



State of Wisconsin
Department of Financial Institutions

Credit Card Interest Rates and Fees

Wisconsin removed limitations on credit card interest rates effective May 1996 and removed all limitations on credit card fees (e.g., late fees) effective January 1997. The fact that there are no limitations, however, does not mean all credit cards assess high rates and fees. If you are unhappy with the rates and fees assessed on your credit card we suggest you shop around for a credit card with more favorable terms. The credit card market is competitive and most consumers find it easy to obtain new credit cards and/or transfer balances from one account to another.

The interest rate assessed a consumer is partially determined by the risk involved in lending to that particular consumer. If a consumer has a good credit rating, that consumer will likely be able to obtain credit at a low interest, however, with a poor credit rating the consumer may not be able to obtain credit at all, or may have to pay a higher interest rate. Re-establishing a cap, let's say at 18% per year, would not necessarily mean that a consumer, who now can only qualify for credit at 26%, would get credit at 18%. What it may mean is that the consumer may not get credit. Cheap credit is no good to anyone that cannot get it.

The primary reason Wisconsin repealed the caps on interest rates and fees is because they had little impact on the overall credit card market in Wisconsin. That is because most credit cards held by Wisconsin residents are issued by out-of-state nationally chartered financial institutions and those institutions are not required to comply with such laws. Federal laws provide that such lenders may assess finance charges and other charges as permitted in the lender's home state, even if such charges would not be in compliance with the laws of the state where the customer is located. Most credit card companies are located in states that have no limitations on interest rates and other fees.

Because out-of-state financial institutions can "export" their charges into Wisconsin it is important that Wisconsin financial institutions have the same flexibility as their competitors. As a result, Wisconsin eliminated the caps.