

Deciphering the Credit CARD Act

Written by ChaChanna Simpson
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I'm sure you've heard of the Credit Card Accountability, Responsibility, and Disclosure Act a.k.a. Credit CARD Act of 2009. But you may not know exactly what the heck it means. Allow me to explain: The Credit CARD Act was signed into law by President Barack Obama on May 22, 2009. This law was created to protect us, the consumer, from continuing to be at the mercy of creditors. "Contracts are drafted not to inform, but to confuse. Mysterious fees appear on statements. Payment deadlines shift. Terms change. Interest rates rise," said President Barack Obama at the signing of the Credit CARD Act.

So how is this great feat to be accomplished? Well, I asked that same question to Diane Nissen Friedman, CMA principal of The Alexandrite Group LLC, a money coaching and financial education company. I originally wanted to include all the rules but Friedman told me there are 30, and I don't feel like typing that much. So I asked her to go over the top 10:

1. Prohibits (with very few exceptions) increases on interest rate, fee, and finance charge increases during the first year of opening an account or to outstanding balances unless the minimum payment has not been received in 60 days. If the minimum is paid, then the rate increase will terminate 6 months or less.
2. Prohibits raising promotional rates for the first 6 months.
3. Prohibits double-cycle billing and one-time payment penalties
4. Consumers will be given the option to opt-in for over-the-limit transaction fees. At most, the fees can only be charged once in each of the two subsequent billing cycles. [Editor's Comment: Yes, let me decide how badly I want an item.]
5. Prohibits issuers from charging consumers any extra fees for payment, except when payment is made by a service representative.
6. If there is an outstanding balance on the account, the issuer must apply any excess amount to the first to card balance bearing the highest rate of interest and then to the next highest rate of interest until the payment is exhausted.
7. If the due date is on a weekend or holiday, when mail is not received, the payment will be credited the next business day. [Editor's Comment: I didn't even know that this wasn't happening in the first place.]
8. Credit card issuers must remove any credit bureau reporting, if the credit card is not activated and the issuer is contacted by the consumer within 45 days of receiving the card.
9. The Act requires creditors to conspicuously and prominently display:
 - "Minimum Payment Warning: Making only the minimum payment will increase the amount of interest you pay and the time it takes to repay your balance" or some such language.
 - Number of months and the total cost card holders will pay if they elect to make only the minimum payments.
 - Monthly payment amount necessary to pay of the credit card balance in 36 months.
 - Include a toll free number for credit counseling and debt management.
 - The date on which payment is due and the date when a late payment fee may be applied, if different, together with the late payment amount or fee.

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[Editor's Comment: I'm really excited about this addition because right now you are just paying and paying and have no clue when the end is. But when this is put in place you can see how close or far you are to paying off your debt. You might get inspired to pay it off faster or not make any unnecessary purchases.]

- Gift card issuers can only charge a dormancy fee if the card has not been used for 12 months and issuer has disclosed the fee that may be accessed.

There is even a provision in there for people under 21. (Man, they thought of everything.) Right now, for a limited amount of time, if you are over 18, you can get a credit card without any problem. But once this law goes into affect, you'll have to be over 21. That's not to say that if you are under 21 you can't get a credit card. You'll just have to either have a co-signer such as a parent, guardian, basically, someone over 21, or prove that you have income. Oh, and there is just one more thing, you will have a limit of \$500 or 20% of your annual income. On the creditor side, they are required to get proof that you have income, have income history, and credit history before they approve you for a card.

And for those of you still on campus, creditors are no longer allowed to offer you free stuff like shirts, water bottles and other stuff for signing up, like they currently do right now. "The credit card companies will have to register and let the college administration know where they are setting up tables. And, if the issuers are on campus, the school must provide information about the use of credit cards in their new student orientation," says Friedman. And, creditors can't issue you a card if you haven't applied for one first.

These changes are not happening all at once. In August, creditors have to start giving you 45 days notice before raising interest rates, are required to keep your payment due date the same day each month, and must mail your statements to you 21 days before your payment is due. The rest of the law takes into effect February 2010. I guess they have to give the creditors time to get their act together.

So there you have it, a mini breakdown of what the Credit CARD Act is about. If you want to learn more about it and see all the other rules I was too lazy to type, visit [this site](#).