

# consumer action

Education and advocacy since 1971

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PRESS RELEASE

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## **WARNING: Medical credit cards may be hazardous to your financial health**

Tuesday, July 22, 2014—In its new Medical Credit Card Survey, Consumer Action examined credit cards and loans that can be used to finance medical and dental bills and found many problems. The non-profit consumer education organization discovered that:

- Key financing information was often hidden or incomplete, making it difficult for borrowers to adequately compare rates and terms.
- “Deferred interest” was featured on three of seven surveyed cards. Deferred interest is frequently misunderstood by consumers—those who fail to pay in full by the expiration date face lump sum back interest when the promotional period ends.
- Medical credit cards are sold primarily through medical offices, often at the point when payment for a procedure is due and consumers have little chance to explore other options for payment or may feel pressured into opening an account.

*Survey details can be found in the Summer 2014 issue of the organization’s newsletter, Consumer Action News. [[http://www.consumer-action.org/news/articles/medical\\_ccs\\_summer\\_2014](http://www.consumer-action.org/news/articles/medical_ccs_summer_2014)]*

### **Scouring for rates**

Consumer Action reviewed seven credit card issuers that lend money specifically to cover health care expenses: AccessOne MedCard, GE Capital CareCredit, CarePayment, Citi Health Card, iCare Financial, MedKey Healthcare Finance and Wells Fargo Health Advantage.

Because the cards are marketed at providers’ offices, information provided by the issuers seems geared toward educating prospective business partners rather than consumers. Essential rate information was buried or missing from the websites of three companies’ cards (Citi Health, Wells Fargo Health Advantage and iCare). Even when we called customer service, details often were elusive. A number of programs give health care providers the discretion to choose their own promotional offers, which further muddies the waters.

The Citi Health Card’s “go to” (non-promotional) rates of up to 28.99% aren’t disclosed on its consumer website, but are listed on its provider site. The Wells Fargo Health Advantage main site is addressed to providers and offers no rate information. We used a search engine to find account agreements with interest rate disclosures.

iCare Financial promises that “Everyone’s approved with no credit check” but the company won’t answer questions from consumers, insisting that medical providers handle information on rates and terms. When following up with an iCare medical provider we learned that a consultation would be required to get rate information.

“Despite laws that require lenders to give consumers the information they need to compare financing offers, it’s often virtually impossible to get the rates and terms for some medical credit cards,” said Linda Sherry, Consumer Action’s director of national priorities. “How can consumers make an informed decision?”

### **Deferred interest**

All of the surveyed issuers promote alluring 0% introductory offers. Three cards (CareCredit, Wells Fargo Health Advantage and Citi Health) feature “deferred interest” offers for periods of six to 24 months. Interest accrues each month but is deferred for the promotional period. If the balance is paid in full before the period ends, no interest is due. If not, consumers must pay the accrued interest at rates of up to 28.99%.

If consumers understand the terms of deferred-interest offers, they can save a lot of money by avoiding finance charges. “Interest-free offers can provide an opportunity for people with damaged credit records who find it difficult to get loans, but only if they are able to pay off the medical bill in full before the pricey interest payment gets tacked on,” says Ruth Susswein, Consumer Action’s deputy director of national priorities.

Last year the Consumer Financial Protection Bureau (CFPB) hit CareCredit, one of our surveyed cards, with an enforcement action over deceptive enrollment tactics. The Bureau ordered the company to pay \$34 million in refunds to consumers who thought they were taking out an interest-free loan but were billed for back interest at 26.99% after the promotional period expired.

Three surveyed issuers do not charge deferred interest: AccessOne, CarePayment and MedKey. CarePayment’s 0% offer lasts up to 25 months. AccessOne doesn’t charge interest for up to 100 months, based on the size of the balance. MedKey starts charging a relatively low 5.99% after the introductory 90-day interest-free period ends. AccessOne, MedKey and iCare cards offer 0% rates to borrowers regardless of their credit history and income. (AccessOne and MedKey are available only in limited regions of the country). We can’t tell if iCare features deferred interest because it would not provide information about rates and terms.

### **Consider the source**

Some service providers have an incentive to get their patients to sign up for a medical credit card. That might be the ability to schedule a procedure that the patient otherwise could not afford, or it could be the opportunity to be paid in full immediately rather than have to accept a protracted payment plan from an uninsured patient. In 2010, an investigation by then-New York Attorney General Andrew M. Cuomo found that some health care providers use fast-talking sales pitches to pressure and deceive consumers into applying for health care credit cards. (The investigation also found that one of our surveyed card issuers, CareCredit, paid “kickbacks” in the form of rebates to the providers based on how much business they did on CareCredit cards.)

“Patients offered a medical credit card during an office visit are more likely to trust a card being offered by a medical professional—even if the office staff is ill-prepared to explain

complex card terms such as deferred interest,” said Sherry. She says this was a key point in the Consumer Financial Protection Bureau’s December 2013 action against CareCredit, which directed the company to begin contacting most consumers by phone within 72 hours of the initial transaction to explain the product in detail, including how the deferred interest arrangement works.

### **Medical loans**

Medical loans—as opposed to medical credit cards—offer consumers more flexibility in how the loan is used but tend to have stricter rules for applicants, such as minimum credit scores (600 to 640). Consumer Action examined five companies: two direct lenders (LightStream AnythingLoan and Med Loan Finance) and three brokers (American HealthCare Lending, MedicalFinancing.com and United Medical Credit) who arrange financing with third-party lenders. We decided to eliminate MedicalFinancing.com from our survey because we could not access customer service representatives during business hours.

American HealthCare Lending and LightStream AnythingLoan (SunTrust Bank) offered fixed-rate installment loans with no deferred interest, while United Medical Credit featured 0% promotions with deferred and non-deferred interest offers.

Med Loan Finance featured hefty finder’s fees starting at \$99 and swelling to \$1,995, depending on the size of the loan.

### **Survey data**

Find complete details online:

- Consumer Action’s Survey of Medical Credit Cards <http://bit.ly/medicalcreditcards2014>
- Consumer Action’s Survey of Medical Loans [http://bit.ly/medical\\_loans\\_2014](http://bit.ly/medical_loans_2014)

*Consumer Action staff members Alegria Howard, Ruth Susswein and Linda Sherry reviewed websites and brochures and contacted customer service representatives between March 24-June 6. The companies we survey are prohibited from using Consumer Action’s name or any reference to our surveys in advertising or for any other commercial purpose.*

### **Tips to prevent deferred-interest traps**

1. Don’t use a medical credit card to pay for services in advance. It may prove difficult or even impossible to get a refund for services you don’t use.
2. Making only minimum payments during the deferred-interest period will not pay off your entire balance by the end of the 0% period. You need to pay more than the minimum—sometimes much more—to accomplish this.
3. Know precisely when the no-interest period expires (it may be a few weeks sooner than you expect) and pay in full before that date.
4. Don’t pay late or miss a minimum payment during the deferred-interest period because you may void the deal and trigger finance charges.

### **Payment options**

- Consider other payment options before accepting a deferred-interest offer.
- Some medical providers will agree to extended payment plans, without interest.
- For uninsured consumers with little income, hospitals have charitable funds that can assist.
- Zero percent offers on general-purpose credit cards (with low long-term rates) can provide real savings compared to deferred-interest plans.

**About Consumer Action**

Consumer Action has been a champion of underrepresented consumers nationwide since 1971. A non-profit 501(c)(3) organization, Consumer Action focuses on consumer education that empowers low- and moderate-income and limited-English-speaking consumers to financially prosper. It also advocates for consumers in the media and before lawmakers to advance consumer rights and promote industry-wide change.

By providing consumer education materials in multiple languages, a free national hotline, a comprehensive website ([www.consumer-action.org](http://www.consumer-action.org)) and annual surveys of financial and consumer services, Consumer Action helps consumers assert their rights in the marketplace and make financially savvy choices. Nearly 7,500 community and grassroots organizations benefit annually from its extensive outreach programs, training materials and support.