



INNOVATIONS Blog and Podcast Series *with Paul Gillin*

Drive Innovation in your Business
Visit today to learn more>>

SPONSORED BY **IBM**

BROUGHT TO YOU BY **ZIFF DAVIS ENTERPRISE ONLINE NETWORK**



Credit Cards Promise Clear, Simple Language

March 7, 2007

By John Poirier, Reuters

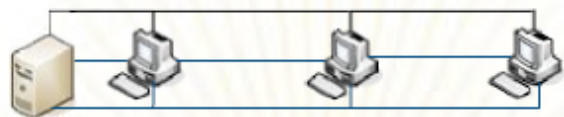
WASHINGTON (Reuters)—Several bank credit card companies, responding to growing pressure from U.S. lawmakers, said on Wednesday they are working to do a better job of explaining fees and charges to consumers.

ADVERTISEMENT

Server IQ
Exploit Your Server Architecture

BROUGHT TO YOU BY
ZIFF DAVIS ENTERPRISE
SPONSORED BY **Microsoft**

IMPROVE THE WAY YOU SHARE INFORMATION



But Sen. Carl Levin, chairman of the Senate Permanent Subcommittee on Investigations, said he still thinks legislation is needed to stop industry practices he described as predatory and confusing to consumers.

RELATED LINKS

- [Credit Card Rules Reflect Industry Changes](#)
- [Credit Card Brokers Launch Security Effort](#)
- [Firm Takes On Challenge of Check, Credit Card Purchases in the Field](#)
- [TrustedID Service Freezes Credit Reports](#)
- [Credit Card Security Issues Rise to a Boil](#)

At a hearing on credit card fees, the Michigan Democrat said he expects a bill to be referred to the Senate Banking Committee that would also require regulators to improve disclosure rules.

"Our investigation found that even accounts in good standing are socked unfairly by little known ... practices that inflate interest charges," Levin said.

The panel heard from executives with three credit card companies, who promised to give consumers clearer information.

"We believe it should be a priority to shorten and simplify disclosure language and to focus on the most relevant terms and conditions," said Bruce Hammonds, president of Bank of America Credit Card Services.

Richard Srednicki, chief executive of the card services division at JPMorgan Chase & Co.'s Chase Bank USA, said his firm is not waiting for new regulations. "We are taking our own proactive steps to help improve the clarity of information we share with our clients now," he told lawmakers.

SWEARING OFF UNIVERSAL DEFAULT

Last week, Citigroup, the third-largest U.S. credit card issuer, said it will no longer automatically raise interest rates for cardholders who fail to make payments on other bills. Known as "universal default," the practice has long been criticized by consumer advocates, who argue that it victimizes poorer borrowers.

"We eliminated the practice altogether for all customers during the term of their card," said Vikram Atal, chief executive of Citi Cards. Atal said his company is also redesigning customer statements to make them clearer.

Hammonds said Bank of America never used universal default.

Sen. Norm Coleman of Minnesota, the top Republican on the subcommittee, said Citigroup's recent move was encouraging. He also praised Chase for eliminating a practice known as double-cycle billing, which includes tacking on fees calculated based on two prior months.

During the hearing, Chase Bank USA's Srednicki publicly apologized to Wesley Wannemacher of Lima, Ohio. For his purchases of \$3,200—including wedding items—Wannemacher paid a total of \$6,300 due to interest, over-limit and late fees over six years.

"It just seemed like there was no end in sight," Wannemacher told senators at the hearing.

"Our policies failed, and we deeply regret it," Srednicki said.

Senators lauded the move by Chase to erase his debts.

Outstanding U.S. credit card debt amounted to between \$750 billion and \$800 billion in November 2006, according to estimates based on Federal Reserve figures. The industry has more than 640 million credit cards in circulation.

The disclosure matter is being reviewed by the Federal Reserve, which plans to issue new requirements later this year, Coleman said.

Hammonds and Srednicki said their companies are working with the Fed on revamping the rule, known as Regulation Z.

[Copyright \(c\) 2007 Ziff Davis Media Inc. All Rights Reserved.](#)