WHAT CONSUMERS NEED TO KNOW ABOUT NEW CREDIT CARD REGULATIONS

Take Charge America, one of the nation’s leading credit counseling organizations, breaks down federal rules that go into effect Feb. 22

PHOENIX – (Feb. 8, 2010) – The relationship between consumers and credit card companies is in the midst of a dramatic shift. New regulations signed into law last year by President Obama are set to take effect Feb. 22, and they’re impacting the ways Americans qualify for, obtain and use their credit cards.

The first wave of guidelines associated with the Credit CARD Act of 2009 went into effect last year, such as a 21-day statement mailing requirement. Now, the majority of reforms are set to alter the credit landscape.

“These new regulations represent the most sweeping reforms to the credit card industry in nearly 30 years,” said Mike Sullivan, director of education for Take Charge America, a national non-profit credit counseling agency. “The notorious fine print is changing, and every consumer needs to know how this will impact their budgets and future planning. There are pros and cons, all depending on your individual financial situation.”

Sullivan offers a breakdown of rule changes that affect most consumers:

**Interest Rates:** Interest rates cannot increase during the first year on new accounts, and promotional rates must last for at least six months. In most cases, retroactive rate increases – or interest rate hikes on existing accounts – have been banned. Additionally, universal default has been banned. This refers to the practice of increasing credit card users’ interest rates based on their payment records with unrelated accounts, such as a utility or phone bill.

**Payments and Billing:** The due dates for monthly payments must occur on the same day each month. If the due date falls on a weekend or holiday, payments must be credited to the account on the next business day. In addition, double-cycle billing has been banned. That means credit card issuers cannot assess finance charges for previous billing cycles unless there was an adjustment from a disputed purchase or a payment was returned for insufficient funds.

**Disclosures:** Credit card issuers must provide the full text of all agreements on their websites. They are also required to notify consumers of significant changes to their account terms at least 45 days prior to taking effect. If the consumer doesn’t agree to those changes, he or she has the option to close the account, or “opt out.” Additionally, all creditor statements must include contact information to a non-profit credit counseling agency, such as Take Charge America, that can serve as a resource for sorting through financial challenges.

**Fees:** Consumers now must opt-in for over-limit fees. If they choose not to, over-limit purchases will be rejected. If assessed, an over-limit fee can only occur once during each billing cycle. Moreover, consumers cannot be charged extra fees for making payments electronically, by phone or by mail. Expedited payments are still subject to a fee, no matter the delivery.

**Qualification:** Credit card companies are required to consider an applicant’s income or assets and current debts prior to approving credit. Previously, income was self-reported. Now, it will be estimated by the credit bureaus using statistical models based on information in a credit report. While income can’t be the sole determinant of refusing credit, it can play a significant role.
**Young Consumers**: Consumers younger than 21 cannot qualify for credit cards as easily. They must be able to show proof of income or have an adult co-signer. In addition, credit card issuers cannot offer free gifts to induce students to sign up for credit cards within 1,000 feet of a college campus.

**Business Credit Cards**: The new reforms only apply to consumer credit cards, not commercial credit cards issued to small business owners or corporate accounts.

Additional provisions are set to take effect throughout 2010. For a full report, visit [www.creditcards.com](http://www.creditcards.com). For more information on Take Charge America, visit [www.takechargeamerica.org](http://www.takechargeamerica.org).

**About Take Charge America, Inc.**

Take Charge America, Inc., a non-profit financial education, credit counseling and debt management agency, is dedicated to helping consumers nationwide improve their financial futures. It partners with creditors, credit unions, employers, government groups and educational institutions to reach different segments of the population experiencing a variety of financial challenges. Since its founding in 1987, the company has grown from three to nearly 400 employees. It has helped more than 1.5 million consumers nationwide manage their personal finances and debts. For more information on Take Charge America, visit [www.takechargeamerica.org](http://www.takechargeamerica.org) or call (888) 822-9193.

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