



News Archives Web search powered by YAHOO! SEARCH

 Search


- HOME
 - NEWS
 - OBITS
 - SPORTS
 - LIFE
 - BLOGS
 - OPINION
 - VIDEOS
 - GO GREEN
 - PLACE AN AD
 - REAL ESTATE
 - CLASSIFIED
 - CARS
 - JOBS
-
- LOCAL
 - BREAKING NEWS
 - PHOTO GALLERIES
 - BUSINESS
 - GEORGIA
 - NATIONAL
 - WORLD
 - CRIME
 - EDUCATION
 - FORT BENNING
 - BLOGS
 - WEATHER

News
Friday, Nov. 27, 2009

Experts worried shoppers will rack up debt

Financial executives caution use of credit cards because issuers hiking fees, interest rates amid new rules

By TONY ADAMS - tadams@ledger-enquirer.com

MY YAHOO!

SHARE

E-MAIL

PRINT

COMMENTS (0) | RECOMMEND (0)

TEXT SIZE: - +

Columbus-area shoppers should be wary of the Grinch who just might steal Christmas by hiking credit-card rates, adding new fees and lowering spending limits in advance of new federal regulations taking effect in February, financial executives and experts say.

"There's no question that many credit card companies are using the long implementation time before new regulations go into effect to gouge consumers," said Lauren Browne, staff attorney with Consumers Union, a Washington-based consumer watchdog organization that publishes Consumer Reports online and via magazine.

Consumers Union recently urged the Federal Reserve to take action to stop card issuers from implementing radical changes in existing customer agreements before the Credit Card Accountability, Responsibility and Disclosure Act takes effect Feb. 22.

[Click here for a White House fact sheet on new credit-card regulations](#)

FED SURVEY: RATES, FEES RISING

A Federal Reserve survey released earlier this month found that a number of credit-card issuers have cut credit limits, increased interest rates and raised the minimum credit scores required for a credit card during the past three months.

The quarterly survey among loan officers also found 75 percent of banks that make credit card loans do not expect to be compliant with the provisions of the legislation until February 2010, the month new reforms go into effect.

"This report confirms what credit card consumers have been experiencing all year — significant increases in their APR and substantial cuts in their credit limits," said Bill Hardekopf, chief executive officer of LowCards.com and author of The Credit Card Guidebook.

The survey findings include:

INTEREST RATES: 54 percent of banks have already increased or are planning to increase the credit card annual percentage rate on their good, or prime, customers. Another 74 percent of banks have already or will increase APRs on those with poor, or subprime, credit.

CREDIT LIMITS: Just over half of the banks have cut or will cut the credit limits of their credit card customers.

APPROVAL RATES: It is tougher to be approved for a credit card, with 47 percent of loan officers

The new rules include a ban on retroactive annual percentage rate increases and late-fee traps. They also require customers' permission to charge over-limit fees and mandate that card firms make certain contract terms are simple and in plain language.

The fear among financial experts is that holiday shoppers will hit the malls and shopping centers with gusto starting today, then rack up too much debt at much higher interest rates than their cards charged in recent months.

"Arguably, consumers are faced with spending decisions unlike never before," said Gail Cunningham, spokeswoman for the National Foundation for Credit Counseling.

"Many have had their access to credit limited by issuers closing accounts or restricting credit lines," she said. "Others have self-imposed spending restrictions, instead choosing to pay down existing debt. However, the holiday season may be in a category of its own, tempting consumers to revert to old spending habits of days gone by."

Recent consumer polls

In one of several consumer polls released this fall, the NFCC found that 68 percent of consumers plan to pay cash for their purchases. Those planning to charge purchases, then pay them off in full when the bill arrives was 12 percent.

Ten percent of the 3,800 people participating in the survey said they would use credit cards for gifts, then pay them off over time. Another 10



Quick Job Search

Enter Keyword(s):

Enter a City:

Select a State:

Select a Category:

Advanced Job Search | Search by Category

Ledger-Enquirer Top Jobs »

MAGNOLIA MANOR OF COLUMBUS JOB VACANCIES! RN SUPERVISOR
Magnolia Manor
US-GA-Columbus

Needed Form Carpenter and Experienced Construction Laborer
Confidential

[» See More Top Jobs](#)

saying they have already or will raise the credit score requirements for prime customers qualifying for a credit card. That number jumps to 53 percent for subprime customers.

ANNUAL FEES: Almost 40 percent of the banks have increased or will increase the annual fees on credit cards.

percent said they are using a retailer's layaway program.

Those results were similar to a recent holiday spending poll by the Georgia Credit Union Affiliates. It found that 76 percent of the 1,000 credit union members surveyed plan to pay most, if not all, of the purchases with cash. Twelve percent expected to use plastic to finance Christmas.


"Our economists tell us that the consumer debt — which includes mortgage debt — as a percent of disposable income, is over 120 percent. That's dramatically higher than it's ever been," said Mike Mercer, GCUA's president and chief executive officer. "They honestly think that for the consumer to bottom, as it were, they would have to get that ratio down back under 100 percent.

Next Page

You must be logged in to leave a comment. [Login](#) | [Register](#)

POWERED BY  Pluck

Submit

Comments:  0 Showing: **Newest first** [Next Page](#)

More comments on this story:

[Do You Have Credit Debt?](#)

FED Credit Card Debt Relief Program. See If You Qualify Use Free Tool
FEDCreditRelief.com

[Expert Debt Advice](#)

Learn the secret to getting debt free in 24 hours.
DebtAdviceToday.com

[Pay off Credit Card Debt](#)

We can help reduce your credit card monthly payments up to 50%.
SolidGroundFinancial

Ads by Yahoo!

SITE MAP

HOME PAGE

- RSS Feeds
- Archives
- Subscribe
- Contact Us
- Advertise

LOCAL NEWS

- Georgia
- Local
- Fort Benning
- Crime
- Education
- Blogs
- Obituaries
- Forums

WORLD / NATION

- Breaking News
- World News
- National News
- Politics
- Weird News

SPORTS

- Auburn
- UGA
- Alabama
- MLB
- NFL
- Motorsports
- Golf
- Preps
- Other Sports

BUSINESS

- Local/National Business
- Technology
- Real Estate
- Real Estate Transactions

ENTERTAINMENT

- Events Calendar
- To Do
- Dining
- Celebrities
- Comics & Games
- Horoscopes
- Movies
- Music
- Television

LIVING

- Food
- Health
- Faith
- Home
- Travel

OPINION

- Letters to the Editor
- Sunday Voices
- Editorials
- COLUMNISTS
- Richard Hyatt
- Kaffie Sledge
- Tim Chitwood
- Chris Johnson