebuilding credit. Recent delinquencies, late payments and failure to repay credit cards and other extensions of credit can damage your credit score and mean that you will pay higher interest rates for credit, mortgages, home-equity loans and auto financing.

To see the difference that a good credit score can make to your bottom line visit myFICO's Help Center (www.myfico.com/HelpCenter/FICOscores) to see a chart that compares various FICO scores with current mortgage, auto and home equity rates. ■ — R.S.

Get more news online!

Additional details about the cards in our Secured Credit Card Survey as well as articles related to secured credit cards can be found in the online version of this newsletter at www.consumer-action.org/news/ca_news.

40th event draws support and enthusiasm



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Photos: Top row, from left: Rep. Carolyn Maloney, who was honored for her work on credit card reform, with Consumer Action's Linda Sherry; Alexis Roberson, who accepted an award given to the Opportunities Industrialization Council of DC, which she heads. Middle row, from left: Kathy Li of Consumer Action and Lisa Hasegawa of National CAPACD; Maureen Obihhausen, nominee to the Federal Trade Commission, and Brian Huseman of Intel. Bottom row, from left: Jason Alderman of Visa, Inc., who served as the chair of the honorary fundraising committee; Susan Weinstock of the Pew Charitable Trusts with Consumer Action's Ruth Sussewin; Cleo Stamatos of the Consumermom blog.

Photos: Stephen Baranovics

Secured vs. subprime

By Ruth Sussewin

Secured credit cards—backed by a customer's own security deposit—are designed for consumers with poor credit histories (or no credit record at all). Consumers who use the cards wisely can be in a position to qualify for a regular, unsecured credit card in a year or so. When they pay off and close the secured card account, the security deposit is returned.

Consumers should avoid the "chief competitor" to secured cards: high fee, low-limit, unsecured subprime credit cards. These so-called "fee harvester" cards have gained a deserved reputation as the bad boys of credit. (These are not among the cards we surveyed.)

While they don't require a security deposit, subprime credit cards are predatory products with lots of fees that more than earn their nickname, "fee harvester" cards.

"Consumers are better off using a

secured credit card than a subprime one even though it requires depositing money with a card company," says Linda Sherry, Consumer Action's director of national priorities.

In 2008, a company called CompuCredit fell into the regulatory crosshairs with its \$300 credit line offered to consumers with blemished credit. When cardholders deducted upfront fees, monthly fees and an annual fee, they were left with just \$114.50 of the \$300 limit even before they used the cards to make purchases.

The Federal Deposit Insurance Corporation (FDIC) charged CompuCredit with deceptive marketing and required it to refund \$114 million to customers.

Subprime cards are "like payday loans,"

says Lauren Saunders, managing attorney for the National Consumer Law Center. "They offer so very little for a very high price. To consumers, they might look reasonable on the surface, but the ads do not include the tiny amount of credit they provide and the hefty fees that eat into that."

Fight over fee limits

In the 2009 CARD Act, Congress limited fees on subprime "fee harvester" cards to 25% of the initial line of credit.

But the rule suffered a setback in September when a U.S. District court in South Dakota ruled that subprime cards can charge upfront application fees before an account is actually opened and that these fees don't count toward the 25% limit.

Sherry lamented the court's preliminary injunction on upfront fees. "The lawsuit was filed by a South Dakota company called First Premier that built its business

model on subprime cards. It's clear to us that Congress meant to limit the consumer costs on fee harvester cards. We are surprised that a court saw fit to allow companies to continue to gouge consumers desperate to gain access to credit."

Harvesting those fees

In researching secured cards, Consumer Action found that First Premier Bank offers some "partially secured" cards that could fit the definition of fee harvester cards. They have 49.99% interest rates with a \$75 annual fee AND monthly maintenance fees of \$6.50 (waived in the first year). Unfortunately, the CARD Act did nothing to limit credit card interest rates, so 50% interest, while unconscionable, is within the letter of the law.

All the First Premier cards examined by Consumer Action carry a 25% "credit limit increase fee." After 13 months the bank can increase your credit limit and automatically levy a fee equal to 25% of the increase—without you even asking! In the case of a \$100 line increase, the bank will add a \$25 fee to the account, which means you'll get only \$75 in additional credit until you pay the fee.

"You can see why they call these fee harvester cards," notes Sherry. "Steer clear of cards like these, because we found plenty of reasonable secured cards in our survey."

Consider all costs

Saunders cautions consumers to look very carefully at all the costs related to credit—no matter what type of card it is. She suggests starting the search with your own bank or credit union.

"Many credit unions and community banks do not have business models designed around predatory fees and interest. They are looking to build a personal relationship with customers," notes Saunders. ■

**Subprime credit cards are
"like payday loans."**
— Lauren Saunders,
National Consumer Law Center

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11/11

A Quick Guide for Consumers on Credit, Debit, and Prepaid Cards

	Credit Cards	Debit Cards	Prepaid Cards
What it is	A credit card is a loan.	A debit card is linked to your bank account and is issued by your bank.	There are a variety of prepaid cards, including "general purpose reloadable" (GPR) cards which carry a brand of a card network (such as Visa or MasterCard) and can be used where that brand is accepted. Payroll cards and gift cards are two other types of prepaid cards.
How it Works	When you borrow funds using a credit card, you must pay the money back. You may also have to pay interest if not paid in full. Credit cards may be especially useful if you want to pay for things when your bank account balance is low or to take advantage of a no-interest introductory period.	When you use a debit card, the money spent is taken directly from your bank account. Debit cards may be especially useful for small and routine purchases, but they are considered less beneficial than credit cards for major purchases or buying items online because of the more limited protections in cases of unauthorized transactions or disputes.	Prepaid cards, which generally allow consumers to spend only the money deposited onto them, can have a number of different features. For instance, some gift cards may be used only at a single merchant; most GPR cards may be used to pay for purchases and access cash at ATMs.
Consumer Protections Available			
Liability for Unauthorized Transactions	Your liability for losses is limited to a maximum of \$50 if your credit card is lost or stolen, although industry practices may further limit your losses.	The maximum liability is \$50 if you notify the bank within two business days after discovering an unauthorized transaction. But if you notify your bank after those first two days, you could lose up to \$500, or perhaps much more.	Liability depends on the type of funds on the card. If the card is a payroll card, then the liability rules are the same as for debit cards. But if the card is a general purpose reloadable card or a gift card, then there are no protections to limit your liability under federal law.
Disclosures	Credit card solicitations must disclose certain information, including the annual percentage rate (APR), variable rate, penalty rate, fees, and other transaction charges.	Banks must disclose any fees associated with using the debit card as well as its error resolution process.	Disclosures depend on the type of card. For example, payroll cards must disclose any fees and the error resolution process, but a GPR card does not have any disclosure requirements. In addition, gift cards must disclose the terms of dormancy fees, whether there is an expiration date, and any other associated fees.
Periodic Statements	Credit card issuers must provide a periodic statement for each billing cycle where the account balance is \$1 or more at the end of that cycle or where interest has been charged.	Banks must provide a statement for each monthly cycle in which a transaction has occurred. If there have been no transactions, then a statement must be sent quarterly.	Payroll cards must provide either a periodic statement or account balance by telephone as well as electronic transaction history. GPR cards and gift cards do not have periodic statement requirements under federal law.
Change in Terms	Credit card issuers must provide 45 days notice before making significant changes to the account, such as the interest rate or fees charged.	Banks must provide 21 days notice before making changes to fees charged or the liability limits for unauthorized transactions.	Payroll cards must provide 21 days notice before making changes to fees charged or the liability limits for unauthorized transactions. GPR cards and gift cards are not required to do so under federal law.
Interest Rate and Fee Limits	Generally, credit card issuers cannot increase the annual percentage rate (APR) or fees within the first year of account opening (although there are some exceptions to this rule). Card issuers must also reevaluate any interest rate increase every 6 months.	There are no specific requirements related to debit cards.	GPR cards and gift cards have certain restrictions on dormancy fees charged. There are no specific requirements related to payroll cards under federal law.
<p>For more information on credit, debit, and prepaid cards, see the following articles in the FDIC's quarterly publication <i>FDIC Consumer News</i> :</p> <p>"Take Charge of Your Credit Cards" at http://www.fdic.gov/consumers/consumer/news/cnwin0809/creditcards.html</p> <p>"Debit vs. Credit Cards: How They Stack Up" at http://www.fdic.gov/consumers/consumer/news/cnfall09/debit_vs_credit.html</p> <p>"Prepaid Cards: No Match for a Well-Managed Checking Account" at http://www.fdic.gov/consumers/consumer/news/cnspr11/prepaid.html</p>			



National Consumer Protection Week
March 4 - 10, 2012

Ten Things You Should Know About Debit, Credit, or Prepaid Cards

Debit, credit and prepaid cards are widely used to pay for a variety of goods and services, and consumers often use them interchangeably. However, there are significant differences between these cards in how they work and the consumer protections provided for each card. That's why the Federal Deposit Insurance Corporation has created a list of things you should know before using your credit, debit, or prepaid card.

- 1. When deciding which card to use, keep in mind how they work.** A credit card is essentially a loan. When you borrow funds using the card, you must pay the money back in addition to any interest that may be charged. You may have to pay interest if you do not pay the entire amount by a certain date. On the other hand, debit cards are issued by your bank and when you use them, the money spent is taken directly from your bank account. Prepaid cards can seem very similar to debit cards in the way that they work. They generally allow consumers to spend only the money deposited onto them, and include products such as "general purpose reloadable" (GPR) cards, gift cards, and payroll cards. GPR cards carry a network brand, such as Visa, MasterCard, or American Express, and may be used anywhere that other cards on that network are accepted. However, the consumer protections regarding prepaid cards are very different. As discussed further below, the major federal protections that would cover you if you used a debit card do not apply to most prepaid cards.
- 2. Be aware of debit card overdraft fees.** Overdraft fees can occur if you don't have enough funds in your account when you swipe your debit card but the transaction is still processed. However, you must provide your bank with written permission in order for it to be able to charge you a fee for allowing you to continue to use your debit card when you do not have enough funds in your account. If you have overdrawn your account in the past, try to avoid these costly fees in the future by keeping track of your debit card purchases and other transactions and knowing your account balance.
- 3. A credit card issuer cannot charge you a fee for going over your credit limit unless you agree to allow for over-the-limit transactions.** A card issuer cannot permit you to go over your credit limit and then charge a penalty fee for having done so unless you explicitly agree to it ("opt-in"). You must tell your credit card company that you want it to allow transactions that will take you over your credit limit. If you do not, then any transaction that puts you over your credit limit may be turned down.
- 4. Your liability for an unauthorized credit card transaction is generally limited to \$50.** Federal law limits your losses to a maximum of \$50 if your credit card is lost or stolen, although industry practices may further limit your losses.
- 5. Your liability for an unauthorized debit card transaction may vary.** The maximum legal liability is \$50 if you notify the bank within two business days after learning of the loss or theft of your debit card. Otherwise, your losses could be greater. You must also notify your bank within 60 days of your bank's transmittal of your periodic statement on which an unauthorized transfer appears, in order to avoid liability for subsequent unauthorized transfers.
- 6. Certain prepaid cards are covered by consumer protection laws and regulations but others are not.** For example, payroll cards must disclose any fees associated with the card as well as the error resolution process, limit liability in a manner akin to that for debit cards (see #5), and provide 21 days notice before making changes to the terms of use of the card. On the other hand, *general purpose reloadable cards do not have any of these requirements*. While gift cards must disclose certain fees that may be charged and whether the card has an expiration date, there are no federal requirements limiting liability for unauthorized transactions or for providing notice of changes to the terms of use of the card.
- 7. The funds linked to a prepaid card may or may not be FDIC-insured.** If an employer, government agency or other organization places money with an insured institution to hold for use in connection with consumers' prepaid cards, and the bank holding the money fails, the funds will be considered deposits of the cardholders (as opposed to deposits of the organization) if certain specific requirements have been followed. One requirement is that the account must be set up so that the organization is documented as acting as the custodian of the funds, on behalf of the consumer cardholders, rather than as the owner of the

funds. If the requirements for pass-through deposit insurance have been met, the individual consumer cardholder will be protected by deposit insurance up to applicable limits.

8. **Make sure you know about all fees associated with your prepaid card.** Possible fees include those to activate (start using) the card, add money onto the card, make purchases, withdraw cash, inquire about your balance at an ATM (in addition to any fee charged by the company that operates the ATM you use), receive a statement in the mail or speak with a customer service representative. As a result, most prepaid cards end up costing more than the advertised monthly fee.

9. **A “hold” may be placed on funds in your bank account for debit card transactions.** At the time of purchase, merchants immediately place a temporary hold or “block” on funds for the transaction as protection against fraud, errors or other losses. The hold will be removed when the final transaction is processed, nearly immediately or perhaps a day or two later, but until then, you won’t have access to that amount in your account.

10. **Credit card issuers must give cardholders 45 days notice of changes.** Under the Credit Card Accountability Responsibility and Disclosure Act of 2009 — the Credit CARD Act — the card issuer must generally provide a 45-day advance notice of any interest rate increase, fee increase, or any other significant changes in account terms. In contrast, debit cards and prepaid cards vary in the amount of notice required for changes to the terms of use of the card. For example, banks must provide 21 days notice before making certain changes to the terms of debit card usage, while payroll cards also must provide 21 days notice. However, general purpose reloadable cards and gift cards are not required to do so.

Also check out our [other resources for consumers!](#)

Last Updated 03/01/2012



Order Your Report Offline

Obtaining information under false pretenses is illegal. Obtaining a report on someone other than yourself is punishable by law, and can result in fines and/or imprisonment.

In order for Chex Systems, Inc. to properly identify the information contained in your consumer file, please provide the following information:

Last Name _____

First Name _____

Middle Name _____

Maiden name or other last names used _____

Address*
(Street, PO Box, Apt #) _____

City _____ **State** _____ **Zip** _____

Phone Number _____ **Phone Type** Home ____ Cell ____

U.S. Social Security # _____ **Birth Date** _____

U.S. Driver's License # _____ **State of issuance** _____

*ChexSystems will correspond with you at the above address unless you request otherwise

Addresses of any other residences you have had in the past five years

Address
(Street, PO Box, Apt #) _____

City _____ **State** _____ **Zip** _____

Address
(Street, PO Box, Apt #) _____

City _____ **State** _____ **Zip** _____

Address
(Street, PO Box, Apt #) _____

City _____ **State** _____ **Zip** _____

Signature _____ **Date** _____

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Order by FAX	Fax to 602.659.2197