

Doron F. Eghbali Banking Law

How Does Credit CARD Act Affect Us?

Thursday, February 18, 2010 by [Doron F. Eghbali](#)

On February 22, 2010, Credit Card Accountability Responsibility and Disclosure Act (CARD Act) takes effect. The CARD Act is, arguably, the most consumer protective piece of legislation regulating dreaded credit cards. However, as always, the devil is still in the details. Let us educate ourselves about this new piece of legislation affecting all of us.

PROTECTIONS

1. **No Rate Increases for 12 Months:** After opening an account, no rate increases for 12 months.
2. **Rate Increases After the 12 Months to New Charges, :** Rate increases after the 12 months could only be applied against new charges.
3. **Application and Annual Fees Cannot Exceed 25%:** Application and annual fees cannot exceed 25% of the initial credit line.
4. **Six-Month Initial Promotional Rate Period:** If credit card issuers give us a promotional rate period, that period must be at least for 6 months.
5. **No Fees to Pay Online or Over the Phone:** Credit Card Companies cannot charge us any fees for credit-card payments over the phone or online. However, such fees are permissible, if payment is made on the due date.
6. **45-Day Notice of Significant Changes:** 45-day notice is required, if the credit card company is raising your interest rates or fees or making significant changes to credit card terms.

STATEMENTS, DISCLOSURES and BILLING

1. **21-Day Billing Requirement:** Your credit card statement MUST be mailed to you at least 21 days prior to due date.
2. **Similar Due-Date Each Month:** Your credit card due date should be the same date each month.
3. **On Time Due Date by 5:00 PM:** Credit-card payments are considered on time if they are received by 5:00 PM of the due date or the 5:00 PM of the next business day if due date falls on a holiday or weekend.
4. **Payments Above Minimum to be Applied to Highest Interest First:** Any payment made above the minimum monthly payment must be applied to highest interest-rate balance first.
5. **Disclosures on How Long It Takes to Pay Off Your Credit Card Debt:** Every statement MUST include how long it takes to pay off your debt if you make only monthly minimum payments with your current debt and how much interest and principal you will have paid by the time you pay it off. In addition, they MUST include how much in

monthly payment you need to make if you want to pay off your balance in 36 months including the interest and principal you will have paid at the end of the 36-month period.

6. **Warning on Minimum Monthly Payments:** Your credit-card statement MUST include a warning that a credit card consumer will pay significantly higher in interests if only monthly minimum payments are made. In addition, the billing statement MUST include a toll-free number to call a credit counseling agency.
7. **No Credit Cards for *College Students*:** No credit cards allowed for college students, UNLESS co-signed by their parents or students CAN show they are able to show "ability to pay".
8. **NO Credit-Limit Increase for *College Students*:** No Credit limit increases for college students UNLESS co-signer's written permission.
9. **No Marketing on *College Campuses*:** Credit card companies cannot advertise or give out freebies on campuses. But, they could still advertise in other popular places frequented by college students.

CAVEATS and LOOPHOLES

1. **Rate Increases Still Possible:** Credit-card companies could still increase interest rates on the current charges if the payment is 60 days past due.
2. **Banks Have Already Increased Interest Rates:** Most banks have already sought to mitigate the effects of the CARD Act by increasing interest rates to 29.9%. For a more detailed discussion of what banks are expected to react to the CARD Act, read my earlier article on [Credit Card Users: Watch Out Now](#).
3. **Parents Could Be On the Hook for their College Children:** Since college children need to get a co-signer to get credit cards, the co-signer parent could be liable as long as the balance has not been paid off.
4. **NO Opt-In for Over-Limit Fees:** Do not sign up for over-limit fees. Credit card companies may offer you lower rates on over-limit fees, if you opt in. However, the reality is that if you do not opt in, you would never be charged for the over-limit or any corresponding charges.