

InvestorIntel challenges the credit card providers and banks to drop credit card interest rates due to the coronavirus crisis

On March 15 the US Reserve Bank made a historic 'coronavirus emergency' rate cut dropping rates from 1.25% to 0.25%, a 50 year low. And what happened to US credit card rates? *Err, nothing!!!* They are still sitting at a ridiculous 21.21%, at all-time highs. That's not helping customers to survive COVID-19.

Average US credit card rate by card type as of February 2020

Average Credit Card APRs by Card Type: February 2020

	Average APR	Last Month	3 Months Ago
All Credit Cards	21.21%	21.28%	21.25%
Business Credit Cards	19.16%	19.14%	19.23%
Student Credit Cards	20.23%	20.61%	20.58%
Cash-Back Credit Cards	20.25%	20.25%	20.08%
Secured Credit Cards	20.89%	20.97%	20.80%
Travel Rewards Credit Cards	21.14%	21.23%	21.08%
Other	21.62%	21.61%	21.60%
Store Credit Cards	25.19%	25.25%	25.36%

Source

US consumers are being hurt by credit card debt paying on

average US\$1,292 a year in interest

In 2018 CNBC reported that US consumers were paying “\$104 billion in credit card interest and fees” per year. The report stated that 43% of Americans had been carrying a credit card balance for 2+ years, with the average household balance of US\$16,883, costing the average US household US\$1,292 pa.

Clearly those households struggling under the coronavirus economic hit will be doing worse than average. This would be all the small business owners and staff, as well as others, who have recently lost their job as US states lock-down or restrict social gatherings. This also applies to most other countries outside the US.

Some 2018 stats by CNBC on US credit card debt



Source

Credit cards

Credit card rates are set higher than other loans especially

when the funds are 'not secured'. This means the bank or credit card company faces risk of 100% capital loss if borrowers default. Consumers need to understand the bank is taking higher risk. But conversely the banks need to understand if they have higher default rates and less customers they are hurting themselves and the community.

The big banks are cutting home loan rates, so why are they not cutting credit card rates?

Clearly the credit card operators are making life much harder for those most in need of a break. Home loan rates are at record lows, so home owners are in a better position than credit card holders. In fact the average 15 year fixed home loan rate in the US is 3.33%, compared to the average credit card rate of 21.21%. *Is it fair that credit card customers pay an 18% higher rate? Is it fair that they pay a rate almost 7 times higher?*

The Commonwealth Bank of Australia has announced they are considering 'all options' to help Australians suffering from the coronavirus economic downturn

Australian banks last week unveiled a raft of measures to support their customers. These included lower rates on fixed home loans, business loans, deferred loan payments etc. The big banks offered: "Home owners who run into financial hardship will qualify for a break from regular payments."

Australia's largest bank Commonwealth Bank (CBA) is considering ways to help its customers, including help with credit cards. CBA CEO Matt Comyn said the bank is looking at 'all options'. You can view the full ABC interview [here](#).

Closing remarks

As investors you have the right to ask your bank or credit card provider why they have not played their part to help the community right now. Ask them if they will give you a

temporary rate drop or holiday to help you get you through the coronavirus crisis. Even better, use social media to ask them to give a large credit card interest rate cut to all their customers impacted by coronavirus.

So come on big banks (JPMorgan Chase & Co., Bank of America Corp., Citigroup Inc., Wells Fargo & Co.) and big credit card companies (Mastercard, Visa, Citibank, Chase, American Express). It's time to give loyal credit card holders a break. The coronavirus is hurting some of your good customers very badly.

How about a special rate for those customers experiencing coronavirus hardship, or even better a 6 month interest rate holiday (0%) so your customers can survive this COVID-19 nightmare. You could call it the 'coronavirus credit card cut' and make it apply for all of 2020.

That is InvestorIntel's challenge to the big banks and credit card companies. Let's see how they respond.