

Your low-interest credit card? Yeah, well ...

Some consumers' rates are rising for mysterious reasons

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CHARLOTTE, N.C. -- When Brenda Fishkin got the letter from Bank of America late last month, she thought it might be a joke.

The bank said it planned to raise the interest rate on her credit card from about 13 percent to 24.99 percent. Fishkin, 60, couldn't figure out what she'd done to incur the higher rate. She had never been late on a credit card payment, just refinanced her home at a lower interest rate and just been rewarded by her credit union with a lower rate on her credit card there, she said.

"Trust me," said Fishkin, who lives with her husband in Dallas, N.C. "I wouldn't be aggravated if I were a late customer and I deserved it."

Fishkin's displeasure is shared by hundreds of people who started filling up online message boards recently with complaints that issuers, including industry leader Bank of America, boosted their credit card rates without explanation.

Many consumers expected their card rates to fall because the Federal Reserve began cutting the federal funds rate in September. That rate is indirectly tied to the rate of most credit cards.

Card issuers such as Charlotte-based Bank of America usually give themselves broad authority to change customers' interest rates -- a right that they include in the small type of the agreements that cardholders accept. Some consumers and analysts say Bank of America, which saw profits all but disappear in the fourth quarter, is trying to squeeze money out of its credit card users to make up for disappointing earnings. And a January survey by the Federal Reserve found that more banks are tightening standards for approving credit card applications.

It's an indication that issuers fear that the defaults plaguing subprime mortgages will spread to other loans.

Curtis Arnold, founder of U.S. Citizens for Fair Credit Card Terms, said he's also been hearing complaints of unexplained credit card rate increases from customers of JPMorgan Chase. But Bank of America seems to be "more aggressive than some other issuers about repricing accounts," he said. His consumer group, based in Little Rock, runs the CardRatings.com Web site.

Bank of America spokeswoman Betty Riess said the rate changes are "business as usual." She said that in 2007, only about 6 percent of Bank of America's 40 million credit card customers experienced a rate increase. A little more than half of those were due to customers falling behind on their payments or going over their limits.

Still, that leaves about 1 million Bank of America customers who were faithfully making their credit card payments but were hit with higher rates anyway.

Riess confirmed that Bank of America can change a customer's credit card rate based on "external credit criteria." That means customers who default on loans from other lenders or do anything that might lower their credit score can be slapped with a higher interest rate on their Bank of America card -- even if they've never missed a Bank of America card payment.

Consumer advocates say that's unfair. Riess says it's meant to benefit consumers. "This enables us to really look at the risk of an individual account, so accounts that are less risky receive a lower rate," she said. Any rate increases, she said, have a good reason behind them: "We do a thorough analysis before we make a decision."



In letters that were seen by or described to *The Charlotte Observer*, Bank of America told customers that they could lock in their current rates if they requested it in writing and agreed to not use the card and paid down the balance. If they wanted to keep using the card, they'd have to agree to the higher rates.

Fishkin and others say they called the bank to ask why their rates had been raised and couldn't get a straight answer. Fishkin said she has a balance of about \$12,000, which is close to her limit. It's largely because she and her husband recently relocated from Florida.

Holley Pridmore of San Antonio said she's had a Bank of America credit card since 2002 and has never paid late. But the bank recently increased her rate from 15.24 percent to 23.99 percent.

Pridmore, 49, pulled her credit history and called the bank. "If you can find a late payment in our entire history, I'll pay you \$100," she told the customer service representative. "He said, 'That's not really the point,' and I said, 'Since when?'"

Credit cards are one of banks' most profitable lines of business because they can charge high fees while incurring little overhead, said Rob Thompson, policy advocate for the North Carolina Public Interest Research Group.

Bank of America's card services unit generated about \$3.8 billion in profits last year, about one-fourth of the company's net income of \$15 billion.

The bank's Charlotte-based rival Wachovia changes credit card rates based on customers' history of paying their Wachovia card, not on other financial activities, spokeswoman Jennifer Darwin said.

"The reason we do that is because many of our [credit card] customers have other relationships with Wachovia," Darwin said. "We want to maintain those good relationships." Wachovia is a much smaller player than Bank of America in the credit card arena.

Pridmore has other accounts at Bank of America. On Monday, she went to a credit union to ask about transferring them.

Ask for a lower rate

Sometimes all it takes is a phone call. Just asking your credit card company for a lower rate could save you hundreds, even thousands, of dollars a year. "There's no incentive for them to lower your rate unless you call," said Brad Dakake, a consumer advocate with the Massachusetts Public Interest Research Group.

Before you call, check your latest statement to see whether your interest rate has been increased.

Competition among credit cards is fierce, so remind the credit card issuer that you're a good customer.

Point out that you've gotten offers in the mail for credit cards with lower interest rates.

Say you want a lower rate on your card or you will cancel and switch companies.

Ask nicely but don't avoid confrontation.

-- *Bankrate.com*

Success rates

A national survey by the U.S. Public Interest Research Group found that:

56 percent of those surveyed got lower interest rates just by calling.

The average rate went from 16 percent to 10.47 percent.

One woman's rate dropped from a penalty interest rate of 31.12 percent to 14.65 percent because of a phone call.

-- *Bankrate.com*