

CARD Act

Credit Card Accountability Responsibility and Disclosure Act of 2009

The CARD Act of 2009 effective Feb 22, 2010, provides many new protections for consumers. The CARD Act improves notification time for payments, places restrictions on interest rates and allows card holders to opt out of accounts. *Please note the CARD Act does not apply to business or corporate credit cards.*

This Fact Sheet provides an overview of key changes consumers can expect from their credit card companies.

How does the CARD Act impact my monthly billing and payment?

- Billing statements are sent 21 days before the due date.
- The bill due date is same each month, and can be paid until 5pm.
- No fees can be charged to make a payment, unless it is to rush the payment.
- Credit card companies can only charge interest for purchases made in the current billing cycle.
- Any payment over the minimum amount due is applied to the balance with the highest interest rate.
- Billing statements include information on how long it will take you to pay off the balance if you only make the minimum payment.

Does the CARD Act affect my interest rates or credit limits?

- For new accounts, the interest rate cannot increase for the first 12 months (this does not apply to variable rate credit cards, if the promotion rate ends or a payment is 60 days late).
- All promotion rates must be for a minimum of 6 months.
- Interest rate increases require 45 days advance notice and can only apply to future purchases (again this does not apply to variable rate credit card, if the promotion rate ends or a payment is 60 days late).
- There is no cap on how high interest rate can increase.
- Credit card companies can close or reduce limits without notice, unless it results in a penalty, then 45 days notice is required.

Are there any restrictions on fees or charges?

- No over the limit fees can be charged unless you agree the credit card company can approve transactions that exceed your credit limit.
- Only one over the limit fee can be charged per billing cycle.
- Credit cards that require upfront fees cannot charge more than 25% of the initial credit limit.

Can I choose to “opt out” of my credit card?

- If significant changes are made to the terms of the account, you have the option to “opt out” (cancel the card) and pay under the old terms.
- The “opt out” option does not apply if you are more than 60 days late on current payment or if you have a variable rate card.
- You cannot “opt out” because of increases in the minimum monthly payment or to prevent a reduction in your credit limit.
- If you “opt out,” the credit card company can collect the balance over at least 5 years, increase the minimum payment or allow the original repayment terms.
- Opting out is not considered defaulting on the account and you cannot be penalized by the credit card company. However it will lower your available credit and may negatively impact your credit score.

Are there other changes?

- If you are under 21 years of age, you have to demonstrate you are able to make payments or need a cosigner to open a credit card account.
- Cosigners must agree in writing before the credit limit can be increased.
- Credit companies offering gifts for applying for a credit card must be 1,000 feet from college campuses.
- Gift cards and other pre-paid cards cannot expire 5 years before the date they were activated, unless the expiration date is clearly disclosed.
- Starting August 22, 2010, if a credit card company increases the interest rate on an account, they must review the account every six months and either reduce the rate or provide in writing the reason the interest rate increased.

For additional information on the CARD Act of 2009 and other consumer tools visit
www.federalreserve.gov/creditcard

If you have questions about how credit impacts buying a home, speak with a Housing Counselor in your area by contacting the Minnesota Home Ownership Center today: 651-659-9336 or 866-462-6466 or www.hocmn.org