

The Consumer Financial Protection Bureau takes an unusual position on some credit card fees

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According to an article by the Tribune Newspapers, the CFPB has issued a proposal to reverse a Congressional fee limit on subprime credit cards. The cards in question are so-called "Fee Harvester" cards that are offered to consumers who can't get other types of credit. These consumers typically have damaged credit and resultant low credit scores.

The fee harvester cards have a low credit limit (a few hundred dollars) and very large fees (a processing fee of \$95 and an annual fee of \$75 on a \$300 card for example). The net effect of having such a card is \$225 in credit at a cost of \$170. Major consumer advocacy groups oppose these cards and have come out against the CFPB's proposal. However, a lawsuit brought by the card issuers in U.S. District Court has resulted in a ruling that blocks the law limiting the fees.

Even though fee harvester cards are advertised as a way for people who have bad credit (or no credit) to build up or repair their credit histories, the likelihood is that they will just get into more trouble because of the high fees and penalties that the cards carry. This is the first time the CFPB has issued a proposal that defies a law passed by Congress and which has strong support among consumer advocacy groups. The CFPB gave lobbyists and the public until June 11, 2012 to file objections and comments before the CFPB makes its proposal final.

The AICCCA advises consumers to be very careful before agreeing to one of these types of credit card offers. Read and understand every aspect of a prospective credit card contract before signing it. While these high fee cards may be appropriate for some consumers in some circumstances, they carry a huge price for the convenience they offer. Everyone should exercise caution, especially those with limited resources. A prepaid card or a debit card may be a much better option for many.