



## **ElderCare Q&A**

### **New Credit Card Rules Coming**

#### **Q: Are new credit card rules coming any time soon?**

**A:** Yes. The Credit Card Act of 2009 takes effect on February 22, 2010.

Under this new law, credit card companies must give cardholders 45 days notice of any interest rate increases. Cardholders will also have the right to cancel their card and pay off their existing balance at the existing interest rate and repayment schedule if they get hit with an interest rate hike.

The new law gives cardholders 3 billing cycles after the rate increase to say no to these new terms. It prevents credit card companies from retroactively increasing interest rates on the existing balance of a cardholder in good standing for reasons unrelated to the cardholder's behavior with that card. If you are hit with a higher interest rate because you fell behind on payments, you can regain your lower interest rate after paying on time for six months. Card companies will be prohibited from arbitrarily changing the terms of their contract with a cardholder, banning the so-called practice of "any-time, any-reason repricing."

Card companies will not be able to penalize people who pay on time. Companies will not be allowed to charge interest on debt that is paid on time during a grace period---the so-called "double-cycle billing" practice. Card companies will be banned from slapping fees on the remaining interest-only balance of a cardholder who has paid his/her bill on time.

Credit card companies will now be required to mail their billing statements at least 21 days before the due date---one week longer than the current 14 days minimum. Payments made before 5 p.m. EST on the due date will be considered paid on time. Card companies will not be allowed to charge late fees if a cardholder can prove he or she mailed her bill within 7 days of the due date.

Cardholders who are pre-approved for a card will be allowed to reject their card up until the moment they activate it---without hurting their credit. Companies will also be required to offer consumers a fixed credit limit that cannot be exceeded. Card companies will have limits placed on the fees they charge cardholders for going over their credit limits.

Companies will now have to apply your payments to the debt with the highest interest rate first (above your minimum payment). For example, if you have a cash advance balance that charges 25% interest, but your regular balance is 10%, when you make more than the minimum payment due, the excess payment will go towards paying off the balance on the 25% cash advance. Currently companies would use your extra payment to pay off the lower-interest balance.

"Universal default" also is now banned. This is the practice in which a card company can change the terms on your card based on your record with any other card. The new law requires that your credit card company can only change your terms based on how you are handling its card.

Consumer rights groups point out that the new law does not place any cap on interest rates, so you can still wind up with a card that charges 30% interest rates if you don't follow the new rules cited here.

Some sponsors of this new law called it a "balanced, moderate bill" which simply levels the playing field between card companies and cardholders while fostering fair competition and free market values. It sets no rate caps, fees, or price controls on the credit card companies.

Remember, these new rules don't go into effect until February 22nd, so card companies are not held to the rules cited in this article until then.

Your credit card company is likely to send you a notice about the new law before it takes effect. When it arrives, read it carefully, and don't throw it out.