

Doron F. Eghbali Banking Law

[CAUTION: Professional Cards Are Replete with Perils](#)

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In light of the CARD Act, credit card companies have resorted to so-called Professional Cards to eschew limitations imposed on them for regular consumer credit cards. It is incumbent upon consumers to be extra cautious of fine prints and ensure they are not applying for such cards as they are replete with hidden perils.

SOME BASICS

The Credit Card Accountability, Responsibility and Disclosure Act ([CARD Act](#)) went into effect on February 22, 2010. The CARD Act [does not protect businesses](#). Accordingly, credit card companies have been seeking to circumvent the restrictions of the Card Act while engaging in the same practices prohibited or restricted by the CARD Act.

Professional Cards are credit cards where the applicant usually checks a box attesting to "I Am a business owner" or "I am a business professional with business expense." Regrettably, as soon as the consumer checks the box, technically, the credit card is no longer subject to CARD act.

In addition, for Professional Cards the credit card companies no longer require a Tax ID number. This is because credit card companies are seeking to eschew stringent requirements set out by the CARD Act and restore some of the lost profits. Such lax standards have led to consumers just checking the box oblivious of the inherent perils.

SOME OF THE PERILS

- **DRASTIC AND SUBSTANTIAL INCREASE IN APR EVEN IF ONE DAY LATE:** Practically, credit card companies could increase Annual Percentage Rate (APR) to as high as 29.9% or higher if the consumer is even one day late on a payment.
- **APPLICATION OF EXCESS IN MINIMUM PAYMENT TO LOW-RATE BALANCES FIRST:** Practically, credit card companies apply an excess in monthly minimum payments to low-rate balances first. This means consumers will have a very difficult time paying off their debt as interest continues to accrue on relatively higher-rate balances. This practice was prohibited by the CARD Act. However, such prohibition does not apply to Professional Cards.

BOTTOM LINE

Exercise extra caution while filling out credit card applications. Prudently, ensure what the terms and conditions are and ask questions of the credit card company and double check what they say

with your understanding of the text. If what they tell you is not what you intelligently understand, do not sign the application.

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