

The CARD Act of 2009

The Credit Card Accountability, Responsibility and Disclosure Act of 2009 offers new protections to consumers, including special protections for students and those under 21.

Highlights of the legislation include:

Protections for Young People

- Before issuing a card to those under the age of 21, card companies must secure either a cosigner or information indicating an independent means of repaying the credit. If a cosigner is used to obtain the card, the credit limit may not be raised without the permission of the cosigner.
- Card companies are restricted from providing gifts to students on campus in exchange for filling out a credit application.
- Schools are required to disclose any marketing relationships with credit card companies.
- Card companies cannot offer “pre-approved” offers to those under 21.

Rate Increases

- Card issuers cannot raise interest rates without a reason (such as a late payment) within the first year.
- Card issuers cannot raise interest rates on existing balances, known as retroactive rate increases.
- Card issuers may only increase interest rates on future purchases after the first year and with 45 days written notice.
- These protections disappear if a payment is over 60 days late, for promotional rates (which must now be at least 6 months in duration), and for cards with rates that may change along with the lending rates set by the Federal Government.

Disclosures

- Issuers are required 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.
- Statements must clearly specify due dates and the penalty for missed payments.

Punitive Rate Increases

- 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 on time minimum payments for 6 months.

Over-the-Limit (Courtesy Overdraft Protection) Fee Changes

- No over-the-limit fees may be charged unless the consumer has authorized the account to be set up to allow transactions which will exceed the credit limit, in which case only one fee is allowed per billing cycle.

Payments

- Due dates will be on the same day each month.
- Highest Interest Paid First – If you have a more than one interest rate associated with your account (for example, a higher rate for a cash advance), any payment above the minimum would be applied to the highest interest rate debt first.

Gift Cards

- No more dormancy fees (fees charged for not using the card) within the first year, and the card cannot expire sooner than 5 years.

While the CARD Act will not solve all problems associated with credit card use and abuse, it should help a significant number of consumers.