



The U.S. General Accounting Office studied 28 popular credit cards offered by the six largest issuers, and reported a range of findings that expose weaknesses in the credit card marketplace. Except where otherwise noted, these statistics come from that report. The report is: *Credit Cards: Increased Complexity in Rates and Fees Heightens Need for More Effective Disclosures to Consumers*, Government Accountability Office, October 11, 2006.

- U.S. consumers hold more than 691 million credit cards.
- U.S. consumers charge \$1.8 trillion per year on their credit cards.
- About 58% of consumers carry a balance on their credit cards.
- 11% of cardholders pay interest rates of more than 25%.
- 35% of active cardholders were charged a late fee in 2005.
- The average late fee rose from \$12.83 in 1995 to \$33.64 in 2005. For a balance of \$2,200, the average late fee was \$37.
- Over limit fees averaged \$34 in 2005.
- Credit card banks are still charging consumers higher rates if the consumer has a late payment to another creditor. Banks say that they have moved away from “universal default,” but the GAO reports that four of the six largest card issuers are using “change of terms” clauses to raise interest rates based on a cardholder’s credit behavior with another creditor.
- So called “penalty pricing” can dramatically increase the cost of using a credit card.
  - In 2005, 27 of the 28 most popular cards from large issuers used “default interest rates” – charging consumers more if they have paid late, been over limit or had a check bounce.
  - The average increase was 22 points above the base interest rate – for example, an increase from 7% to 27%. The average default interest rate in 2005 was 27.3% .
- Returned check fees charged by credit card companies average \$30.
- Some fees are not disclosed in the material provided to cardholders.
- Penalty fees and penalty interest provide 10% of credit card issuer revenues.
- Consumers pay cash advance fees of 3% of the advance amount, with a \$5 minimum.
- Each time a consumer transfers a balance, he or she pays 3% of the balance transferred, with a \$5 or \$10 minimum.
- Twenty of twenty seven large credit card programs charge a fee, averaging \$31, for writing a “convenience check” that the credit card bank decides not to honor.
- The GAO conducted in depth interviews with 112 cardholders, and found that they did not understand default interest rates, other penalty rate increases, how late payments are measured, how the grace period works and the method for computing the monthly balance.
- The GAO described a case of an Ohio consumer who was charged \$9,056 in interest, fees, and charges over six years on an initial balance of \$1,963.
- The GAO described a Virginia consumer who owed \$4,888, paid \$3,058 and charged only \$236 in new charges, but still owed \$5,499 after two years.
- The four largest credit card issuers in 2004 had 62.9% of outstanding credit card balances.

Prepared by:  
Consumers Union Financial Services Team  
West Coast Office  
1535 Mission St.  
San Francisco, CA 94103  
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