

## MONEYWISE – New Credit Card Laws Take Effect

Congress passed the Credit Card Accountability Responsibility and Disclosure Act in May 2009. While some of the changes became effective last fall, the majority started February 22, 2010, with others not effective until August 2010. The new credit card law addresses interest rate increases, penalties, and fees. For more information on the Credit Card Accountability Responsibility and Disclosure Act of 2009, read the [FDIC Consumer News Release](#).

The new credit card law will implement the following changes:

- The Annual Percentage Rate (APR) on existing balances cannot be increased for one year after opening the account. The APR may be increased sooner if the credit issuer informed you at the time the account was opened, the card is a variable rate card, meaning the APR is linked to a specific published index, if the minimum payment on the card is not made within 60 days, and if the card holder had a debt reduction or concession agreement (meaning the card holder had a special circumstance agreement with the credit issuers) and did not meet the requirements of the agreement.
- At the end of the first year, the credit issuer can increase the card holder's APR, but only on new purchases and must be within the potential rate increase information already provided to the card holder.
- The credit issuer must now provide 45 days notice to changes that will be made to the card holder account. The credit card holder will also be allowed to cancel their credit card prior to new changes taking effect, without having to immediately repay the outstanding balance. The outstanding balance would be repaid at the old rate.
- Credit card companies will still be allowed to offer teaser rates or low introductory offers, but the rate cannot increase until after the advertised period which must be at least six months. Credit card companies must be clear in disclosing information about the teaser rate.
- Credit card holder will now receive their monthly statement 21 days prior to the due date. This is an increase from 14 days.
- If you have a credit card with multiple interest rates, for example a specific interest rate for balance transfers and a different rate for new purchases, any payment over the minimum monthly payment must be applied to the highest interest rate balances first.
- Two-cycle billing will be prohibited. Double cycle billing is when the credit issuer uses both the current balance on the credit and the average daily balance from the previous period (even if a portion was paid) to calculate interest charges.
- You must now opt-in or tell your credit card company if you want to allow over-the-limit transactions. If you allow over-the-limit transactions the credit issuer can only charge one fee per billing cycle.

Perhaps the most notably change to many consumers, will be the change in their monthly credit card statement. The monthly credit card statement will now include information on how much the credit holder has paid in interest and fees during the current year. Furthermore, the credit card company must now provide the consumer with how long it will take to pay off the card, making the minimum monthly payment. Additionally, the card issuer must provide the minimum monthly payment required to pay off the credit card within 36 months. This information should help cardholders budget to be able to pay their card off more quickly. The credit card company must also provide the due date for the current statement, as well as the amount of late fees or penalties charged if the payment is late.

Compiled from the [FDIC Consumer News Summer 2009](#) release. Additional information on the new credit card laws, as credit card information in general is available from the FDIC at [www.mymoney.gov](http://www.mymoney.gov), and the [Federal Reserve Board's Consumer Guide to Credit Cards](#).

If you are looking for additional money tips, educational materials may be found on [Moneywise](#).

Compiled by Jennifer Hunter, Senior Extension Associate Agricultural Economics,  
[jhunter@uky.edu](mailto:jhunter@uky.edu)