



New Credit Card Rules

A few years ago, the Federal Reserve determined that certain practices in the credit card industry were “unfair or deceptive”. Those findings turned into legislation passed in 2009 which will finally be implemented later this month.

The Fed has published a two-page guide on what will change, which can be found at <http://www.federalreserve.gov/consumerinfo/wyntk/creditcardrules.htm>.

The changes fall into two broad groups: what the credit card companies now have to tell a cardholder, and new rules on rates, fees, limits, billing, and payments.

Credit card companies now have to tell cardholders:

- When they plan to increase a person’s interest rate, or other fees. This has to be done via a notice delivered 45 days prior to the change.
- How long it will take a cardholder to pay off a balance if they’re only making the minimum payment, and what monthly payment they’d need to make to pay off the balance in three years. This information will appear on every monthly bill.

New rules on rates, fees, limits, billing, and payments include:

- Interest rates cannot be raised on a cardholder in the first 12 months (with several exceptions, so it bears reading the fine print).
- If a cardholder’s interest rate is increased, that higher rate applies only to *new* charges on a card, not old balances.
- A cardholder has to opt-in to allow transactions over his/her credit limit, and the credit card company can charge only one over-the-limit fee per billing cycle.
- Customers under age 21 must show that they’re able to make payments, or have a co-signer, in order to open an account.
- Credit card companies must mail out bills 21 days before payment is due, and the due date must be on the same date each month.
- Payments beyond the minimum must be applied to the balances that carry the highest interest rate.

I’m not sure that the new rules will prevent dogs and babies from getting credit card applications in the mail, but they seem like a step in the right direction. The rules should curb egregious practices on the part of credit card companies, and should also promote better financial literacy on the part of consumers. The new requirement that each monthly bill report to a consumer just how long it will take them to retire the debt if they’re only making minimum payments should go a long way towards increasing

understanding of how debt works, and the 3-year payoff information will give every cardholder who is struggling with debt a target they can understand.

-- Therese Govern. Posted 02/16/10.