

September 8, 2009

Gordon A. Smith
CEO Card Services
J.P. Morgan Chase & Co.
270 Park Avenue
New York, NY 10017

Re: Minimum payment increases

Dear Mr. Smith:

During the last twelve months Chase bank has twice notified many of its customers that their minimum payments would increase from 2% to 5% of their balance. Consumers Union has received complaints from more than 100 of these Chase customers, all of whom describe the following similar set of facts:

- These customers held balances subject to “fixed interest rate for the life of the loan” promotions offered by Chase through balance transfer and convenience check solicitations.
- They used Chase’s promotional offer for large loans in reliance upon the terms of the promotion.
- The consumers were not late in making payments.
- Most paid more than the minimum payment each month.
- The minimum payment was raised so that it included 5% of the balance (up from 2%)
- Those consumers who contacted Chase were told that the minimum payment could be brought back down to the prior 2% level only if the consumer agreed to forgo the promised promotional interest rate and instead accept a doubled interest rate.

Chase’s change in repayment terms raised credit card payments to 250% of the old payment. While over the long term higher minimum payments can reduce debt faster, the sharp rise in minimum payments can throw a family budget into disarray, especially during a recession.

The real effect of these sharp increases in minimum payments is to force customers who can’t face a more than doubled minimum payment to give up their favorable fixed promotional rate. This sharp increase will also force many consumers to default into penalty interest rates which will keep them indebted for longer.

Two of the Chase customers who contacted Consumers Union described the impact this increase has had on their financial situations:

- Tom from California told Consumers Union about his experience with Chase. He reports that he has been using his two Chase credit cards to help support his small business. He acquired the second card when Chase was offering a promotional balance transfer.

As a consumer with a perfect credit record, he was shocked to receive a notice indicating his minimum payment on his balance transfer was increasing from 2% to 5% starting September 2009. His monthly payments will now go from \$475 to \$1200. As a self employed small business owner, he is having a hard time thinking about how he will pay more than twice as much to Chase each month and still turn over a profit to keep his business going.

- Earl from Maryland told Consumers Union that he took advantage of a promotional balance transfer offered by Chase bank to help pay for his daughter's college tuition. With a lower interest rate and 2% minimum payment requirement, it seemed to him to be a valid financial decision. Then Chase upped Earl's minimum payment to 5% of the balance. Carrying a \$50,000 balance from tuition costs, Earl says he won't be able to pay off the balance at that rate and will most likely default.

We ask Chase for the following:

- Refrain from increasing consumers' minimum payments with respect to balances subject to promotional fixed interest rates.
- Restore the minimum payment for those consumers who have been affected by this change in terms, to the level in place at the time the consumer borrowed money at the promotional rate.
- Restore the promotional "life of the balance" interest rate for those consumers who gave their lower rate for the sake of a manageable monthly payment.

By changing the terms of these promotional financial products Chase is significantly harming the economic stability of the families who make up its consumer base. We ask that Chase reconsider this devastating change in terms.

Sincerely,



Gail Hillebrand
Financial Services Campaign Manager
Consumers Union

Chi Chi Wu
Staff Attorney
National Consumer Law Center (on behalf of its low-income clients)

Ed Mierzwinski
Consumer Program Director
U.S. Public Interest Research Group