



A NEW EQUILIBRIUM: AFTER PASSAGE OF LANDMARK CREDIT CARD REFORM, INTEREST RATES AND FEES HAVE STABILIZED

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As the two-year anniversary of the Credit Card Accountability, Responsibility and Disclosure (Credit CARD) Act approaches, new research from Pew confirms that consumer credit cards have become safer and more transparent while interest rates and fees have stabilized since the Act's new reforms have taken effect.* Pew's latest analysis compares credit card solicitations from January 2011 to those from previous years.

Interest rates have held steady. Median advertised interest rates for purchases on bank credit cards—12.99 to 20.99 percent depending on a consumer's credit history—remained unchanged from 2010. Similarly, bank cash advance and penalty interest rates held steady. At the same time, median credit union purchase rates were between 9.99 percent (lowest advertised) and 17.00 percent (highest advertised), a slight increase over last year. Credit union cash advance interest rates have declined during the period.

Penalties cost less. In 2010, the Federal Reserve began enforcing the Credit CARD Act's requirement that penalty fees in general be "reasonable and proportional" to the violation. The Fed now allows issuers to charge a penalty of up to \$25 for a late payment or other violation, or up to \$35 for any additional occurrence within the next six months. The cost of penalty fees has since gone down on bank credit cards from a previous median of \$39 to the \$25–35 range allowable under the Fed's rules. Penalty fees have held steady on credit union cards at \$25.

Overlimit penalty fees have become increasingly rare. Only 11 percent of bank credit cards now carry them (down from 23 percent in 2010 and more than 80 percent in 2009), while the largest credit unions have eliminated overlimit fees entirely. Late fees continued to be included on more than 95 percent of all credit card products.

Annual fees and other charges have changed little. In 2010, approximately 14 percent of bank and credit union card offers included an annual fee. In 2011, the percentage of credit cards with annual fees was unchanged for credit unions (14 percent) and rose for banks (21 percent). The median size of annual fees held steady at \$59 for banks and \$25 for credit unions. Transaction surcharges for cash advances, balance transfers and international purchases have changed only slightly since last year.

*The Credit CARD Act of 2009 limited credit card issuers' ability to impose penalties and raise interest rates on existing balances and required new safeguards, such as more advance disclosure before account terms change. For information and analysis, see the Pew Safe Credit Cards Project reports available at www.pewtrusts.org/creditcards.

THE PEW SAFE CREDIT CARDS PROJECT

CONSUMER CREDIT CARD MARKET AT A GLANCE

All annual percentage rates (APR) and fees are medians. Institutional interest rate data is posted at www.pewtrusts.org/creditcards.

	Banks	Credit Unions	Comment
Purchase APR (Lowest Advertised)	12.99%	9.99%	Banks: No increase since 2010 Credit Unions: Up from 9.90% in 2010
Purchase APR (Highest Advertised)	20.99%	17.00%	Banks: No increase since 2010 Credit Unions: Up from 16.15% in 2010
Cash Advance APR (Lowest Advertised)	24.24%	10.90%	Banks: No increase since 2010 Credit Unions: Down from 11.40% in 2010
Cash Advance APR (Highest Advertised)	24.24%	14.90%	Banks: No increase since 2010 Credit Unions: Down from 16.00% in 2010
Penalty APR	29.99%	17.99%	Banks: No increase since 2010 Credit Unions: Up from 17.90% in 2010 Interest rate penalties have become less common under new laws limiting issuers' ability to raise rates on existing balances and requiring significant advance notice before account terms change.
Late Fee	(up to) \$35	(up to) \$25	Banks: Down from \$39 median in 2010 Credit Unions: No change since 2010 Late fees have remained as common as in 2010 (more than 95% of all cards), but the size of these fees has dropped on bank cards as a result of the new legal requirements.
Overlimit Fee	(up to) \$35	None	Banks: Down from \$39 median in 2010 Credit Unions: No change since 2010 Overlimit fees are found on 11% of bank card offers (down from 23% in 2010) and on none of the largest credit union cards (no change since 2010).
Cash Advance Fee	4.00%	2.00%	Banks: No change since 2010 Credit Unions: Down from 2.5% in 2010
Balance Transfer Fee	4.00%	2.50%	No change since 2010
International Transfer Fee	3.00%	1.00%	No change since 2010
Overdraft Transfer Fee	\$10	\$6	In 2011, 41% of bank cards allow overdraft transfers with a fixed transaction fee and 3% of credit union cards include the fee. The structure of overdraft transfer fees has varied over time, making comparisons difficult.
Annual Fee	\$59	\$25	Banks: No change in fee size. 21% of cards charged the fee, up from 14% in 2010. Credit Unions: No change in fee size. 14% of cards charged the fee, unchanged since 2010. 40% of all cards with annual fees included no-fee promotions for the first year.
Cards with Arbitration Clauses	14%	None	Banks: Up from 10% of cards in 2010 Credit Unions: No change since 2010
Cards with Minimum Payment Formula Stated	5%	51%	Where disclosed, required minimum payment formulas ranged from 1% to 2% of principal balance for banks and from 1.75% to 2.5% for credit unions, plus fees, which is similar to 2010 levels.

Source: Pew Safe Credit Cards Project analysis of application disclosures for all consumer credit cards offered online by the largest 12 bank and largest 12 credit union issuers (which together control more than 90 percent of outstanding credit card debt). The data set included more than 300 consumer credit cards. All comparisons made are between data collected in March 2010 and January 2011.