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Credit card balancing facts

by Carter Franke

Opening a recent hearing on the credit card industry, subcommittee chairwoman Rep. Carolyn Maloney, New York Democrat, noted the tremendous value of credit cards to America's economy. But she also said the great success of credit cards came with "great responsibility."

At Chase, we agree. The success of the vast and complicated credit card system hinges on a shared responsibility, where individual card holders use their cards responsibly, and banks like ours -- which are always striving to better meet customers' needs -- treat their customers responsibly.

This shared responsibility is particularly important today with competition widening access to credit from a small group of the affluent to all segments of American consumers. At the same time, average interest rates have dropped from almost 20 percent to around 12 percent, and in most cases, annual fees have been eliminated.

This growth has also brought greater complexity to the industry along with a pricing structure that rewards those who follow a fairly simple equation: make payments on time; don't exceed your credit card limit; and maintain your overall creditworthiness. In exchange, card holders get many benefits, including a free loan for up to 45 days when they pay their entire balance each month, protection from loss and fraud, secure and cashless transactions virtually everywhere, a record of all purchases and instant availability of credit when needed.

But what about the banks? What responsibilities do we have? Responsibility means, first and foremost, making sure customers understand their account's terms and how to manage their credit. It also means empowering customers by giving them useful tools to pay on time and not exceed their limits; educating those new to credit on how to use it wisely; looking out for customers who may be slipping into trouble and pointing them to financial solutions; and having a rigorous and careful process to evaluate every potential customer's ability to handle debt before issuing a card.

Chase has worked very hard to meet this commitment, with the positive result that the vast majority of our customers are among the most responsible and knowledgeable credit users in the country. More than a third of our customers regularly pay their balances in full each month, more than 90 percent regularly pay more than the minimum payment, and a full 92 percent begin and end the year with the same or better interest rates.

But being responsible also means we must listen -- even when that means making changes. Earlier this year, after listening to Congress, consumer groups and our own customers, we did a thorough review of our practices, changed some and took other responsible steps. We are constantly reaching out to our customers to better understand their needs and concerns.

Consequently, in March we announced Chase Clear & Simple, an ongoing program of initiatives to help customers understand the terms of their credit cards and give them tools to help them manage their accounts.

For example, our new Clear & Simple Web site helps consumers understand the implications of making minimum credit card payments. We continue to make it easier for cardholders in the military to stay current on their accounts when they're deployed. All our customers can choose their own payment due date.

We have special educational materials for college students and first-time card users to help them pay on time and avoid going over their credit limit. And we're actively encouraging our customers to sign up for tools like "free alerts," which send e-mail, phone and text message reminders of when their payments are due. By combining these alerts with automatic payments, customers virtually eliminate the possibility of making a late payment.

But we also have a responsibility to reach out to people who might be getting into financial difficulty to find out how we can help them before they fall far behind in their payments. Our customers have asked us to contact them with advice if they regularly make late payments, exceed their credit limits or exhibit other behavior that could get them into financial difficulty. Clear & Simple includes an active outreach program for those customers and lays out a clear path for regaining their low interest rate.

At Chase, we will continue to work on our own responsibilities to empower our customers through Clear & Simple. We'll also work with others in the industry and government to make cards more understandable and easier to use.

We believe that by continuing to strengthen the ways we communicate and help customers manage their accounts, the easier it will be for them to enjoy the benefits of having and using a credit card.

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