

New Credit Card Regulations Take Effect in February

The Credit Accountability Responsibility and Disclosure (CARD) Act is a comprehensive credit card reform bill that was signed into law by President Obama in May 2009. The Act will become effective on February 22, 2010, and provides new protections for consumers, including:

Enhanced disclosures of credit card terms require:

- Cardholders to be given 45 days notice of any interest rate increase;
- Issuers to provide disclosures upon card renewal when the card terms have changed;
- Issuers to disclose the period of time and total interest it will take to pay off the card balance if only minimum monthly payments are made;
- Full disclosure of payment due dates and applicable late payment penalties.

Elimination of Universal Default - credit card issuers can no longer increase the interest rate on one card if a customer missed a payment on another card.

Restrictions on Interest Rate Hikes - no interest rate increases during the first year or on existing balances.

Penalty Payments - card issuers must wait until payments are 60 days late before charging penalty interest rates.

No Fees for Payment by Phone or Online

Bills Must Be Mailed 21 days Before Due Date - no weekend or early morning deadlines.

No More Two-Cycle or Double Billing - cardholders can't average your balances for the last two statements and charge you interest on that number.

Application of payments - credit card companies must apply any payment above the minimum to the highest interest rate balance.

Over-the-Limit Fees - these fees can only be applied if the consumer consents to over-the-limit transactions.

Age Requirements - applicants under the age of 21 must obtain a co-signer OR show they have sufficient income.

Credit Card Reform Has Additional Impact:

- No more zero percent balance transfer offers
- A return to routine annual fees on credit card accounts
- Significant reduction in subprime credit cards, forcing those with bad credit to seek higher cost credit options such as payday loans



- Higher fees (i.e. annual fees and fees for balance transfers, cash advances, or late payments)
- Higher interest rates for some credit card users
- Reward cutbacks
- Lower credit lines
- Potentially reduced access to credit

Be Wary of Scams

The new credit card regulations have created an uptick in scams. Companies call consumers promising to negotiate lower interest rates for a large upfront fee. Don't be taken by this scam. You can negotiate a lower interest with your credit card company yourself – for free!