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U.S. credit card agreements unreadable to 4 out of 5 adults

Contracts written at a reading level most can't understand

By Connie Prater

Credit card agreements are written on average at a 12th grade reading level, making them not understandable to four out of five adults, according to a CreditCards.com analysis of all the agreements offered by major card issuers in the United States.

The average American adult reads at a ninth-grade level and readability experts recommend important information -- such as credit card agreements -- be written at that level. Only one in five adults reads above a 12th-grade level.

"It is clear from your study that something must be done to make these agreements easier to read," says Lauren Z. Bowne, staff attorney for Consumers Union, the nonprofit owner of Consumer Reports magazine.

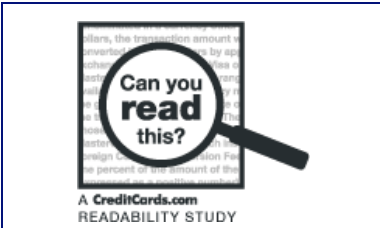
"Credit card contracts and other such documents are written in dense prose for a reason: So that the customer will NOT be able to understand it," notes Roy Peter Clark, a national expert on writing and a senior scholar at the Poynter Institute in St. Petersburg, Fla. "I may be cynical, but I don't think their writing strategies are accidental, the collateral damage of a bureaucratic mindset. I think those writers know exactly what they are doing."

Readability poses Catch-22

Bowne points out what has become a Catch-22 for many credit cardholders. Told to read their agreements, they can't. Financial advisers strongly urge card users to read their [credit card agreements](#) carefully to understand the deal they have with their card issuer. It has become even more important since a [2009 federal credit card reform law](#) led to multiple changes in terms. In the new world of credit card use, they say, an informed consumer is better protected against "gotcha" fine print and surprise penalties.

However, as the CreditCards.com analysis shows, most adults are unlikely to comprehend what they are reading.

"That's easy to say, but sometimes difficult to do," says Andrew Bernstein, a certified credit counselor for DebtHelper.com in West Palm Beach, Fla. He gives seminars on reading the small print of [credit card terms](#). Clients often turn to credit counselors to help them decipher the fine print. Says Bernstein: "Credit counselors struggle reading it, too."



Wonder why you can't seem to make it through your credit card agreement? It's heavy reading: A CreditCards.com analysis found that the average U.S. credit card agreement is written on a 12th grade reading level, three grades above the average American's reading level.

- [MAIN STORY: Credit card agreements unreadable to 4 of 5 Americans](#)
- [10 most unreadable credit card agreements](#)
- [10 most readable credit card agreements](#)
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- [Readability of credit card agreements from biggest 20 banks](#)
- [How credit card agreements' readability compares to familiar documents](#)
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- [3 language experts try to make sense of a card agreement](#)
- [Federal database of credit card agreements not user friendly](#)
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Something must be done to make these agreements easier to read.

Researchers analyze more than 1,200 contracts

CreditCards.com hired a team of researchers who, using computer software, downloaded and analyzed every word of the majority of credit card agreements

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Credit Card Rate Report

Updated: 12-08-2010

National Average	14.63%
Low Interest	11.91%
Cash Back	12.48%
Balance Transfer	12.73%
Business	12.91%
Student	13.96%
Airline	14.24%
Reward	14.29%
Instant Approval	15.99%
Bad Credit	24.64%

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– Lauren Z. Bowne
consumer attorney

offered in America. More than 1,200 contracts were included in the analysis.

This became possible for the first time in May 2010, when the agreements were publicly posted in a new [Federal Reserve database](#); large card issuers were required to give the Fed their agreements, and the Fed was required to post them online, by the [Credit CARD Act of 2009](#).

CreditCards.com (see the study's [methodology](#) details) graded every statement using a standard common in the teaching and textbook industries: the FOG Index. Readability formulas have been widely used by textbook and novel publishers for decades to ensure they weren't writing above the reading levels of their target audiences.

FOG stands for "Frequency of Gobbledygook" -- and it gives a numeric grade for any document. The higher the grade level, the more difficult it is to read.

Gobbledygook? We encountered it frequently.

Can you read this?

The CreditCards.com analysis found:

- The average U.S. credit card agreement is written at a 12.37 grade level. Note: Reading levels do not correspond to the number of years of school a person has received. Some people with high school diplomas read at the ninth grade level even though they received 12 years of education.
- The toughest read: GTE Federal Credit Union's [agreement](#), which required an 18.5 reading level – the equivalent of someone who has spent more than six years in college. (See [video of how ordinary people fared](#) in trying to read GTE's credit card agreement.)
- The [wordiest agreement](#) -- for [MasterCard](#) and [Visa](#) cards issued by Fifth Third Bancorp -- contained 20,799 words. It was written on a 14.5 reading level, according to the analysis. For comparison, the original U.S. Constitution contains only 4,018 words. William Shakespeare's shortest play, "The Comedy of Errors," has 17,858 words. (See the list of [wordy credit card agreements](#).) The average agreement runs 3,771 words.
- The easiest reads, according to the analysis, required only sixth grade reading proficiency. They included credit card agreements from the [University of Illinois Employees Credit Union](#), [ESL Federal Credit Union](#) and [Affinity Federal Credit Union](#). (See list of [the most readable credit card agreements](#).)
- The analysis found it's easier for the average American to read a California real estate purchase agreement or a chapter in the King James Bible than to plow through the average credit card agreement. (See [how credit card agreements compare in readability to familiar documents](#).)
- Among the top 20 credit card [issuers](#), those that issue more than 95 percent of all credit cards in the United States, two divisions of Wells Fargo & Company showed dramatically different results. The average agreement from Wells Fargo Financial National Bank required a 15.7 reading level. The larger and more well-known Wells Fargo Bank NA hit the readability mark: Its agreements had average reading levels of 9.3 -- exactly what readability experts recommend. Wells Fargo [announced](#) July 7 it was merging the smaller banks' operations into the larger one. Expect a rewrite on the more difficult contracts. "We anticipate that card products, terms and agreements will be further standardized in the near future. We want to help our customers succeed financially and we understand clear communications are fundamental to achieving that objective," a spokeswoman said in an e-mailed statement. First National Bank of Omaha's 15.8 average reading level makes it a virtual tie with Wells Fargo Financial for the most unreadable contracts among large issuers.
- Other large banks, on average, provide easy-to-read agreements: U.S. Bancorp (8.9), [Bank of America](#) (9.0), Barclays Bank Delaware (8.1) [Citibank South Dakota, NA](#) (8.2), [American Express Bank, FSB](#) (8.1) and [Capital One Bank, NA](#) (7.3). Consumer advocates say if these banks can produce more understandable agreements, other issuers can, too. (See how the [large credit card issuers' agreements compared](#).)

Do you understand your credit card agreement(s)?

- I have not tried to read it.
- I tried, but gave up. Too confusing.
- I read and understood it.
- My card did not come with one.

VOTE



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- [Credit Card Videos](#)
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- [Credit Card Statistics](#)

Deliberate confusion?

Consumers and others accuse the banks of deliberately writing unintelligible agreements to confuse cardholders.

"I got lost in the first sentence," Ron DeLa Rosa, an attorney in Austin, Texas, says after reading GTE Federal Credit Union's agreement.

"I'm sure all those legal minds came up with all those words to make things as confusing as possible for whoever the

It's unfair to say that

credit cardholder is 'cause that way when they get sued they'll always have a way out," DeLa Rosa says, adding: "That's the way attorneys do it."

these are deliberately made complicated ... They try to make them simple, but there are legal requirements for disclosures.

Bankers deny deliberate deception and defend the densely worded fine print, blaming all the federal and state laws that

-- Nessa Feddis
American Bankers Association

require disclosure of terms. "It's unfair to say that these are deliberately made complicated," countered Nessa Feddis, a spokeswoman for the American Bankers Association. "They try to make them simple, but there are legal requirements for disclosures."

A new Consumer Financial Protection Bureau -- signed into law by President Obama on July 21 as part of the 2010 Wall Street reform package -- may offer some relief. Among other things, the agency will have the power to mandate that credit card contracts be written in plain English so a majority of Americans can understand them.

"Americans need adequate information about the benefits and costs of complex consumer financial products such as credit cards to make the personal choices that are best for them," Michael Barr, assistant U.S. Treasury Secretary for financial institutions, said in a statement responding to written questions. "Improving basic financial awareness is also critical to helping consumers process information and avoid abusive products. These are just some of the reasons we need to establish a federal bureau of consumer financial protection."

Ohio Attorney General Richard Cordray, who has been an outspoken advocate for more credit card regulations to protect Ohio residents from abuse, said credit card lenders should make their agreements more consumer friendly.


"While it is true that much of the content for agreements is mandated by federal statute, it is clear from the breakdown here that some institutions meet the requirements at a reasonable reading level. All others should do the same," Cordray said in a statement.

When something goes wrong

Credit card agreements contain the fine print of the credit card terms and dictate how millions of credit cards issued in the United States may be used. Banks and credit unions mail them when card users first open their accounts or when customers request copies. They are often put away in a drawer or tossed with the junk mail. Credit counselors and consumer advocates say the truth is that very few cardholders ever read their agreements -- until something goes wrong.

"If people don't read these things when they open the account, they sure as hell need to read them if they have a problem," says John Cogan Jr., executive assistant for policy and program review and executive counsel to the Rhode Island Health Insurance Commissioner. Rhode Island is one of a handful of states (including Colorado and Minnesota) that have adopted laws or rules requiring health insurance policies to be written at seventh, eighth or 10th grade reading levels.

We dare you to understand this



RELATED VIDEO

We asked professors, lawyers, students and business people to decipher one densely worded card contract. The results weren't pretty.

MORE: [Full archive of credit card videos](#)

"If you have a problem with your credit card company or your health insurance company, even if you don't take the time to read it at the outset, you really do need to read it if something happens. So, if you can't read it then, then you're really in a tough spot."

Erica K. Jackson, director of the Center for Financial & Consumer Outreach at Penn State Erie, recommends consumers call their card issuers' customer service representative and ask for explanations of confusing terms or provisions. She acknowledged, however, that customer service representatives may give conflicting or inaccurate information at times.

"Consumers need to ask questions," Jackson says. "If you don't understand what is included in your documentation, be proactive, make sure that they call and get the answers that they need."

Content more important than readability?

Ed Mierzwinski, consumer program director for U.S. Public Interest Research Group (PIRG), is all for readability, but is more concerned about what the contracts say and any "tricks and traps" contained in them than how they say it.

"What good does being able to read a contract mean if the contract says, 'We win, you lose?'" Mierzwinski points out.

What good does being able to read a contract mean if the contract says, 'We win, you lose'?

-- Ed Mierzwinski
U.S. PIRG

one-sided agreement. Since these are contracts of adhesion, and consumers can't amend the terms, they are useless in that regard, no matter how simply they are written.

"If they can still -- mostly with notice but sometimes without -- change the terms at any time for any reason, consumers have no power except to vote with their feet, and given the similarity across the six largest companies, that is not much of a choice."

Banks: Wordy contracts unavoidable

Banking industry spokeswoman Feddis says lengthy, complicated agreements are unavoidable because credit card companies must obey the laws governing what they must disclose to card users.

"Information like what happens when your card is lost or stolen, that has to be in the agreement. The privacy notice took up a third of the space on one contract. There's no choice," says Feddis, vice president and senior counsel of the American Bankers Association trade group.

"If you're married and living in Wisconsin, you get this disclosure, and if you're in Maryland, you get another one," Feddis adds. "It's just stuff that has to be in there for legal reasons."

William DuBay, an author and readability consultant whose clients have included the Los Angeles County Consumer Affairs Department, argues that if consumers can't understand what they are reading, they can't give informed consent to the terms. Informed consent is a term often used in the medical field. It means you understand what you are agreeing to and signing.

The two points of view highlight a debate that has developed among attorneys who specialize in contracts law.

Feddis says there's a limit to how simple the credit card agreements can be. "Then you don't have a contract -- or you have a contract that can be challenged. Then it goes to an extensive lawsuit."

Says DuBay: "People say you can't get everything in one page. But it's not rocket science. You just have to find out what's essential. You have to force their hand."

Clearer communications

A few banks took steps to make their credit card terms easier to understand and accessible to customers. Chase, which had credit card agreements that averaged 12.7 in reading level in the analysis, introduced its Clear and Simple program in 2007. Bank of America launched a campaign - the Credit Card Clarity Commitment -- to make its credit card terms clearer in 2009.

"We listen to our customers and are always looking at ways we can improve our card agreements to ensure that we're providing customers with clear, easy to understand information," BofA spokeswoman Betty Riess said in an e-mailed response.

Wells Fargo Bank's ninth grade average reading level was no accident, according to Lisa Westermann, assistant vice president of public relations.

"The Wells Fargo Bank Credit Card agreements are among the briefest in the industry and are rated at a ninth grade comprehension level; consistent with the level reading experts recommend. We continually work to make our letters as clear as possible using 'customer friendly' terminology. We began an initiative several years ago to ensure our customer communications are clear, concise, consistent and customer friendly," according to Westermann.

Leslie E. Linfield, executive director of the Institute for Financial Literacy in Portland, Maine, and a national authority on adult financial literacy education, says offering plain English credit card agreements may give one bank a competitive advantage over other issuers.

Linfield says issuers with easy-to-understand terms send the message: "We want to be your financial institution of choice. We speak in plain English. There's nothing complex. You don't have to go to graduate school to understand what it means to do business with us."

Too hard for most adult readers

"The average adult in the U.S. reads at the ninth grade level," says DuBay, the

Linda Sherry, national priorities director for Consumer Action, a San Francisco-based consumer group, says credit card agreements should be written at the ninth grade level.

She added: "The agreements tell you little about your so-called 'rights' and focus solely on your responsibilities under the

It's not rocket science. You just have to find out what's essential.

-- William DuBay
readability consultant



readability consultant who advocates the use of "plain language" when writing for the general public. A 2003 [U.S. Department of Education study](#) of adult literacy found that 87 percent of people older than 16 were rated "less than proficient" at reading lengthy, complex texts. Research based on the federal literacy survey shows only one in five adults read above the 12th grade level, according to DuBay.

"Experts advise that anything for the public should be written at the ninth grade level," he says. "If it's about health and safety, it should be written on the fifth grade level."

He adds: "People can identify a text that's too difficult almost instantaneously ... They're very good at recognizing it."

As for credit card agreements, "The average reader is not able to read them ... A credit card contract should not be more than a page long. It should be written in easy-to-read type," DuBay says.

Fed now requires one-page summary tables

The Federal Reserve took steps to help confused consumers by requiring credit card issuers to produce a one-page summary

table of some of the key terms of their contracts. That requirement took effect July 1, 2010, as part of a slew of other beefed up disclosure requirements included in Regulation Z of the Truth in Lending Act.

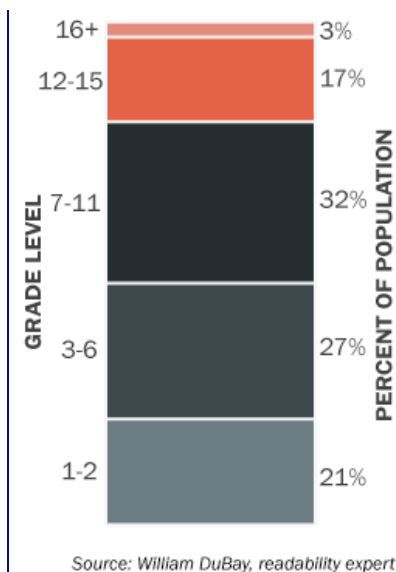
Now, when consumers get new credit cards, they will also receive a new one-page summary table of the terms. However, this table is not the credit card agreement. In disputes, the legalese-filled long form governs.

Feddis, from the bankers trade group, says the new summary will help simplify the long agreements. "They are more likely to read that than they are an agreement even if the agreement is shortened and simplified," she says.

Sherry from Consumer Action is skeptical of summary tables that will condense the key terms into one page. "I am afraid people will focus only on some superficial level stuff and not really understand all 'traps' that may await them."

This story's FOG index

By the way, congratulations. You have finished reading a story whose FOG readability is 14.3.



4 IN 5 READ BELOW 12th GRADE LEVEL

The average credit card agreement is written at a 12th-grade level -- too high for most Americans to understand, according to national literacy surveys.

The methodology: How we did it

CreditCards.com copied the list of more than 1,200 credit card agreements posted on the [Federal Reserve Board's website](#). Under the [Credit CARD Act of 2009](#), all U.S. credit card issuers with more than 10,000 credit card accounts must submit their agreements to the Fed every quarter as well as post them on their own company websites and make them available to account holders who request them. The Fed launched the site on May 24, 2010.

Every credit card agreement posted on the Fed's website was evaluated by two readability programs that were purchased from Micro Power & Light Co., a Dallas software development company.

The first program prepped the content by deleting special characters, incomplete sentences, tables and any special coding that may have been in the text versions of the files. The second program scored the text using three different well-established readability formulas: the Flesch reading ease, Flesch-Kincaid grade level and FOG (Frequency of Gobbledygook) indexes. Only one of the formulas, the widely used FOG score, was used in determining the best and worst credit card agreements and average reading level of a U.S. credit card agreement.

We removed Spanish contracts that were included in the Fed's database. In some instances, credit card issuers included both Spanish and English text in their contracts. We deleted any Spanish text and ran the readability formulas on the remaining English content.

Some files posted on the Fed's website were not credit card agreements but rather supplemental materials that often accompany agreements, such as tables listing interest and

penalty rates and fees or information about credit card or disability insurance. In some instances, they were credit card applications. Those files were not scored for readability.

A small number of contracts were not evaluated for readability because the text versions of the agreements were either empty or did not reflect what was actually in the agreement.

Because the computer program that prepped the contracts removed headlines, incomplete sentences and special characters, it also removed words from credit card agreements. Therefore, the total word count reflected in the results is less than the word count derived by putting the contracts into a word processing program.

Contributing to this report: Researchers Dava Caballero, Chris Friedrich, Avi Ghosh, Emily Heckroth, Matt Houston, Lisa Jones and Carole W. Thorp. Database analyst John Stansbury and videographer Angela Grant also contributed.

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