

Credit CARD Reform Act

Key Elements

- Bans Retroactive and other Unfair Rate Increases
- Bans Late-Fee Traps
- Cardholder Approval for Over-Limit Purchases
- New Protections during First Year
- Payments go toward Balance with Highest Interest Rate First
- Disclosures in Plain Sight and Plain Language
- Sensible Due Dates and Time to Pay
- Limits for Young Consumers

PROCEED WITH CAUTION The new *Credit CARD* regulations establish long-needed protections for cardholders. But some card issuers have responded by exploiting loopholes and crafting exceptions, resulting in an onslaught of new and higher fees (*example*: balance transfers, purchases outside United States).

The new law sets no restrictions on the types of fees issuers can implement. So always read the details of the agreements and notices you receive from the credit card companies.

Banks are already moving consumers to “variable-rate cards” that have fewer restrictions than fixed-rate cards.

Card companies are expected to raise requirements for new cards and to reduce or eliminate card rewards.

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Credit Cards for People Under 21

Cards cannot be issued to people under 21 years old: *without* a cosigner 21 or older who has “the means to repay” card debts and accepts joint liability until the consumer turns 21; *or* the underage consumer can submit proof of an “independent means of repaying” the debt.

Credit limits cannot be raised on the cards of persons under 21 who have a cosigner without the cosigner’s written permission.

Also under *Credit CARD*, cards can no longer be aggressively marketed to college students and others under 21.

Free Credit Reports

The Fact ACT of 2003 allows everyone to receive a credit report free from each of the three credit bureaus once every year through www.annualcreditreport.com.

Credit CARD requires that advertisements for other credit report offers include the tagline: “This is not the free credit report provided for by Federal law.”

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What Credit Card Reform Means For Consumers

The Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit CARD) took effect February 22, 2010. It is the first major reform of the credit card industry in nearly 30 years.

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New Protections for Consumers

PAYMENTS AND TERMS

- Credit card issuers are now required to accept payment through the mail, over the Internet or by telephone and cannot add a charge to a payment made by any of these methods. The issuer *may* add fees for expedited payments involving a live representative.
- A payment received by 5 p.m. must be accepted as “paid” on the same day. Due dates that change from month to month are no longer allowed.
- Statements must be mailed at least 21 days before a credit card bill is due. The previous standard was 14 days.
- Payments in excess of the minimum amount due must now be applied to the card balance with the *highest* interest rate. Credit cards typically have different APRs (annual percentage rates) for purchases, cash advances, balance transfers and promotions.
- If your card terms change or your APR increases, you have the right to cancel the account before the changes take effect and make payments under current terms.
- If you cancel the account, card issuers cannot change terms for repaying an old balance *except* for allowing five years to pay off the old balance and doubling the

minimum monthly percentage for the payment due.

- You must be told how much total interest costs you’ll pay and how much time it will take to pay off a credit card debt if you make only the minimum monthly payments.
- Companies can no longer hide credit card terms in the “fine print.” Language pertaining to disclosures or terms of agreements must be in 12 point type or larger. (This is 12 pt. type.)

INTEREST RATES AND FEES

- Card issuers must obtain a cardholder’s permission to process transactions that place an account over the limit and activate over-limit fees. (*effective 8-14-10*)
- Issuers can’t retroactively increase the interest rate on existing card balances; *or*
- Raise interest rates within the first year of a new card account, *unless*:
 - *the account is more than 60 days overdue; or*
 - *the increase comes when a promotional rate lasting at least six months expires; or*
 - *the increase is on a variable-rate card (i.e., the APR changes from time to time.; or*
 - *the consumer has completed or failed to comply with a workout or temporary hardship arrangement.*

NOTE: *If any of these four conditions are met, no notice to the cardholder is required.*

- After a credit card account has been open for over a year, card companies must give 45 days notice before raising interest rates, increasing fees, or making other substantial changes to the card holder agreement. Previously, only 15 days notice was required. This provision took effect August 29, 2009.
- Introductory or promotional credit card rates can be offered *only* if the rates last for at least six months.
- If you’re late making a payment, your card’s interest rates can’t be raised instantly. The card issuer must observe a 60-day waiting period.
- For cardholders who are more than 60 days late, the previous, lower interest rate must be restored if you pay at least the minimum payment on time for six consecutive months.
- Your card’s interest rate cannot be raised because you are late on a payment to another creditor (*example*: a car payment). Before the *Credit CARD* act, card issuers could employ this practice -- known as the *Universal Default Clause* -- without notice, even if a cardholder had never been late on a payment to that card company.

