

## NEW CREDIT CARD LAWS

By Attorney Michael H. Wald

Received a friendly letter from your bank lately telling you about all the "new" services being offered by your credit card? Or have you noticed that your credit card billing is coming from Delaware, or South Dakota? If so, you probably also discovered a \$20 or more "membership fee" has been added to your bill. If you're thinking, "This is illegal in Texas," you're right.

Texas is a "consumer friendly" state in respect to credit card laws, and banks chartered in this state are not allowed to charge interest above an absolute ceiling of 16.5%, nor charge for any of the other services offered by that card. That is why your bank chose to charter their credit card division in a "bank friendly" state such as Delaware.

By chartering in Delaware, the banks are able to offer services not available under Texas laws, because you can't be charged for them: in other words they would be "free" services and not profitable for the bank. In Delaware those services become available because they are no longer free. The banks making this move feel that consumers want these extra services, and will be willing to pay for them. Services, such as copies of statements, cash advances, copies of merchant slips, overdue accounts, and payments made in currency other than U.S., will now become chargeable services. Also new services including premium cards, travel insurance and advice, credit card registration and rental cars will be offered, for a price. And let's not forget the annual membership fee for having the card issued to you.

This move is good business for the bank, and they feel you will be willing to go along with their decisions regarding the credit cards. If so, you can retain the "prestige" of carrying their card, and

the bank can collect additional revenue. If not, you don't have to make the move to Delaware with your bank. You will need to find out what method of "debit ratification" is being used at the bank issuing your card. Two common methods are using your credit card after a specific date, and another is signing a request for the services offered. If the first method is applied, simply don't use your card after the deadline issued by your bank. The second method requires that you NOT sign and return the request for expanded services. Either way you will stay under the Texas credit card laws, and you will be able to pay off your credit card under the old system and interest rates. However, by "debit ratifying" the new laws effective in Delaware, you are making them immediately effective for your account. It is important to note that should you choose to remain under Texas credit card laws the bank issuing your card may not renew your card.

You may be feeling a little flattered by the blitz of credit card offers coming your way these days, think again. The credit card business is one of the most profitable endeavors a bank can undertake, and business has never been better. While banks are paying 7 - 9% on their money, they are charging two to three times that amount by giving you a credit card. And although the interest rates being charged on standard loans and mortgages have been decreasing, credit card interest rates have remained very high.

Shop around. The first thing you have to remember is you are shopping for a loan. It is an easy thing to forget.

Second, don't look at a credit card offer as a privilege. Ask questions, and if the brochures don't provide enough answers, get more information before you commit.

Evaluate your consumer habits. If you don't pay off your whole bill, and you maintain a balance every month, the interest rate may be more important to you than the annual membership fee. If you

charge a lot, the premium cards that offer rebates or purchase points may be desirable. Some banks are eliminating the grace period for paying your entire bill each month and are charging interest from the time of the charge. Compare your habits to the services provided, and make your choice.

Remember, you don't have to consider only Texas banks, since most credit card business is done by mail. For a nationwide list of the banks and charges send \$1 to the nonprofit Bancard Holders of America, 333 Pennsylvania Avenue S.E., Washington, D.C. 20003.

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