



National Conference of State Legislatures, 9 April 2010

Materials Concerning The New Credit CARD Act

Credit Card Accountability, Responsibility and Disclosure Act of 2009 Pub. Law 111- 24

1. The Credit Card Act, Public Law 111-24 (34 pages)

Also known as HR 627 (Carolyn Maloney)

<http://thomas.loc.gov/cgi-bin/bdquery/z?d111:h.r.00627>: or <http://bit.ly/bvw1Pw>

2. Federal Reserve Board Consumer Tips (2 pages) ATTACHED

The act includes rules that take effect on three timetables—August 2009 (notice requirements), February 2010 (primary rules) and August 2010 (miscellaneous provisions).

Links To Additional Materials

- NCLC, U.S. PIRG et al comments to Federal Reserve on Primary Final Rules (filed November 2010 and effective 22 Feb 2010) (105 pages) available at http://www.nclc.org/issues/credit_cards/content/CARD-RegulationsTo-Fed1109.pdf or <http://bit.ly/bBicEH>
- Final Fed Rules (270 pages) effective 22 February 2010 available at <http://www.federalreserve.gov/newsevents/press/bcreg/20100112a.htm> or <http://bit.ly/cgOwbs>
- Previous interim final rules (certain notice requirements) that took effective August 2009 available at <http://www.federalreserve.gov/newsevents/press/bcreg/20090715a.htm> or <http://bit.ly/dvsB8L>
- Proposed additional rules that will take effect 22 August 2010 available here <http://www.federalreserve.gov/newsevents/press/bcreg/20100303a.htm> or <http://bit.ly/c0KUSd>

Additional information, especially on college student issues, is available at U.S. PIRG's <http://www.truthaboutcredit.org> website. The Credit Card Act restricts marketing cards to youth between 18-21 unless they show an ability to pay or have a co-signer, prohibits conditioning "free gifts" at on-campus or near-campus tables on filling out card applications and requires transparency of contractual agreements by both credit card companies and universities.

Information on the FTC's new rule on deceptive marketing of freecreditreport.com and similar products as required by the Credit Card Act <http://www.ftc.gov/opa/2010/02/facta.shtm> The amended Rule is effective April 2, 2010, except for the wording of the disclosures for television and radio advertisements, which takes effect on September 1, 2010. The FTC will monitor and evaluate the effectiveness of the amended Rule and the required disclosures, and will consider additional changes as necessary.

Edmund Mierzwinski, Consumer Program Director

U.S. Public Interest Research Group (U.S. PIRG)

edm@pirg.org Landline direct 202-461-3821

blog <http://www.uspirg.org/consumer-blog>

U.S. PIRG is a founding member of Americans for Financial Reform, a 250 member coalition of the nation's leading consumer, employee, investor, community and civil rights groups. On the web at <http://www.ourfinancialsecurity.org>

Additional issue: Interchange Fees

We expect that some effort to give merchants greater price negotiation rights or the right to disclose signage promoting lower cost forms of payment or other protections from unfair Mastercard/Visa practices may be considered during U.S. Senate floor consideration of Wall Street reform.

My latest testimony

http://www.house.gov/apps/list/hearing/financialsvcs_dem/mierzwinski_pirg.pdf

or

<http://bit.ly/atyl5J>

Excerpt:

- **All consumers, even those who pay with cash and checks, pay more at the store and more at the pump because these interchange fees are passed on in the overall cost of goods sold.**
- **The significant increases in interchange fees signal a broken market. Visa and MasterCard have tremendous market power, which allows them to dictate the terms of trade: merchants have no choice but to accept Visa and MasterCard products on the sellers' terms. It is not surprising that interchange fees have increased significantly and are much higher in the U.S. than other countries.**
- **The card associations' rules prevent merchants from informing consumers on the costs of payment and limit the ability of merchants to direct consumers to the safest, lowest cost, and most efficient forms of payment.**
- **In addition, both the associations and banks engage in a variety of deceptive practices to drive consumers to higher-cost forms of payment.**
- **Neither the card-issuance or card network markets are competitive. Because of lax merger policy the card-issuance market has become an oligopoly. Interchange and consumer fees have increased as concentration has increased to alarming levels.**
- **Finally, this oligopolistic concentration has allowed issuers to engage in a variety of unfair and anti-consumer practices.**

Link to pro-consumer bill passed in Vermont Senate last week:

<http://www.leg.state.vt.us/docs/2010/bills/Senate/S-138.pdf>

Edmund Mierzwinski

Consumer Program Director

U.S. Public Interest Research Group (U.S. PIRG)

edm@pirg.org

direct 202-461-3821

blog <http://www.uspirg.org/consumer-blog>

U.S. PIRG is a founding member of Americans for Financial Reform, a 250 member coalition of the nation's leading consumer, employee, investor, community and civil rights groups. On the web at <http://www.ourfinancialsecurity.org>

Board of Governors of the Federal Reserve System

- About the Fed
- News & Events
- Monetary Policy
- Banking Information & Regulation
- Payment Systems
- Economic Research & Data
- Consumer Information
- Community Development
- Reporting Forms
- Publications



WHAT YOU NEED TO KNOW:

New Credit Card Rules



The Federal Reserve's [new rules for credit card companies](#) mean new credit card protections for you. Here are some key changes you should expect from your credit card company beginning on February 22, 2010.

What your credit card company has to tell you

- **When they plan to increase your rate or other fees.** Your credit card company must send you a notice 45 days before they can
 - increase your interest rate;
 - change certain fees (such as annual fees, cash advance fees, and late fees) that apply to your account; or
 - make other significant changes to the terms of your card.

If your credit card company is going to make changes to the terms of your card, it must give you the option to cancel the card before certain fee increases take effect. If you take that option, however, your credit card company may close your account and increase your monthly payment, subject to certain limitations.

For example, they can require you to pay the balance off in five years, or they can double the percentage of your balance used to calculate your minimum payment (which will result in faster repayment than under the terms of your account).

The company does **not** have to send you a 45-day advance notice if

- you have a variable interest rate tied to an index; if the index goes up, the company does not have to provide notice before your rate goes up;
- your introductory rate expires and reverts to the previously disclosed "go-to" rate;
- your rate increases because you are in a workout agreement and you haven't made your payments as agreed.

- **How long it will take to pay off your balance.** Your monthly credit card bill will include information on how long it will take you to pay off your balance if you only make minimum payments. It will also tell you how much you would need to pay each month in order to pay off your balance in three years. For example, suppose you owe \$3,000 and your interest rate is 14.4%--your bill might look like this:

New balance	\$3,000.00
Minimum payment due	\$90.00
Payment due date	4/20/12

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 late fee and your APRs may be increased up to the Penalty APR of 28.99%.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay . . .	You will pay off the balance shown on this statement in about . . .	And you will end up paying an estimated total of . . .
Only the minimum payment	11 years	\$4,745
\$103	3 years	\$3,712 (Savings = \$1,033)

New rules regarding rates, fees, and limits

- **No interest rate increases for the first year.** Your credit card company cannot increase

Useful terms...

"go-to" rate
interest rate you are charged after the introductory rate

index
an economic indicator used to calculate interest-rate adjustments (e.g. the [Cost of Funds Index](#) 71 KB PDF)

opt-in
giving your credit card company permission to include you in a particular service

workout agreement
a type of debt management plan

[Download 2 MB PDF](#)

[Español](#)

Other resources...

- [Bank Accounts and Services](#)
- [Credit Cards](#)
- [Identity Theft](#)
- [Leasing](#)
- [Mortgages](#)
- [Personal Finance](#)
- [Federal Agency Contacts](#)

Need more direction...

To learn more about how these new rules directly apply to you, contact your credit card company by calling their toll-free number.

More of this series...

WHAT YOU NEED TO KNOW:

[New Overdraft Rules for Debit and ATM Cards](#)

your rate for the first 12 months after you open an account. There are some exceptions:

- If your card has a variable interest rate tied to an index; your rate can go up whenever the index goes up.
 - If there is an introductory rate, it must be in place for at least 6 months; after that your rate can revert to the "go-to" rate the company disclosed when you got the card.
 - If you are more than 60 days late in paying your bill, your rate can go up.
 - If you are in a workout agreement and you don't make your payments as agreed, your rate can go up.
- **Increased rates apply only to new charges.** If your credit card company does raise your interest rate after the first year, the new rate will apply only to new charges you make. If you have a balance, your old interest rate will apply to that balance.
- **Restrictions on over-the-limit transactions.** You must tell your credit card company that you want it to allow transactions that will take you over your credit limit. Otherwise, if a transaction would take you over your limit, it may be turned down. If you do not opt-in to over-the-limit transactions and your credit card company allows one to go through, it cannot charge you an over-the-limit fee.
- If you opt-in to allowing transactions that take you over your credit limit, your credit card company can impose only one fee per billing cycle. You can revoke your opt-in at any time.
- **Caps on high-fee cards.** If your credit card company requires you to pay fees (such as an annual fee or application fee), those fees cannot total more than 25% of the initial credit limit. For example, if your initial credit limit is \$500, the fees for the first year cannot be more than \$125. This limit does not apply to penalty fees, such as penalties for late payments.
- **Protections for underage consumers.** If you are under 21, you will need to show that you are able to make payments, or you will need a cosigner, in order to open a credit card account.
- If you are under age 21 and have a card with a cosigner and want an increase in the credit limit, your cosigner must agree in writing to the increase.

Changes to billing and payments

- **Standard payment dates and times.** Your credit card company must mail or deliver your credit card bill at least 21 days before your payment is due. In addition
- Your due date should be the same date each month (for example, your payment is always due on the 15th or always due on the last day of the month).
 - The payment cut-off time cannot be earlier than 5 p.m. on the due date.
 - If your payment due date is on a weekend or holiday (when the company does not process payments), you will have until the following business day to pay. (For example, if the due date is Sunday the 15th, your payment will be on time if it is received by Monday the 16th before 5 p.m.).
- **Payments directed to highest interest balances first.** If you make more than the minimum payment on your credit card bill, your credit card company must apply the excess amount to the balance with the highest interest rate. There is an exception:
- If you made a purchase under a deferred interest plan (for example, "no interest if paid in full by March, 2012"), the credit card company may let you choose to apply extra amounts to the deferred interest balance before other balances. Otherwise, for two billing cycles prior to the end of the deferred interest period, the credit card company must apply your entire payment to the deferred interest-rate balance first.
- **No two-cycle (double-cycle) billing.** Credit card companies can only impose interest charges on balances in the current billing cycle.

Last update: March 11, 2010

[Home](#) | [Consumer Information](#)

[Accessibility](#) [Contact us](#) [Disclaimer](#) [Linking Policy](#) [FOIA](#)

[PDF Reader](#) 