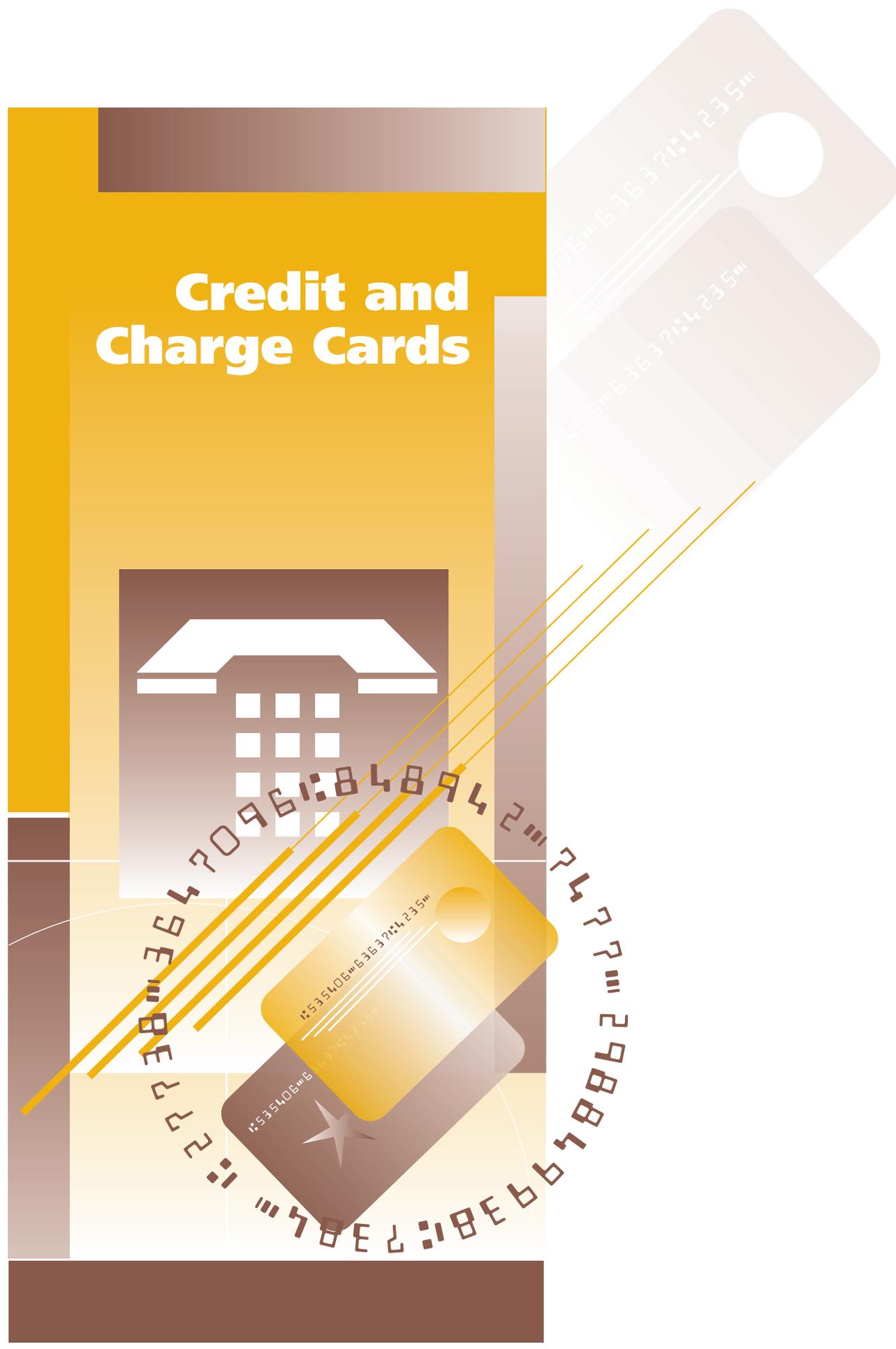


Credit and Charge Cards



Credit and Charge Cards

What Consumers Should Know about the Cost and Terms of Credit

Using credit and charge cards to pay for purchases is a fact of life for consumers today. Many people have at least one credit card, if not more than one card.

Applications and solicitations for credit and charge cards are readily available. You may find them in “take-one” racks in stores and restaurants, in some magazines or catalogs, or in your mail at home, even if you haven’t asked for an application.

Credit Cards vs. Charge Cards

Many people use the terms credit card and charge card interchangeably, but there are important differences. In general, a credit card lets you make purchases for which you are billed later. Most credit card accounts allow you to carry a balance from one billing cycle to the next; however, you have to pay interest on that balance. Usually, you have to pay at least a certain amount of your balance each time you receive a bill.

A charge card is a specific kind of credit card. The balance on a charge card account is payable in full when the statement is received and cannot be rolled over from one billing to the next. Because you cannot carry a balance, a charge card doesn’t have a periodic or annual percentage rate, so there is no rate for a charge card issuer to disclose.

Uniform Disclosures

To make sure that consumers receive detailed and uniform disclosures of rates and other cost information related to credit and charge card accounts, Congress passed the Fair Credit and Charge Card Disclosure Act in 1988. To implement the law, the Federal Reserve amended its Truth in Lending regulation (Regulation Z).

Truth in Lending is designed to help consumers know the cost and terms of credit. The regulation requires credit and charge card issuers to reveal important information in a clear, easy-to-read, and easy-to-compare manner so that consumers can shop for the credit terms that work best for them. This pamphlet summarizes some of the major features of the regulation.

The regulation has always required credit and charge card issuers to tell consumers things such as the interest rate they’ll be charged for credit, but the information wasn’t always easy for some people to find.

Now, all issuers of credit and charge cards must either provide specific information in an easy-to-read table with headings, or they must alert you of any costs associated with a card and provide a toll-free number and an address so you can find out the details. This information will make it easier for you to find important cost information and compare the terms offered by different card issuers.

Earlier Disclosure

Truth in Lending also requires card issuers to provide the information earlier than they had in the past. This lets you find out what credit will cost you before you are charged any fees. If a card issuer calls and takes your card application over the telephone and there is a fee for the card issuance or availability, including any fee based on account activity or inactivity, the card issuer must verbally give you the required information at that time. If there is no fee for the card or if the fee isn't required until you actually use the card, the card issuer can mail you the fee information instead of telling you over the phone. You must receive the information within 30 days, but no later than the delivery of the card.

What Must Be Disclosed

When you apply for a credit or charge card, a card issuer must either disclose directly, in the form of a table with headings, or tell you how to obtain the following information:

- The annual percentage rate (APR) for purchases made on credit (credit cards only).
- How the APR is determined if it is a variable rate (credit cards only).
- The method the issuer uses to compute the balance for purchases against which the finance charge is imposed. Calculating an average daily balance or using the outstanding balance at the beginning of the billing cycle are examples of these methods (credit cards only).
- The amount of any minimum finance charge (credit cards only).
- Any transaction fee for purchases, whether a specific dollar amount or percentage fee.
- Transaction fees for cash advances and fees for paying late or exceeding the credit limit.
- The amount of any type of annual fee that you will be charged.
- When charges made to a charge card are due and payable.

Renewals

If there is an annual renewal fee for a card, you must be given an opportunity to cancel the card if you don't wish to pay the fee.

For More Information

If you have questions or complaints about a particular issuer, contact the appropriate agency.

For state-chartered banks in the Twelfth District that are members of the Federal Reserve System:

Federal Reserve Bank of San Francisco
Consumer Complaints Specialist
P.O. Box 7702
San Francisco, CA 94120
<http://www.frbsf.org>
(415) 974-2967

For other state-chartered banks:

Federal Deposit Insurance Corporation
Consumer Complaints Specialist
550 17th Street, NW
Washington, DC 20429
<http://www.fdic.gov>
(800) 934-3342 or (202) 942-3100

For national banks:

Comptroller of the Currency
Consumer Complaints Specialist
1301 McKinney Street, Suite 3710
Houston, TX 77010
<http://www.occ.treas.gov>
(800) 613-6743

For savings and loans:

Office of Thrift Supervision
Consumer Complaints Specialist
1700 G Street, NW
Washington, DC 20552
<http://www.ots.treas.gov>
(800) 842-6929 or (202) 906-6237

For credit unions:

National Credit Union Administration
Consumer Complaints Specialist
1775 Duke Street
Alexandria, VA 22314
<http://www.ncua.gov>
(703) 518-6330

For retailers and most non-depository lenders (mortgage companies):

Federal Trade Commission
Consumer Complaints Specialist
600 Pennsylvania Avenue, NW
Washington, DC 20580
<http://www.ftc.gov>
(877) FTC-HELP

For matters concerning state law, contact the State Banking Department of your state.

The Federal Reserve Bank of San Francisco has several other consumer brochures. These brochures are posted on our web site at: <http://www.frbsf.org>.

Learn about . . .

- **Bank Products**
- **Frauds and Scams**
- **How to Establish, Use, and Protect Your Credit**
- **Plastic Fraud**
- **Private Mortgage Insurance (PMI)**
- **Your Credit Report**
- **Your Credit Rights**

Questions or comments about these brochures can be sent to:

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