

Credit Card Act of 2009

How Will it Impact the Profitability of Your Credit Card Portfolio?

*Presented by Rex Johnson, Lending Solutions Consulting, Inc
Featuring Ondine Irving of Card Analysis Solutions*



A Fairer Credit Card? Priceless - June 23, 2009

OP-ED CONTRIBUTORS

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Cambridge, Mass.

INDUSTRY representatives would have you believe that the Credit Card Accountability, Responsibility and Disclosure Act enacted last month spells the end of the credit card as we know it. President Obama's proposal last week to create a Consumer Financial Protection Agency to enforce the law has increased the industry's concerns. But the example of cards issued by credit unions puts the lie to these claims. Credit unions largely conform to the new rules already, while profitably maintaining the basic features that users know and love.

The credit card act is under fire for limiting a number of fees commonly used in credit card contracts, like the charge for going over the credit limit and the increased interest rate that applies once a borrower has missed a payment. These changes might look like a boon for the average card user, but industry advocates claim that fees on delinquent borrowers subsidize the perks for those who pay on time. Take away the lucrative fees, the argument goes, and credit card issuers will be forced to ax free plane rides, slash generous credit limits and impose hefty annual dues for all. Some in the industry even say that profitability would require issuers to charge interest from the moment of purchase, thus eliminating the grace period of interest-free lending that borrowers have long enjoyed.

These fears are largely unfounded. We have performed a study that compared credit cards issued by investor-owned banks to those issued by customer-owned credit unions. We found that credit unions are less likely to charge the fees and penalties that the new act hopes to eliminate — and when they do, they charge less than other issuers.

While virtually all banks and other for-profit issuers increase the interest rate if the borrower fails to make a minimum payment on time, most credit unions do not. Similarly, credit union fees for exceeding the credit limit are on average just half those of other issuers. But contrary to industry assertions, more responsible card users don't pay the price. Credit union cards actually offer lower annual fees and longer grace periods than regular cards.

Is the lending model used by credit unions feasible for banks and other issuers? Absolutely. Banks and credit unions compete for customers in the same market. The primary distinguishing characteristic of credit unions is that they answer to a different group of owners: profits that are not reinvested are paid to the union's shareholder-customers as a dividend, much as investor-owned banks reinvest or pay dividends to their shareholder-investors. True, unlike typical banks, credit unions have the advantage of being exempt from corporate income taxes, thus some might argue that this gives them an edge. But this is a proportional tax on profits. In other words, if credit unions were not exempt from the tax, their model would still make profits, they would just retain less of them.

Credit union cards are a great test case for how regular cards will perform under the new law. The evidence so far suggests that the credit card act is likely to bring about moderate, and even positive, changes. Card issuers, after all, need to retain customers. Any bank that attempts to pad its bottom line by, say, levying large annual fees will likely see its customers flee to credit unions or to banks that emulate the credit union model. To be sure, the new law will require some sacrifices. Our data indicate that rewards programs, for example, may become less generous or less common. But is this necessarily a bad thing? While you may be reluctant to sacrifice your airline miles, rewards programs are anything but free for the nation as a whole. Debt-laden and often low-income borrowers tend to pay high fees to subsidize the vacations of those who manage to pay on time.

Credit union cards demonstrate that punishing fees are not an essential ingredient of profitable lending. This should help assuage fears that the credit card act will bring disaster for credit cards. Rather, it should nudge them toward the gentler credit union model that many Americans already enjoy.

What are Members Currently Facing?

- Credit Card Issuers and Banks are raising rates, fees and “cleaning house”
- Shrinking member’s credit card limits
 - *Credit card lines have been cut by 20% or \$1.2 trillion dollars effecting 33 million people – CNBC.com More Credit Card Users Facing Lower Limits and Higher Rates, Reuters Aug 28, 2009*
 - *It is predicted that by the end of 2010, the lines will be cut in half (Meredith Whitney, bank analyst)*
 - *Lowering limits due to the places we shop (i.e. Thrift stores, dollar stores, etc...). They are assuming we are in trouble if we shop there*
 - *If there is any evidence of life changes credit card issuers are lowering limits*
- Closing inactive accounts
 - *One out of five subprime consumers credit cards can be closed*
- Increase of number of cards having an annual fee
- Minimum payments increased from 2% to 5% (Doubling the payments for many consumers)
- High balance transfer fees

Issuers Cut Credit Limits for 58 M Cardholders in 12 Months

Friday, August 21, 2009

Link to full story from FICO: <http://www.fico.com/en/Company/News/Pages/08-20-2009.aspx>

If your credit limit was cut during the past year, it may be a small comfort to know that you weren't alone. According to a new study by FICO, credit card issuers cut limits for an estimated 58 million cardholders for the twelve months ended in April 2009.

- The study found that while U.S. lenders have made substantially deeper cuts into consumer credit card lines, these cuts have had minimal impact on the FICO credit scores of most card customers.
- The study found that between October 2008 and April 2009, available credit was reduced for an estimated 33 million cardholders. This is up from 25 million cardholders between April 2008 and October 2008.
- Of the 33 million, the credit reports for only 9 million (27%) had recent negative credit references such as a reported late payment. The majority, 24 million (73%), had credit limits cut even though they did not have new negative information in the credit file.
- The FICO study focused on the estimated 24 million consumers whose credit card limits were reduced despite a good credit history. The researchers found that:
 - Card holders in this group had a median FICO credit score of 760, on the scoring model's 300-850® score range.
 - The average reduction in credit limit was found to be \$5,100, more than double the reduction that FICO observed for comparable consumers six months earlier. However, \$5,100 was only 14 percent of this population's average total revolving credit.
 - Credit reports for these consumers generally contained very low account balances, low limit-to-balance or "credit utilization" ratios, very few if any reports of missed payments, and a long credit history.
 - Reductions in card limits were found to have negligible impact on the FICO scores of most consumers in this group. Once their available revolving credit had been reduced, FICO observed a drop in score for only a third of the people in this group, an estimated 8.5 million consumers, with the typical score drop well under 20 points.
 - Of the remaining 15.5 million consumers, the company found that an estimated 3.5 million had no appreciable change in FICO score, and scores for the remaining 12 million consumers actually increased after their credit line had been lowered.
 - Credit limits and account balances continue to be significant factors in the prediction of credit risk for the general population. Consumers who use 70 percent or more of their available revolving credit were found to be 20 to 50 times more likely to become delinquent on a credit obligation within the next two years, compared to consumers who use less than 10 percent of their available credit.

A recent survey by JD Power says that 20% of credit card customers have reported an increase in credit card rates since 2008.

Some Banks Raise Credit Rates, Fees

By [Kathy Chu](#)

6/30/09

USA Today

The ink has barely dried on credit card reform signed by President Obama in May, and already, issuers are raising prices again.

Most issuers have raised rates or fees for certain borrowers. In the latest round, [Bank of America](#) and Chase have increased, or are increasing, their maximum balance-transfer fees, from 3% to 4% and 5%, respectively. Chase is also expanding the definition of who could get hit with a penalty interest rate. Meanwhile, InfiBank is establishing a higher minimum APR - the greater of 15.99% or 11.99% plus the prime rate - on many cards. And [Capital One](#) and [Citigroup](#) continue to raise card rates for certain borrowers.

Issuers' actions come as a growing number of consumers lose their jobs and default in record numbers on their credit card debt. The industry is also preparing for restrictions to take effect in February 2010. That new law limits when issuers can raise interest rates on existing debt and charge late and over-limit fees. But it doesn't impose a cap on card rates and fees.

Keefe Bruyette & Woods analyst Sanjay Sakhrani says issuers are repricing accounts "given the pressure from a high level of charge-offs and delinquencies and ahead of the rules being implemented."

The banking industry says Congress has no one to blame but itself for higher rates and fees because banks had predicted that restrictions on pricing would lead to higher costs for everyone. The changes, according to Scott Talbott, a senior vice president for the Financial Services Roundtable, which represents the nation's largest banks, are a "natural result" of the new law: "The industry is restricted in setting credit terms based on the borrower's individual risk profile, so the price goes up for all borrowers."

**Who Needs Payday Lenders
& Loan Sharks When You Have Banks?**



PAYDAY
LOANS

What Happens If You Cannot Payoff 0% Promotions?

Closing Date	Next Closing Date	Credit Line	Credit Available	Payment Due Date	Minimum Payment Due*
APRIL 03, 2008	MAY 02, 2008	\$10,800.00	\$2,850.00	APRIL 29, 2008	\$130.00
Opening Balance	Payments & Credits	Purchases/Other Charges	FINANCE CHARGES	New Balance	
Revolving Balance†	\$4,885.37	\$58.36	\$0.00	\$799.38	\$5,626.39
Promotion Balance	\$2,322.99	\$0.00	\$0.00	\$0.00	\$2,322.99
Total Balance	\$7,208.36	\$58.36	\$0.00	\$799.38	\$7,949.38

† Revolving Balance includes non-promotional transactions plus Special Promotions that have expired.

CURRENT ACTIVITY

Transaction Date

Location/Transactions

Amount

PLEASE SEE THE ENCLOSED NOTICE OF CHANGE IN TERMS FOR IMPORTANT INFORMATION.

SEE BACK OF STATEMENT FOR INFORMATION ON GRACE PERIOD AND PROMOTIONAL OFFERS.

03/24

PAYMENT - THANK YOU

\$ 58.36-

04/03

BILLED FINANCE CHARGES

\$ 799.38

YOUR SPECIAL PROMOTION EXPIRES THIS MONTH! IN ORDER TO AVOID PAYING THE ACCRUED FINANCE CHARGES ASSOCIATED WITH THIS PURCHASE, PLEASE PAY \$1,485.00 BY THE PROMOTION EXPIRATION DATE OR THE PAYMENT DUE DATE ON THIS STATEMENT, WHICHEVER IS LATER.

SPECIAL PROMOTIONS

	Original Transaction Amount	Transaction Date	Expiration Date	Previous Promotion Balance	Billed FINANCE CHARGES	Payments & Credits	New Promotion Balance	Accrued FINANCE CHARGES*	Promo Monthly Payment
NO INT-NO PMT FOR 12 MOS	\$1,485.00	04/13/07	04/19/08	\$1,485.00	-	-	\$1,485.00	\$338.45	-
NO INT-NO PMT FOR 6 MOS	\$99.99	12/07/07	06/10/08	\$99.99	-	-	\$99.99	\$7.08	-
NO INT-NO PMT FOR 12 MOS	\$738.00	12/07/07	12/13/08	\$738.00	-	-	\$738.00	\$52.28	-
NO INT-NO PMT FOR 6 MOS	\$4,441.05	03/14/07	exp'd 03/19/08	\$4,441.05	\$791.65	\$58.36-	\$5,174.34	\$725.78	-

*To avoid paying Accrued Finance charges you must pay off your promotion balance by the Expiration Date shown.



NO PAYMENTS, NO INTEREST FOR 6 MONTHS*
on purchases that total \$299 or more

*When purchased with The Home Depot Consumer Credit Card. See reverse for details.



ANNUAL PERCENTAGE RATE on the account: 172.89%**

** The ANNUAL % RATE includes all periodic and min. finance charges in this period and is calculated based on all balances with finance charges assessed and could be higher than any Corresponding APR due to expired promotions or minimum finance charges.

Note:
Minimum payment is 2% of balance

Closing Date	Next Closing Date	Credit Line	Credit Available	Payment Due Date	Minimum Payment Due*
AUGUST 04, 2008	SEPTEMBER 03, 2008	\$10,800.00	\$2,414.00	AUGUST 30, 2008	\$419.00
Opening Balance	Payments & Credits	Purchases/Other Charges	FINANCE CHARGES	New Balance	
Revolving Balance†	\$7,490.82	\$0.00	\$39.00	\$118.16	\$7,647.98
Promotion Balance	\$738.00	—	\$0.00	\$0.00	\$738.00
Total Balance	\$8,228.82	\$0.00	\$39.00	\$118.16	\$8,385.98

† Revolving Balance includes non-promotional transactions plus Promotions that have expired.

CURRENT ACTIVITY

Transaction Date	Location/Transactions	Amount
Forget to put your payment in the mail? You can make a payment by calling us at 1-866-458-7683, online at myhomedepotaccount.com or at your local The Home Depot store. We're here for you.		
Your late fee was based on an account balance of \$8,228.82, which was your account balance on the late fee transaction date.		
Want to save money on interest? Make your minimum payment of \$419.00 by August 30, 2008 and maintain your current interest rate. If your minimum payment is not received by the specified date, your APR may increase to 26.99%.		
SEE BACK OF STATEMENT FOR INFORMATION ON GRACE PERIOD AND PROMOTIONAL OFFERS.		
07/29	LATE FEE	\$ 39.00
08/04	*BILLED FINANCE CHARGES*	\$ 118.16

PROMOTIONS

	Original Transaction Amount	Transaction Date	Expiration Date	Previous Promotion Balance	Billed FINANCE CHARGES	Payments & Credits	New Promotion Balance	Accrued FINANCE CHARGES*	Promo Monthly Payment
NO INT-NO PMT FOR 12 MOS	\$738.00	12/07/07	12/13/08	\$738.00	-	-	\$738.00	\$114.57	-

*To avoid paying Accrued Finance Charges on non-terminated promotions you must pay off your Promotions balance by the Expiration Date shown.

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HOME SERVICES



ANNUAL PERCENTAGE RATE on the account: 17.84%**

** The ANNUAL % RATE includes all periodic and min. finance charges in this period and is calculated based on all balances with finance charges assessed and could be higher than any Corresponding APR due to expired Promotions or minimum finance charges.

continued on next page

NOTE: New payment is 5% of balance and if you cannot pay it they are going to raise the rate to 26.99%

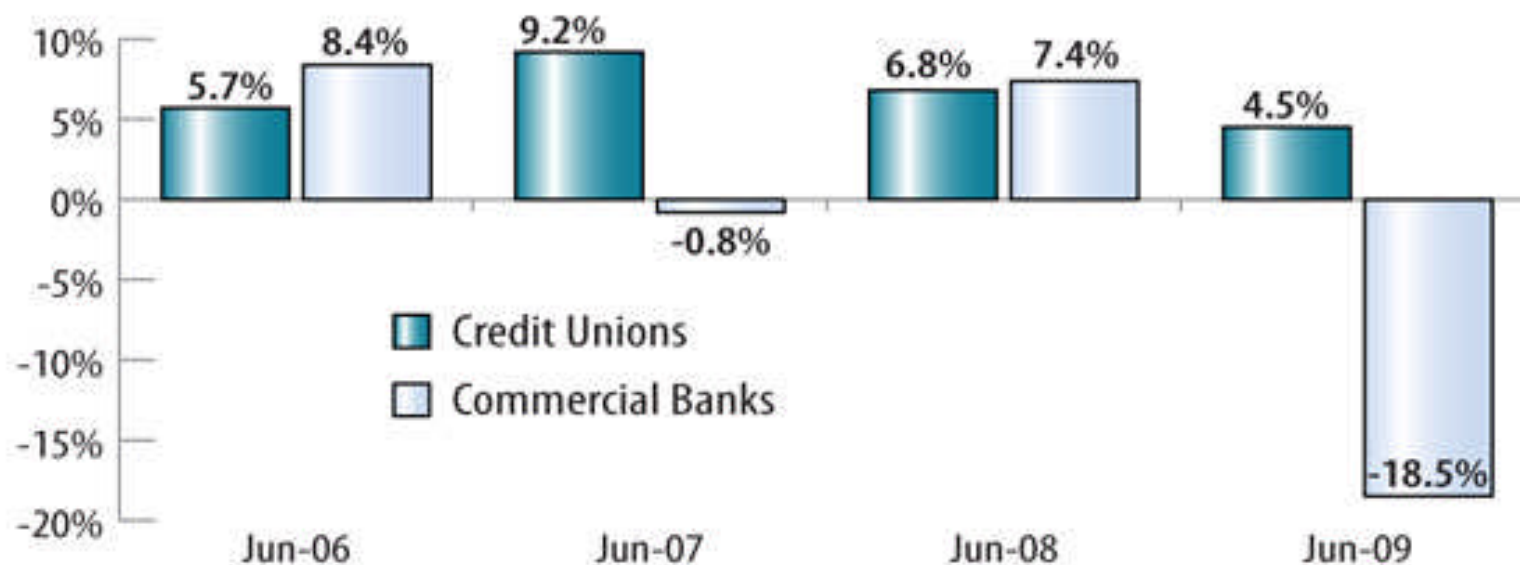
What are Banks Charging?

	Typical Credit Union	Bank of America	Capital One	Chase	Wachovia	Sears
Initial APR	9.99% 12.99%	20.99%	12.99%	21.24%	19.99%	20.40%
Default APR	9.25%*	27.24%	26%	29.99%	29.99%	25.40%
Cash Advances	0%/9.25%	4% @ 24.24%	3% @ 24.9%	3% @ 23.24%	4% @ 21.15%	21.40%
Balance Transfer Fee						3% of balance transfer (\$5 min)
Annual Fee	0	0	\$39	N/A	N/A	0
Late Fee	\$25	\$39	\$39	\$39	\$39	\$15 on balances up to \$50 \$29 on balances to \$51 - \$1000 \$35 on balances up to \$1001+
Over limit Fee	\$25	\$39	\$39	\$39	\$39	
Minimum Payment %	2%	4%	4%	5%	4%	

* interest rate is determined by credit score

Information was supplied by internet

Credit Unions vs. Banks | Expansion of Total Credit Card Lines



Source: Callahan's Peer to Peer 2.0 Software



Credit Card Act 2009 Official Rules

Interim Rules Effective August 20th

(source NAFCU)

- Required 45 days prior notice of APR increases or significant changes in terms
- Required notice to cardholders of their right to cancel account before changes take effect and a prohibition on implementing those changes if consumer does cancel
- Requirement to mail periodic statements for credit cards 21 days before payment is due

Key Points: Rates and Fees Effective Feb 2010

- Restricts ALL Interest Rate Increases During First Year
 - Interest rates cannot be raised first year after an account is opened except:
 - When the increase is under a variable rate
 - At the end of a promotional rate period (promotional rate must be 6 months)
- Restricts Interest Rate Increases on Existing Balances:
 - Credit Card Issuers Cannot raise interest rates on existing balances unless:
 - The increase is under a variable rate
 - It is the end of promised time period for promotional rate
 - If the required minimum payment is not received within 60days after the due date.
- Increases Notice for Rate Increase on Future Purchases
 - After the first year, the card issuer can raise the rate on future purchases with 45 days notices.
- Preserves the Ability to Pay Off Under the Old Terms
 - Credit Card issuers cannot change terms for repaying a balance, except the user may give the cardholder either:
 - Five years to pay off the outstanding balances at the old rate OR
 - An increased minimum payment that is no more than double the existing payment
- Places Limits on Fees and Penalty Interest
 - Over limit fees: Cardholders must “opt in” to exceed their credit limit. If a member opts in, the fee can only apply if the account is over limit at cycle date and it limited to one fee per cycle
 - Recommendation: Have all member's over limit fees turned off and turn them on if they would like to opt in
 - Grace period: at least needs to be 21 days on purchases
 - Promotional rates must be a minimum of six months
 - Fees for payments is not longer permitted, unless it is for expedited payment
 - Penalty rate can be added after 60 days of non-payment but needs to be returned to original rate after 6 months of consecutive payments

Note: *There is no cap on fee amounts only when the card issuers can charge them.*

8 major benefits of new credit card law

By [Leslie McFadden](#) • Bankrate.com Updated: Aug. 20, 2009

1. Retroactive rate increases

Issuers can't raise rates on an existing balance unless a promotional rate expired, the variable indexed rate increased or you paid late by 60 days or more. No longer will they be able to punish borrowers for late payments on unrelated accounts under the practice of universal default or due to "anytime, any reason" clauses. If the cardholder does trigger the default rate because of a 60-day delinquency, the bank must restore the lower rate once the cardholder demonstrates six months of consecutive on-time payments. This provision takes effect in August 2009.

In general, rates can't be raised in the first year after issuance, and promotional rates must last at least six months. Exceptions include expiration of a promotional rate, termination or completion of a workout plan, a change in the index rate or a 60-day delinquency. Caveat: Issuers can raise rates at any time for any reason on new balances with 45 days' advance notice. Cardholders will still need to read correspondence from their creditors.

2. More advance notice of rate hikes

Consumers get 45 days' notice before key contract changes take effect, including rate increases. Under the current Truth in Lending Act, cardholders only receive a 15-day heads up. This change takes effect Aug. 20, 2009. Caveat: This provision doesn't apply to [credit limit changes](#). If your issuer slashes your limit, notification isn't necessary unless the reduction would trigger a penalty, such as an overlimit fee.

The new rules also don't cap interest rates. The increased rate can still be triple your existing APR.

3. Fee restrictions

Cardholders will not face overlimit fees unless they elect to allow the creditor to approve overlimit transactions. Issuers can't charge more than one overlimit fee per billing cycle.

In general, banks can't charge consumers a fee to pay their credit card debt, a cost some cardholders encounter for payments made by telephone or Internet. They can impose a fee to expedite a payment.

Payments received by the due date -- or the next business day, if the bank doesn't accept mailed payments on the due date -- won't trigger a late fee. If the cardholder pays at a local branch, the payment must be credited the same day. The new law limits fees on "fee-harvester" [subprime cards](#) as well. In the first year after issuance, nonpenalty fees cannot take up more than 25 percent of the initial credit limit.

4. Restricts card issuance to students

[Consumers under age 21](#) who can't prove an independent means of income or provide the signature of a co-signer aged 21 or older won't get approved for credit cards. The provision protects young people who lack the means or the knowledge to handle credit cards from miring themselves into debt, but could backfire by pushing students to payday lenders and pawnshops, says Greg McBride, senior financial analyst at Bankrate.com.

According to a recent [Sallie Mae study](#), college students carried an average balance of \$3,173 on their credit cards last year, a record high since the first analysis in 1998. A whopping 82 percent revolved a balance each month.

5. Ends double-cycle billing

The new law bans double-cycle billing, the practice of basing finance charges on the current and previous balance. Under this method, the issuer could charge interest on debt already paid off the previous month.

6. Fairer payment allocation

A close look at your card agreement will likely reveal a clause that explains that payments will be applied to lower-rate balances first. Not so anymore. The Credit CARD Act requires above-the-minimum payments to be applied first to the credit card balance with the highest interest rate.

7. More time to pay

Card companies must send statements 21 days before a payment is due. Current law requires a mere 14 days' notice. This provision goes into effect Aug. 20, 2009.

8. Gift card protections

The legislation includes protections for [gift cardholders](#). The new law prohibits gift cards from expiring for at least five years. Issuer cannot assess inactivity fees unless the card has gone unused for 12 months.

Overview of the major changes the law will enact:

- *Retroactive rate increases*
- *More advance notice of rate hikes*
- *Fee restrictions*
- *Restricts marketing and issuance to students*
- *Ends double-cycle billing*
- *Fairer payment allocation*
- *More time to pay*
- *Gift card protections*

Variable vs. Fixed Rate

How Should We Price Our Credit Cards?

- Is your processor saying to go variable?

Sam Walton's Rule #10 Swim

"Swim upstream. Go the other way. Ignore the conventional wisdom. If everybody else is doing it one way, there's a good chance you can find your niche by going in exactly the opposite direction. But be prepared for a lot of folks to wave you down and tell you you're headed the wrong way. I guess in all my years, what I heard more often than anything was: A town of less than 50,000 population cannot support a discount store for very long."

Variable vs. Fixed Rate Considerations:

Check Your Income Levels:

- Finance Charge: 70%
- Interchange Income: 15%
- Fee Income: 15%
- What will you be losing in Overlimit Fee Income?
- Is Your Card Program generating at least \$100 Annual Net Income Per Account?

Before jumping to change to a variable rate, check your expenses!

- Card Processing Expenses:
- There is ALWAYS money to be saved
- There are ALWAYS some programs to be cut
- There WILL Be New Expenses Coming Down the Pike

Averages

Average Annual Credit Card Income for Credit Unions (*encompasses ALL programs*):

- Finance Charge: \$227
- Interchange: \$74
- Fee Income: \$12

What is Your Activity on Our Card?

- Are our members using our card?
- Who are we marketing too?
- Are we increasing limits for qualified members?

Cardholder Activity Levels: Focus on Reviewing Categories that Make or Cost You Money:

- Active Rate at least 70%
- Inactive Ratio less than 20%
- Accounts with Finance Charges at Least 50%?
- Average Credit Line (Across ALL Portfolios) at least \$7,200?
- Average Balance (Across ALL Portfolios) at least \$2,600?

When to Reissue Cards

Recommendation:

- 2 years for A+, A and B paper members (credit scores 640 and above)
- 1 year for C, D, and E paper members (credit scores 639 and below)
- Is it worth the expense to have 1 or 2 year expiration dates

Should We Change Our Lending Policies?

- **Unsecured Guidelines**

As a guideline, a member's total unsecured debt should not exceed more than 35% of his/her gross annual income. **The credit union will generally not loan members more than four times the monthly gross salary including the unsecured debt they have elsewhere unless the credit union is paying off the unsecured debt.**

- **Unsecured Guidelines**

- A+/A paper up to 4 times the member's monthly gross income
- B/C paper up to 2 times the member's monthly gross income
- D/E paper up to 1 time the member's monthly gross income
- Note: The credit union also reserves the right to match a competition's limit when good judgment dictates.

- **Termination of Lines of Credit and Credit Card Limits**

Unsecured lines of credit loans or credit cards will be revoked by the credit manager or level 2 loan officer or higher when it is determined the credit union's interests are at an unacceptable risk level. We will instruct our employees not to over react to a delinquency or over-limit as the credit union is compensated with fees. Before canceling a credit card or lines of credit, we require a new credit bureau report with a complete analysis.

NOTE: Be careful if the member is currently at their limit not to make the member angry and shut down the card as the damage has already been done.



It's Time to Recapture Business!

Are You Seeing This Trend?

	June 2008	June 2009
Total Investments	\$13,500,000	\$20,000,000
Total Loans	\$89,200,000	\$84,400,000
Investment Income	\$170,649	\$15,000
Yield on Average Investments	2.25%	0.24%
Loan Income	\$3,003,363	\$2,868,000
Yield on Average Loan	7.08%	6.66%

You Don't Need an Act of Congress...

...to Get a Fair Deal on a Credit Card at ABC Credit Union!

Time to 'Reform' Your Credit Cards

At the end of May, the US Congress passed and President Obama signed legislation designed to reform unfair and deceptive credit card practices. The good news is that your ABC Credit Card will not need to make any changes, it has always been fair and easy to understand. Your ABC Visa already complies with the credit card reform act.

- We have no penalty pricing, no universal default rates, no surprise interest rate hikes, lower monthly payments (2%) and NO BALANCE TRANSFER FEES!

This is the perfect opportunity to transfer your high interest rate, high monthly payment credit card balances to your ABC Visa Card. ABC's Visa Cards have below-market interest rates; fewer and LOWER fees than other credit card issuers; and straightforward payment terms, including a true 25 day grace period on purchases.

Take advantage, you could save hundreds of dollars in annual fees and interest charges!



Bank of America (NYSE: BAC) Repositions itself in Credit Card Market

American Banking News

September 17th, 2009 • [Related](#) • [Filed Under](#) • by admin

Bank of America (NYSE: BAC) is revamping its credit card offerings in hopes of drawing new consumers during a time where consumer protection is at the forefront.

At the forefront of this move is Bank of America's "BankAmericard Basic" Visa card. It aims to end the confusion about credit card rates and fees by offering a standard interest rate for all types of transactions, including balance transfers and cash advances. The interest rate, which is tied to the Prime Rate, will also remain the same over the life of the account. Currently, the interest rates on most cards are variable and are only loosely tied to interest rate indexes such as the prime rate.

Bank of America Global Card Services President, Ric Struthers, said this in a recent new news release, "Today, consumers are telling us more than ever that they need products that offer simple and straightforward solutions," said Bank of America Global Card Services President Ric Struthers. "For those consumers who just want the basics, our goal is to offer products with features that are predictable, easy to understand and help them manage their finances responsibly."

Some of the key features of Bank of America's "Basic" Visa card include that the interest rate will main 14% above the prime rate and will never change over the life of the account. The new card will have no over the limit fee and a single page disclosure of terms and conditions. There will also be one-flat fee of \$39.00 for late payments. Bank of America plans on launching the card in October.

Prime
Rate:
3.25%

Note:
17.25%

The "Basic" Visa card is part of a series of new simplified cards that Bank of America will be launching next month including the "Power Rewards Visa," the "Cash Rewards Visa," and a standard Visa card that offers a lower introductory rate. All of the new cards feature Bank of America's "Total Security Protection" fraud prevention services, online banking access, and have access to Bank of America's "Add It Up" program.

Struthers continued, "Our intention is to offer customers the product that best meets their individual needs and help them get the most out of their relationship with us," said Struthers. "We recently introduced our clarity commitment – a one-page summary disclosure — to our mortgage customers. The Basic card is another step in responding to consumers who are looking for greater simplicity in their financial products."



We won't spend millions or take up your time to tell you how much better our card is than everyone else's. Take a look at the numbers and decide for yourself.

	Northwoods Credit Union	Bank of America	Capital One	Chase	Wachovia
Initial APR The rate you sign up for	7.99% Platinum	20.99%	12.99%	21.24%	19.99%
Default APR This is usually the rate you get after you miss a payment or once your promotional period is over	7.99% Platinum	27.24%	26%	29.99%	29.99%
Cash Advances Most cards charge you more for a cash advance than a purchase	0 @ 7.99%	4% @ 24.24%	3% @ 24.9%	3% @ 23.24%	4% @ 21.15%
Annual Fee	0	0	\$39	0	0
Late Fee	\$20	\$39	\$39	\$39	\$39
Over Limit Fee	\$20	\$39	\$39	\$39	\$39
Minimum Payment % This percentage of your total balance will be your monthly payment	3%	4%	4%	5%	4%

Applicant	
Motivation	Rates on credit cards jumped up and monthly payments doubled
Why Us? Why Now?	A friend referred her due to the CU's low rates
Purpose	\$15,000 Debt consolidation loan
<hr/>	
Name	Lindsay 04/27/1983 - 26 years old
Current Address	123 Point Boulevard
	Street Address
	Elgin IL 60110
	City State Zip
	2 months - Owns
	Month/Year Moved In
	\$1,506.25
Previous Address	Landlord/Mortgage Company Payment
	800 Strom Drive
	Street Address
	Elgin IL 60110
	City State Zip
	3 years - rented \$1000 + \$100 electric
	Month/Year Moved In
<hr/>	
Employment	Medical Center
	Name of Employer
	900 Hospital Drive
	Street Address
	Elgin IL 60123
	City State Zip
	Jan-03
	Date of Employment month/year
	RN
	Position Title
	\$55,723 - paystubs leads to believe income will be \$71,000 this year
	Last's years income was \$65,000 - per W2
	Income
	Graduated college 12/2005 and would like to go back to get Masters.
	No student loans - received a full ride to college
<hr/>	
Assets	
Real Estate	\$155,000
	Value Purchase Price
	\$0 down (\$15,000 in closing cost - short sale)
	Balance Owed Cash Paid Down

BEACON SCORE : 660 40 14 10 8
BEACON INDICATOR : Z

Narratives:

Derogatory public record or collection filed
Length of time accounts have been established
Relationship of balance to high credit on bank/national or other
revolving/open accounts
Number of inquiries within the last twelve months

BANKRUPTCY MODEL # 2502 SCORE : 198 146 3 32 15

Narratives:

Amount of outstanding balance on revolving accounts
Length of time accounts have been established
Percent of accounts reported in past 12 months versus total accounts

7on file

Length of time bank revolving accounts have been established

---Consumer referral
240 -

$$BK = \frac{16,845}{55,723} = 30\%$$

---Consumer identification
LINDSAY,, SINCE 02MAY01 FAD 09JUL09
BDS-27APR1983,SSS-
No substantial difference occurred.

$$Capacity = \frac{16,845}{25,650} = 66\%$$

---SAFESCAN Warning

SAFESCAN Warning: Your inquiry has gone through our SAFESCAN data base.

SSN: 218-04-2990
Date Issued: 1983

State Issued: MD

$$DTI = \frac{261.2}{4,643} = 56\%$$

NW 7TH,ST,
E SANDPIPER,DR
SUNSET CAY,CIR,
FORMER NAME- LINSAY,K

DAT RPTD 07/09
DAT RPTD 11/06
DAT RPTD 09/02

---SUM 08/01-09/09,PR/OI-YES,FB-YES, ACCTS:16,HC\$0-147283,16-ONES

---Public records or other information

08/04 COLL 02/04 682YC00000 \$203,08/04 PAID
BAL-08/04 \$0, DLA: 10/03,I,77635381,
Medical

CBI

Will call, MISTAKE
Nurse hit her car
in Garage. Ins was
to P.O.

FIRM/ID CODE	RPTD	OPND	H/C	TRM	BAL	P/D	CS	MR	EOA	ACCOUNT #
LANEBRYANT*	09/09	11/06	400				0	R1	34	I
Credit card										
Amount in H/C column is credit limit										
SUNTRUST *	09/09	06/09	147K	1500	146K		0	I1	01	I
Real Estate Mortgage										
FHA mortgage										
BK OF AMER*	09/09	02/08	7000	199*	6539		0	R1	19	I
Credit card										
Amount in H/C column is credit limit										
Auto CHASE *	08/09	01/08	30K	621	22K		0	I1	19	I
Auto loan										
CAP ONE *	08/09	11/05	500	15*	349		0	R1	45	I
Credit card										
Amount in H/C column is credit limit										
CITI	08/09	02/08	2800	45*	2660		0	R1	17	I
Credit card										
Amount in H/C column is credit limit										
VISADSNB	08/09	03/07	10K	232*	7129		0	R1	29	I
Charge										
Amount in H/C column is credit limit										
MACYSDSNB	08/09	08/03	2600	6*	168		0	R1	72	I
Charge										
Amount in H/C column is credit limit										
WFNNB/VS	03/09	05/08	350				0	R1	09	I
Charge										
Amount in H/C column is credit limit										
WFNNB/LNBR	09/08	11/06	82				0	0	X	I
Account transferred or sold										
Charge										
R'SIDE BK	02/07	08/01	14K	303			0	0	I1	64
Paid account/zero balance										
Auto loan										
CIT BK/DFS*	05/06	03/05	2000	39			0	0	R1	14
Charge										
Amount in H/C column is credit limit										
CBI										

Closing Cost 15,000

Parents Helped

Out

INT. RATE
To 25%

HAPPENED
3 TO 4 mos
AGO

8% would NOT P.U.

19.9% COACHES

1/RAOEN
1,000

2008
ALTIMA

NEVER
MISSED A
Pymt

7.99%

VISA
6539
7129
13,668⁰¹

Loan Payment Information

Amount Borrowed	: <u>\$16,845.00</u>	Rate: 14.49
Disability Insurance	: \$733.71	Disclosure APR <u>14.49</u>
Life Insurance	: \$293.51	
Total Borrowed	: \$17,872.22	
Total Interest	: \$5,217.52	
Total Repaid	: \$23,089.74	Fees/costs inc. in fin. chg. = \$0.00
47 payments	: <u>\$485.00</u>	
Final Payment of	: \$294.74 15AUG2013	
Insurance	: Single Life & Disability	
Frequency	: Monthly	
Disbursement Date	: 15SEP2009	
First Due Date	: 15SEP2009	

NOTE: C.U. EARNING
1.24% ON INVESTMENTS

How Credit Unions Can Have the Advantage on Credit Card Business:

- Generous limits
- Fixed rates
- No annual fees
- No balance transfer fees
- No penalty pricing
- No cash advance fees
- No minimum finance charge
- “Optional” rewards programs

twitter



I have come to believe thanks to you- that many Credit Unions are more ethical and fair to their customers than banks with CC [11:24 AM Aug 25th](#) from web [in reply to CardAnalysis](#)

[SuzeOrmanShow](#)

Suze Orman

How Can Credit Unions Offer Better Card Programs Than Banks?

By Ondine Irving

August 31, 2009 Source: www.cardanalysis.blogspot.com

Well first of all, for the novices:

1) Credit Unions are non-profit and do NOT have stockholders as banks do. Credit Unions have "members" (you!), so any profits are returned to the members in forms of reduced loan rates and increased savings rates. Banks have stockholders to answer to-credit unions have their members to answer to (You!). And we all know what a FINE job the banks have been doing the past several years!.

2) Credit Unions do need to generate a certain amount of income to cover their expenses for offering a card program: Card Processing Costs, Charge Offs/Loan Losses, Fraud, Marketing, Insurance, Salaries, etc. So in all honesty, they do need to make some money.

3) Credit Unions do not saturate the market with extraordinary marketing expenses. Do you remember the time when pre-approval offers were showing up in droves in mail boxes? Their marketing costs are much lower, as they mostly have a loyal group of members. Credit Unions are not interested in being the BIGGEST, but are interested in being the BEST! The marketing expenses are a FRACTION of what banks have.

Typically, the revenue generated by a credit union card program is as follows:

70% Finance Charge Income
15% Interchange Fee Income
15% Fee Income

Whereas, the typical credit card revenue for a bank card program:

55% Finance Charge Income
10% Interchange
35% Fee Income

See the difference here? Banks receive a GREAT DEAL of their income from FEES, which is why so many of you are seeing increases in your APR's and other fees the past several months, BEFORE the Credit Card Act takes effect in Feb 2009. The fact that the Overlimit Fee is going away with some issuers, is a bit misleading...as the banks will get you in other ways: higher APRS and higher fees are becoming rampant!

Who Should We be Marketing to?



What Offers are Being Made to Bankrupt Members?

Fee Harvester Programs

	Average CU	First Premier	Show Mastercard
Initial APR	9.99% 12.99%	9.90%	18.90%
Default APR	9.25%*		
Cash Advances	0%/9.25%		3% of balance transferred amt
Annual Fee	0	\$48	\$50
Account Set Up Fee (one time fee)		\$29	
Program Fee (one time fee)		\$95	\$119
Monthly Servicing Fee		\$7	\$6
	Total Initial Fees	\$179	\$175
	Credit Limit	\$250	\$250
	Available Balance	\$71	\$75
Additional Card Fee		\$20	\$20
Credit Limit Increase Fee (when applicable)		\$25	\$25
Late Fee	\$25	\$29	\$25
Over limit Fee	\$25	\$29	\$29
Minimum Payment %	2%		4%

* interest rate is determined by credit score

Information was supplied by internet



Pre-Approved Visa® Card

Sample Fee Harvester Campaign

Credit Limit Up To: \$1,500*

Date Issued: January 22, 2009

Reply By: February 12, 2009

Worldwide Acceptance

Anywhere Visa credit cards are accepted.

Build Your Credit History

You can build your credit rating when you use your new Visa and pay your bills on time.

Earn More Credit

Based on your credit performance and account use, you may earn credit limit increases.

Auto Rental Insurance

Receive 24 hour auto insurance coverage – at no additional cost for damage due to collision or theft.

*Send for your
NEW Visa Today!*

Dear _____

Your good standing has been found creditworthy by Legacy Visa and that qualifies you for a new Visa credit card.

You are eligible for an initial credit limit of \$250 up to a maximum of \$1,500*. When your account has been maintained in good standing, you will be eligible for credit limit increase reviews.

Your personal Visa card in the name of _____ will be processed immediately upon receipt of the attached acceptance form. Complete the information requested below and return it to Legacy Visa. For faster acceptance, visit www.firstnationalcc.com and complete the online form, the reservation number and access code are shown below. To maintain your pre-approved status, your acceptance form or online acceptance must be received by February 12, 2009.

Thank you! We look forward to welcoming you as a NEW Legacy Visa cardholder.

R. Wiebenga

R. Wiebenga
Marketing Officer

APPROVAL IN SECONDS
RESPOND ONLINE 

P.S. Would you like to save money while traveling and receive discounts at national retailers? Join the optional PREMIUM Club today by initialing the box below. (See reverse for additional information.)

* See Visa insert for additional information regarding your credit limit, initial available credit and other conditions applicable to this offer.

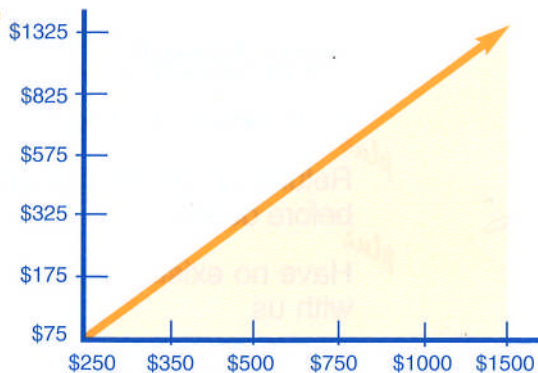
You can choose to stop receiving “prescreened” offers of credit from this and other companies by calling toll-free 1-888-567-8688. See PREScreen & OPT-OUT NOTICE on the enclosed Terms and Conditions for more information about prescreened offers.

DETACH HERE

LEGACY VISA ASSISTANCE LINE: 1-605-782-3390 7:00AM - 9:00PM CT, MON. - FRI., 8:00AM - 12:00PM CT, SAT.

DETACH HERE

Initial
Available
Credit



It all adds up!

VISA

*Most customers receive an initial credit limit of \$250; some higher. Due to fees that are billed on your first statement, your available credit may start at \$75 but grows as you make payments†.

† Assumes no additional purchases and cash advances are made.





*Is Your
Credit Union
Ready
for
February?*

Is Your Website Compliant?

Must-Dos if The Credit Union is Advertising the Credit Card Product on The Website:

- *Credit card issuers must maintain an electronic version the Credit Card Terms and Agreement (Disclosures) on their website (per the Credit Card Act of 2009)*
- **A Schumer Box** is a summary of the costs of a credit card. It is named after Charles Schumer – the New York Congressman responsible for the legislation which requires that terms of credit cards be clearly outlined in **any promotional material**, including paper and online applications. The law was enacted in 1988 but took effect in 2000 in the United States. Credit card issuers are required to list long-term rates in at least **18-point type** and other key disclosures in **12-point type**.
- **The Schumer Box must include:**
 - *Annual fee if applicable*
 - *Annual percentage rate for purchases (APR)*
 - *Other APRs (balance transfer, cash advances, default APRs)*
 - *Grace period*
 - *Finance calculation method*
 - *Other transaction fees (balance transfers, late payments, exceeding credit limit fee, cash advances)*
- All credit card issuers must use this format. Although the Schumer's box contains the basic terms of the credit card, there are other terms that need to be in the fine print of the Credit Card Terms and Conditions including fees, payment application methods, default pricing conditions, etc. Schumer Box

Suggestions for Credit Card Advertising on Your Website

- Do not hide Credit Cards under Loans or Other Services
- Give Credit Cards it's own VISIBLE tab
- Place ALL Credit Card Information on THIS Page so the Member Does Not Have to Bounce Around:
 - *Credit Card Application Link (even if this link is elsewhere)*
 - *Rates displayed on this page (even if you have rates elsewhere)*
 - *General product benefits and features*
 - *Schumer Box clearly displayed*
 - *Cardholder Terms and Conditions link*
 - *Other Miscellaneous links including Reward Programs, Online Account Access, Visa and MasterCard promotional links.*

Credit Card Act of 2009: Checklist

1. **Payment Due Date:** Is your payment due date the same date each month? Your processor will be likely communicating a course of action as this is driven by the processor system capability more so than the credit union. The one exception is for those credit unions that process credit cards “in-house”.
2. **Payment Allocation:** Are your payments being allocated to the highest APR balance before lower or promotional APR's? According to the new law, payments must be applied to the highest APR balance first, and then subsequent lower APRs. Most processors already have this functionality and it is matter of ensuring your credit union is compliant.
3. **Debt Repayment Disclosure:** Do your credit card statements clearly state how long it will take cardholders to repay their debt? Is the payment due date and any potential late fee penalty clearly stated? Again, this area will be your card processors responsibility as far as enhancing the current statement layouts where necessary.
4. **Over Limit Fees:** Under the new law, cardholders must “opt in” to exceed their credit line. If a member opts in, the fee can only apply if the account is over limit at cycle date and is limited to one fee per cycle. This is a big change from the previous caveat of assessing the over limit fee at time of occurrence. The reality is that credit unions should no longer rely on over limit fee income. In the past, this represented 1%-2% of total card program revenue. In order to comply with the Credit Card Act, I would suggest “turning off” all over limit fee income settings so all members are starting at square one. Develop a form on your website to allow members to “opt in” for the over limit privilege.
5. **Online Disclosures:** Are the terms and agreements of your credit card available on your credit union website? Does your website have a Schumer Box? I have reviewed thousands of credit union websites over the past 6 years, and am amazed at the lack of credit card program information available, let alone the terms, and agreements, rates, fees and a Schumer Box.
6. **Grace Period:** Is your grace period on purchases at least 21 days? Most processors already have the capability of standardizing this requirement. However, if you are one of the few credit unions with a 20-day grace period, it needs to change before February 2010.

7. **Promotional Rate Periods**: All promotional rate periods must now be a minimum of six months.
8. **Fees for Payments**: Do you charge a fee for accepting payments? This will no longer be permitted unless it is for an expedited payment. Check your processor invoice for “pay by phone charges” and ensure these charges are not passed along to your member.
9. **Statement Delivery**: Are your statements delivered to your members at least 21 days prior to the payment due date? This is another area that your card processor will need to intervene.
10. **Penalty Rates**: A penalty rate can only be assessed at 60 days after no payment and must revert to the original rate after six consecutive months of on time payments. Do you have a process in place to review such affected accounts each month to identify those cardholders that have made 6 consecutive on-time payments? I have never been a fan of penalty rates for credit unions as it is counterproductive to helping members in need. This may be a time to consider eliminating the penalty rate altogether as undoubtedly processing expenses will increase with new and frequent methods of checking and updating a credit card portfolio on a monthly basis.
11. **Young Members**: Stricter rules apply to marketing credit cards to those members under the age of 21, including requiring a proof of the applicant’s income and if a co-signer is on the account, there can be no credit line increases without the cosigner’s agreement. This is an easy situation to work around. Simply do not do automatic line increases for cardholders under the age of 21. All requests for line increases must be done the old-fashioned way: application and approval.

Objective Card Solutions

Simply Better.

Card
Analysis
Solutions



'Providing Independent Credit Card Portfolio Evaluations to the Credit Union Community Since 2003'
(With an emphasis on **EXPENSE REDUCTION.**)

What Ondine Can Do for Your Credit Union:

- ✓ Expense Reviews
- ✓ Portfolio Evaluations
- ✓ School of Credit Card Program Management
- ✓ Onsite Consulting
- ✓ Processor Contract Reviews



Contact Ondine Irving at:
www.cardanalysissolutions.org
866-602-9777

“Ondine Irving's analysis is extremely thorough and provides a great value for the investment. She reviews all areas of card operations from pricing to vendor billing. We were able to take immediate action to reduce risk and trim expenses as a result of her recommendations.”

**Andrea Carpenter, VP of Marketing
Lockheed Federal Credit Union**

“I highly recommend Ondine Irving and Card Analysis Solutions to any credit union considering a review of their credit card portfolio. She was detailed, thorough, and gave an excellent presentation with a lot of beneficial information. Thanks so much for everything Ondine!”

**Erin E. Hamilton, Assistant Vice President- Visa
NASA Federal Credit Union**

REX'S RED HOT

2010 Univesity of Lending Schedule

2010

University of Lending – Rex Johnson

February 8-12

Crystal Lake, IL

April 6-8

Detroit, Michigan

May 17-21

Crystal Lake, IL

September 20-24

Crystal Lake, IL

November 29-3 or Dec 6-10

Las Vegas, NV

Collections Institute – Rex Johnson

March 2-4

Charleston, SC

Indirect – Rex Johnson

March 9-11

Las Vegas, NV

Management School of Lending - Rex Johnson

January 26-29

Tampa, FL

LET'S GET FIRED UP!

