Clients –

As you may have heard, new legislation via the Credit Card Act of 2009 is being phased into law that will change many of the rules & regulations around credit cards and how you will interact with credit card providers. Some have already gone into effect, but most begin in February 2010. For those of you interested in reading the full 33-page text of the Act (more formally known as The Credit Card Accountability Responsibility and Disclosure Act of 2009, you can read it at: http://www.creditcardreform.org/pdf/credit-card-bill-2009.pdf. For everyone else, here's a quick summary of what's in the bill that could affect you or your family:

- Interest rate increases are not allowed in the first year after an account is opened unless 1) the initial rate was a promotional rate, 2) the card specifically says that it will use a variable rate, OR 3) you are more than 60 days late on a payment.
- Interest rate increases are not allowed on existing balances at all except for one of the reasons in the first bullet.
- The interest rate on future purchases can only be raised after the first year AND after a 45 day notice (which at this time can take any form, so check out those little inserts with your bill or changes to terms and conditions). No notice is required for reasons in the first bullet.
- [Beginning Aug 2010]. If your interest rate is raised because of a late or missed payment, it has to be brought down to the previous rate after 6 months of on-time payments.
- Unless you've specifically asked the provider to approve transactions that would exceed your credit limit, the provider is required to decline those transactions instead of allowing them and then charging you an over-the-limit fee.
- Interest charged per billing cycle must be based on the balances of that cycle (no two-cycle billing).
- If you pay more than the required minimum on any cycle, the provider must apply the excess amount to the balance that is associated with the highest interest rate (except in the last two months of a 0% interest cycle). This is a big change as some credit providers who offered a 0% balance transfer would force you to pay off the transferred amount prior to applying payments toward new purchases and new balances (SNEAKY!!)
- Bills have to be mailed at least 21 days prior to the due date or the provider cannot charge a late fee.
- Applicants under age 21 need a co-signer or have to prove their income.
- Providers can no longer offer sign-up gifts on or near college campuses (no more free t-shirts in exchange or new cards)
- Advertisements for free credit reports must also disclose that free credit reports are available at AnnualCreditReport.com.
- Your credit card bill must indicate how long it will take and how much interest will ultimately be paid to pay off your balance if you make only minimum payments.
- One card provider cannot raise your interest rate (per the rules above) due to a late or missed payment on another card.

Additional protections have been provided for gift card users and applies to retail and general (visa, amex, mastercard, discover) cards:
- Gift cards can't expire less than 5 years from the last time money was added to the card (initial purchase included).
- Inactivity fees cannot be charged if the card was used in the last 12 months

Overall, this act will outlaw many unfair and unethical practices that card providers have used in the past as well as making consumers more aware of the interest and fees that they pay. As a side effect though, these changes will likely increase the cost for credit providers and limit their ability to charge certain fees to the cardholder. The end result may be that legitimate fees and interest rates are raised to make up for this and legal penalties for late payments will likely be harsher. The moral of the story is that it's more important than ever to make credit card payments on time and abide by the terms and conditions provided at the time you open the account.

If you have any questions about this or anything else, please don't hesitate to contact me.