Consumers Union
Nonprofit Publisher of Consumer Reports

New Consumer Credit Card Protections

The new credit card law provides the following protections:

Restricts all interest rate increases during the first year

Stops credit card issuers from raising interest rates in the first year after a credit card account is opened, except:

- When the increase varies under a variable interest rate.
- At the end of the promised time period for a promotional rate. For example, the issuer can offer 3% for six months and then 12% after that. (The promotional period must be at least 6 months.)
- If the required minimum payment is not received within 60 days after the due date.

Restricts interest rate increases on *existing balances*

Credit card issuers cannot raise interest rates on existing balances unless:

- The increase is under a variable interest rate.
- It is the end of a promised time period for a promotional rate.
- The required minimum payment is not received within 60 days after the due date.

Increases notice for rate increase on *future purchases*

- After the first year, the card issuer can raise the rate on *future purchases* with 45 days notice. No notice is required for increases due to one of the reasons state above.

Preserves the ability to pay off on the old terms

Credit card issuers can't change the terms for repaying a balance, except that the issuer may give the cardholder either:

- Five years to pay off the outstanding balance at the old rate; or
- An increased minimum payment that has no more than twice as much of a contribution to paying down the balance as the old minimum payment.

Places limits on fees and penalty interest

- If the interest rate increases because the minimum payment is not received within 60 days after the due date, the rate must go back to the original lower rate if the consumer makes the next 6 minimum payments in a row.

West Coast Office
1535 Mission Street
San Francisco, CA 94103
415.431.6747 tel
415.431.0906 fax
www.consumersunion.org

- No over-the-limit fees may be charged unless the consumer has asked for the account to be set up to allow transactions which will exceed the credit limit.

- An over-the-limit fee may be imposed only once per billing cycle if the balance is above the credit limit on the last day of the billing cycle.

- No fees to make a payment except for expedited payments arranged through a service representative.

- A card issuer who increases the interest rate must review the account every 6 months and to decrease the rate if indicated by the review. (effective August 2010)

- Penalty fees (late fee, over-the-limit fee, etc.) must be reasonable and proportional to the omission or violation. (effective August 2010)

- Two-cycle billing is prohibited. An issuer cannot reach back to an earlier billing cycle when calculating the amount of interest charged in the current cycle.

Requires issuers to consider consumer's ability to pay

- Card issuers must consider the consumer's ability to make the required payments under the credit card's terms before raising limits or issuing a new card.

Requires fair application of payments

- Amounts in excess of the minimum payment must be applied to the highest interest rate, except in the last two months before a deferred interest balance is due.

Provides sensible due dates and time to pay

- Prohibits credit card issuers from setting early deadlines for payments. Payments must be received by 5:00pm at a location set by the issuer.

- Due dates will be on the same day each month.

- The rule prohibits card issuers from treating a payment as late unless the bill is mailed or delivered at least 21 days before the due date.

Protects young consumers

- Before issuing a card to a person under the age of 21, the card issuer must obtain an application which contains either:
  - Signature of a cosigner over the age of 21, or
  - Information indicating an independent means of repaying any credit extended.

- Card issuers may not raise the credit limit on accounts held by a person under the age of 21 who has a cosigner without written permission from the cosigner.

- No prescreened credit card offers to people under the age of 21 unless the consumer has consented to receive prescreened offers.

- Restricts card issuers from providing tangible gifts to students on campus in exchange for filling out a credit card application.

- Requires colleges to publicly disclose any marketing contracts made with a card issuer.

Prevents deceptive marketing of credit reports

- Advertisements for free credit reports must disclose that free credit reports are available under Federal law at: AnnualCreditReport.com.

Restricts issuance fees on fee harvester cards

- Restricts issuers from financing fees and charges for opening a credit card where the fees and charges total more than 25% of the credit limit.

Requires enhanced disclosures

- Requires issuers to disclose the period of time and total interest it will take to pay off the card balance if only minimum monthly payments are made.

- Requires 45 day written notice before the issuer can raise the APR or make any other significant change to the card agreement.

- Requires periodic statements to clearly state the required due date and late payment penalty.

- Credit card agreements will be posted online and the Federal Reserve Board must keep a public website providing them to the public.

Establishes gift card protections (effective August 2010)

- Gift cards cannot expire less than five years from the date the card was purchased or money was last added to the card, whichever is later.

- No fees if the card has been used within the past 12 months. If a card remains unused for 12 months, then there can be one fee a month.

- Stronger state laws continue to apply, including for both expiration dates and fees.

- The bill covers both retailer gift cards and prepaid general use gift cards (the ones that often are branded as Visa, American Express, MasterCard, or Discover.) The law does not cover rewards, loyalty, telephone or promotional cards and does not cover paper gift cards or paper gift certificates.