

## Pay one bill late, get punished by many

A record number of credit card companies have built "universal default" clauses into their agreements, which allow the credit card to raise your interest rate if you're late making a payment -- even to someone else!

The provision, generally buried in the fine print of your credit card agreement, basically says that if you are more than 30 days late on any payment to anyone, the interest rate on your credit card could shoot up. As a result of this, other credit cards will raise your interest rate and your credit point score will be damaged.

The problem has reached an all-time high, say consumer credit experts.

"Universal default complaints are definitely on the increase -- at a disturbing rate," says Paul Richard, executive director of the San Diego-based non-profit Institute of Consumer Financial Education. "More than one-third of major credit card issuers now say they act on these clauses regularly." A recent survey found that a staggering 39 percent of credit card issuers said they apply the rule to customers, even if they had no late payments on their own card.

But, Richard adds, many consumers are still unaware of the dangers because they either don't read or don't understand the credit card agreement.

One false move could be fatal Gerri Detweiler, author of "The Ultimate Credit Handbook", says, "These default clauses are getting scarier by the minute. If a credit card offer includes a universal default clause, you need to know what you're being set up for. If you're one day late on any payment to any creditor, you could be subject to a default rate as high as 29.99 percent on many others."

Kelly Rote, communications manager for credit counselor Money Management International, says, "We continually caution consumers to always thoroughly research the terms of an agreement, particularly those with default clauses and those offering zero percent financing. Unfortunately, many of these are not widely understood and could steer people into financial chaos."

It doesn't necessarily take being late on big-ticket items such as a car or a mortgage payment to trigger the default clause, Richard explains. "It could be for something as innocuous as an overlooked \$30 phone bill or a forgotten \$20 book club subscription."

Powerless to do anything about it Scott Bilker, financial guru and author of "Talk Your Way Out Of Credit Card Debt," says, "It's one of those new ironclad rules that does not allow much leeway for talking or negotiation. They periodically check your credit file and if you're late paying any other bills, not just theirs, they slam you. Low interest rates enjoyed at the beginning of a credit relationship could, in many cases, double or triple."

Some credit card companies review your credit report monthly, some quarterly and some yearly and some never do. Customers who have made late payments in the past get reviewed more often than those who always pay on time.

"ICFE receives calls at an increasing rate everyday from distressed consumers complaining the interest rates on their credit cards have shot up -- without explanation or advance notice," says Richard.

It will also lower your all-important credit score.

Preventing this from happening is relatively simple, but fixing it so it won't happen again is another story.

Don't let it happen to you You can head off any problems simply by meeting all your monthly obligations not just on time, but at least a week or more ahead of the payment due date. Some counselors advise getting into the habit of paying bills when you receive them.

Fixing the problem to prevent it from recurring is not so easy. Once a negative hits a credit report, the damage is done.

To get it removed, a consumer must convince the creditor the problems lies elsewhere and that the consumer is not at fault for a payment being recorded as late. Usually consumers lose this argument, unless they send their payments certified mail and can actually track the date of receipt.

"Without any sort of proof your payments were delivered on time to the creditor, consumers will be paying higher interest rates and other fees, perhaps for years to come," cautions Richard, who advises consumers experiencing difficulty to seek help from ICFE online.

Detweiler offers several tips on how you can avoid disaster:

- If you have a fairly large credit balance, make sure it's at a low fixed rate -- with no universal default risk tucked away in the fine print.
- Monitor your accounts carefully and examine each bill when it arrives to check its due date.
- If you decide to dispute a bill, act promptly to work it out with the lender. Don't wait until your account is sent to a collection agency.
- Keep accurate lists of your credit cards, balances, limits, interest rate and payment due dates.
- Contact the credit card company and ask to have your due date changed so that it falls at a convenient time of the month.
- Consider paying bills when they arrive instead of when due.
- Consider paying your bills automatically and electronically each month, either by computer or through a banking arrangement. [But watch out for hidden fees that can cause low interest rates to soar]

That's why you should always shop for your credit the way you shop for any major purchase:

- Research all your options.
- Weigh the costs and benefits.
- Read all of the fine print. Never forget that when you sign up for a credit card, you are entering a legally binding agreement.

By Bill Burt, Bankrate.com, Jan 20, 2004

ACCESS Comments: We believe that this practice is predatory. An easy way to check on the card issuer is to see if they are a "Delaware" Corporation. Just look for the word "Delaware" somewhere in the card agreement. If it is there - throw it away. Delaware is an easy state to get incorporated in and the state has NO Usury laws - meaning they can run your interest rate up as high as they want.

To show you how bad these default sections have become, below is the default for HouseHold Bank:

You will be in default under this Agreement upon: (a) your failure to make at least the Total Minimum Payment Due when due; (b) your violation of any other provision of this Agreement; (c) your death; (d) your becoming the subject of bankruptcy, or insolvency proceedings; (e) your becoming the subject of attachment, foreclosure, repossession, lien, judgment or garnishment proceedings; (f) your supplying us with misleading, false, incomplete or incorrect information;

(g) our receipt of information that you are unable or unwilling to perform the terms or conditions of this Agreement; (h) your failure to supply us with any information we reasonably deem necessary; (i) our receipt of information from third parties, including credit reporting agencies, which indicates a delinquency or charge-off with other creditors; (j) your default under any other loan or agreement you have with us or any of our affiliates; (k) you moving out of the U.S. or providing us with a non-US mailing address; (l) your becoming incompetent; (m) your exceeding your credit limit; (n) your payment check being returned unpaid by your bank for any reason; (o) any credit card check being returned unpaid by us; or (p) your being in default under any other agreement or security agreement you have with us or with one of our affiliates.

Now that is a default agreement!

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#### Credit Card Help

Written by chotruffles on 2005-05-08 I found a Co. That will help you legally wipe out your credit card debt. It has something to do with how you word the letter & their response to the letters. I am seriously thinking about doing it. The Credit card Co. don't want to work with me, so I feel like I have no other choice. The name of the Co. is North American Deucational Services. Has anyone else heard of them?Thanks

#### Creditor Conditions

Written by Guest on 2005-11-28 Can a new creditor considering extending credit require as a precondition a waiver of disputes with earlier creditors and payment of pre-existing debts?

#### RE: Creditor Conditions

Written by cat101 on 2005-11-29 Please register with our site. In that way we can always better respond to questions.

We're not sure in what you mean by "waiver of disputes." If it means that the "new creditor" requires that you go back to the "earlier creditors" and waive your earlier (honest) dispute, therefore, re-affirming the debt?? We've never heard of that.

However, we can see this requirement between affiliated companies.

Regarding payment of pre-existing debts...that is done all the time. The pre-existing debt maybe current debt (to get your debt to equity lower) or they may be collection debts (to get your credit cleared up.)

### 30 Day late Reporting.

Written by Guest on 2006-02-26 I have just found out that our mortgage has been reported late over 9 times. I contacted the bank, and was told the following. "If you have been 30 days late making a pyment any time during a month, you will be reported as 30 or more days late." This is our situation.

We were .14 (cents) short on a payment in May of 2004 beacuse of this our May payment was reported late. Our June payment was reported late as well because the .14 cents was paid in June, our full payment was made on June 21st, but because of the .14 cents it is being reported 32 days late.

Can they legally do this? It ocured each year, due to increase of our escrow payments.  
Help!!!

tkthurmes@comcast.net

### RE: 30 Day late Reporting

Written by cat101 on 2006-02-27 Please register with our site, we would of liked to know who the mortgage lender is.

Can they legally do this? Yes.

However, some mortgage lenders may work with you on correcting the issue.

### credit card over internet

Written by mandielou on 2006-03-16 i received a free credit card over the internet in 2001, for 500.00 i filled it out. I thought i would get rejected. next thing I know is I got it in the mail. I used it for christmas .made a few payments. then I ended up being totally disababled. now here it is 2006, I have this credit place calling ,sayig they are going to put a lein on my car,(which I bought it is old no payments) and if they want they can take it and sell it.Can they do this ? I never signed for anything. Or put money down for it. It is my only way to the Dr's now. If anyone can answer this please. I really need some input on this thank -You

### RE: Credit Card Over Internet

Written by cat101 on 2006-03-17 The answer is NO and YES.

Unless, you bought the car with the credit card (some cards say anything you buy on this card is secured by the lender), there is no way for them to take the car.

They can sue you for the balance & then get a judgment & the place a lien - but that is a costly and lengthy process.

Then after that, they would have to deal with state homestead laws, which protect your one car & prevents them from executing on it. While they may have a lien, you would still have the car.

This is a simplistic summary of the events, if you have further questions you can PM us via the "Contact Us" page.

### 30 day Mortgage late

Written by Guest on 2006-07-02 I was in escrow to close on our home. We were scheduled to close mid-month, on or around the 15th so we had not paid our mortgage on the 1st as we usually do. The 23rd of the month the escrow company asked for the payoff amount owed as we were ready to fund. They were having a hard time getting the payoff in time and asked us to call to see if we would have more success. We called on the 26th. They said it would be 3-5 days before they issued the payoff. I informed our HSBC representative that we had not made our monthly payment and if we received the payoff after the 29th we would not close until June 1st, so could that rush it or we would make the monthly payment now and pay the late charge. He said the May payment was included in the payoff so we did not have to worry about making the payment and that the payoff was valid until the follow month on the 15th. They issued the payoff on the 30, we closed on the 31st and they don't accept wires so the payoff was sent overnight and received by them on the 1st. 3 weeks later we have a 30 day mortgage late. The representative clearly with 100% certainty said we didn't have to make the payment and actually said when I questioned him abouth making the payment to avoid the late, said "we would not ask you to make a payment when it's already included in your loan". We wrote HSBC to have him cleared as my

credit score has dropped 100 points. They denied us first. We have wrote them again and asked them to review the recorded phone call. Should we be penalized because of this? We would have made the payment on the 27th to avoid this. This seems like it should be rather easy for them to clear up. What should we do?

RE: 30 Day Mortgage late

Written by cat101 on 2006-07-03 I hope you got a better mortgage lender this time. HSBC is considered a predator..so no surprise on the situation.

First file a dispute with the CRA's (is the adverse information on all 3?)

If they fail to correct it, then you need to take what you sent to the CRA's & file a complaint against them AND HSBC with your state attorney general.

This situation happens all the time with closings on new homes....

Then keep all your letters, in case, the problem comes back.

30 day late mortgage

Written by Guest on 2006-07-06 yes, they reported to all 3 CRA's. We filed a complaint with the BBB, a representative called us the next day. I explained to her everything, she said she would still have to investigate the information. As far as what she could see in the computer, we only called about a pre-payment penalty. We have many mortgages and never get a loan with a pp, even if we have to have higher interest rates. We rehab properties and sale them, it's my life. So we would never call even asking about a pp, we were calling about the penalty of a 30 day late, check the recorded call, give me a polygraph test, it's the truth. Somebody said we didn't have to pay. Anyway she calls me back 1 hour later and says she's removing it, not because of the information we were given, but because technically the payment wasn't 30 days late as it was received on the 1st. Great, I don't care how you remove it, just remove. Loop holes, I don't know, but now I've called to get the letter from the lady and she's not answering my calls now or returning them. This happened before when we first informed them of the late. A HSBC representative apologized for the mis-understanding and said they would be in contact with the CRA's to have it removed and updated, and would be sending us a letter. We waited a week for someone else to say we were denied. These people!!! Hopefully I'm able to get in contact with this manager that responded to the BBB and she keeps her word and doesn't forget what she said. I won't be holding my breath. We're seeking legal advice, this is crazy. Thanks...

RE: 30 day late mortgage

Written by cat101 on 2006-07-07 I didn't realize that the snag you hit was a "Pre-payment Penalty." Nasty. For those that don't realize what that is, a Pre-payment Penalty is a penalty for paying off your mortgage early. There are numerous predatory mortgage lenders that place this in their contracts.

They what to make certain that they get every single penny of interest that the full loan is to give. We have seen pre-payment penalties be as high as 3 months of mortgage payments.

Let us know how it goes, we have never seen the BBB accomplish anything of any serious nature.

Good luck.

Double Intrest Rate

Written by Guest on 2006-07-07 My husband has a credit card thru MBNA. They doubled his intrest rate, when called and asked the reason. They said they checked his credit report and saw his debt ratio and that was the reason. My husband takes pride in his credit, and has never been late on anything. Is it legal to raise the intrest due to debit ratio?

Re: Double Interest Rate

Written by jmalmborg on 2006-07-07 First, please register with our site.

Yes, what they are doing is perfectly legal provided that they have the appropriate language in their user agreement. Welcome to the wonderful world of information sharing.

This practice has become very common. For instance, if you are late on a utility bill, all of your credit cards could wind up at a 30% interest rate even if you have never been late on a payment to any of them.

MBNA doesn't have the best reputation when it comes to this type of thing. Your best bet here may be to transfer the card balance to another account. If you get any offers from other banks such as a low, fixed interest for life on balance transfers, or 0% for a specific time frame, you may want to consider one of these. But before you do anything like this, make sure you read all of the fine print in the user agreement. You don't want to go from the frying pan into the fire.

RE: Double Interest Rate

Written by cat101 on 2006-07-10 Debt to Equity ratio is great, but only if they consider all equity & a credit report doesn't contain that. However, to know if MBNA can do that you need to check your agreement. Check under the section called default.

This change in debt levels could of occurred due to a large purchase (home, car, etc).

I would go to your local bank & check what their agreement is on a credit cards. I would RUN from MBNA.

COMMENTS CLOSED