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Dear AFSCME Leaders,

You may soon get some questions from your members about the AFSCME Advantage Credit Card that many of them carry. I'm writing this letter and providing the enclosed form to help you address those questions.

As you know, America is experiencing its worst financial crisis in seven decades. As the economy moves into recession and unemployment continues to rise, credit card delinquencies have accelerated and losses from unpaid credit card bills are expected to reach historical peaks in 2009. Unfortunately, the AFSCME Advantage Credit Card has not escaped these difficulties.

Given this reality, HSBC, the bank that offers the AFSCME Advantage Credit Card, will be making some changes to the program that affects all cardholders. The changes include raising rates, increasing the rate cap for purchases and increasing the default rate for cardholders who pay late or go overlimit. Cardholders will receive a notice of the changes this month with the new terms taking effect on January 27, 2009. Cardholders who do not agree to the changes will be able to opt out by writing or calling HSBC.

Continuing to Provide Strong Member Protections

Union Privilege worked to shape the changes to be as fair to our members as possible. The AFSCME Advantage Credit Card, while changed, does remain a program with strong consumer protections. For example:

- The AFSCME Advantage Credit Card remains the only credit card with a retail rate cap.
- Although we are disappointed that rates will increase, the impact on our members is comparatively small. The rate increase will cost the average cardholder \$45 more per year. For 60% of cardholders, the increase will be less than \$24 per year.
- The AFSCME Advantage Credit Card continues to have one of the fairest systems of behavior-based pricing. While most banks charge a default rate for one missed payment or going overlimit, union cardholders receive a default rate if they are twice late by three or more days or twice overlimit in a 12-month period. The new 24.99% default rate remains well below the industry average and union members can earn back their original rate with 6 months of on-time payments.

Penalties for Non-Member Cardholders

As you know, AFSCME Advantage programs, including the Credit Card program, are designed exclusively for union members, retirees and their families. Therefore, AFSCME Advantage cardholders who are identified as non-members will receive new, higher pricing at industry rates and they will not be eligible for member savings and benefits.

We have been careful in trying to make sure that only those individuals who are not union members receive the non-member mailer. But, in case of error, we have worked with HSBC to make it simple for members and retirees to verify their membership status.

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There are three ways to do this.

- 1. By Mail.** Use the Union Membership/Affiliation Verification Form the member received in the mail with the Change in Terms notification. Members simply complete the pre-filled form and return it to the bank in the postage paid envelope enclosed with the original notification. We've included a similar form with this letter that you can copy and give to any member who contacts you about this.
- 2. By Phone.** Call 1-800-622-2580. When calling, please provide the following code: UPP0851.
- 3. Online.** Log into your account at www.UnionPlusCard.com and indicate your status through online Customer Service/Customer Assistance. Please include the following code: UPP0851.

Introducing New Union Security Programs

To assist members through these difficult times, Union Privilege will soon introduce new unemployment, health care and education assistance for AFSCME Advantage program participants. These new programs include:

- Job Loss Grants to those who become unemployed
- Hospital Care Grants to help with large unreimbursed hospital expenses
- Saving For College Grants for program participants who open a new college savings plan for their children or grandchildren
- Increased funding for college, trade and technical school scholarships
- Increased funding for disability grants
- Free bankruptcy counseling and debt management plans

These new security benefits will add to the consumer protections already in place including free credit counseling, grants for cardholders out of work due to disability, disaster grants, skip payments and a layoff helpline. Watch for more details in early 2009.

The strength of union membership is never more meaningful than during tough times. Union Privilege is working to help see members through their financial obstacles.

In Solidarity,



Leslie Tolf
President, Union Privilege

Keep up-to-date about the latest on AFSCME Advantage programs at

www.AFSCME.org