

THE CARD ACT OF 2009



UNDERSTANDING THE NEW

CREDIT CARD

DISCLOSURE ACT

A new credit card law
will change the way
credit cards are managed.
HERE'S WHAT YOU SHOULD
KNOW ABOUT IT

Change is Coming to Your Wallet!

A new law has begun taking effect, and it will likely change the way you use and manage your credit cards. Called the Credit Card Accountability, Responsibility and Disclosure Act (The CARD Act of 2009), it takes full effect in August 2010, with many provisions coming into effect sooner—in August 2009 and February 2010. **Here are some key areas you will want to know about:**

■ INTEREST RATES AND TERMS

If you have been afforded a low introductory rate, it will remain the same for at least six months. No rate increases will be allowed (except for expiring “teaser rates”) for the first year of a contract. In the event your interest rate, fees or finance charges increase, you will be provided 45 days notice. Penalty rates for late payment can be assessed only after 60 days.



TIP: *Being timely on payments can pay off!*

If you are late on a payment and are assessed a penalty rate, you can get your old rate back by paying on time for the next six consecutive months.

■ FEES AND PAYMENTS

You will have additional time to budget your card payments, since bills will be mailed 21 days before the due date. If you pay by mail, telephone or electronic transfer, there will be no fee (unless live services are required). Your permission will be required before your card issuer will allow you to go over your limit for a fee.

TIP: *It pays to pay above the minimum!*

When you pay above the minimum payment, the additional money will go to the debt with the highest interest first.

■ **STUDENTS AND GIFT CARDS**

Anyone under age 21 will need to have a parent or guardian co-sign for them or else be able to prove that they have independent means to pay for the credit. The transparency between credit card companies and universities will increase, along with limits on the ways card can be marketed to students.



TIP: *Gift cards keep giving!*

Gift cards will have at least a five-year lifespan, with no declining value or fees for cards not used within a reasonable period of time.

CHANGES WILL BE PHASED IN

The provisions of the CARD Act of 2009 will come on stream in phases. Here is how it will work out in broad terms.

✓ **August 2009**

- Statements must be mailed 21 days before bill is due
- 45 days notice required before increasing interest rates and fees.

✓ **February 2010**

- Most of the other key provisions come on stream

✓ **August 2010**

- Cardholders assessed a penalty APR for late payment can reclaim the lower rate if they pay on time for six consecutive months.

■ **COMMUNICATION AND DISCLOSURE**

As these provisions come on stream, you will be hearing more from your credit card issuer. They will be informing you of the changes and, in many cases, describing for you the effect that your payment decisions have on your balance.

TIP: *Information is a click away!*

The credit card agreements your issuer uses will be available on both their own web site as well as that of the Federal Reserve.



MANAGING YOUR CREDIT WISELY is an important aspect of your overall financial plan. That task should become easier in the months ahead as these important changes take place. Of course, it will be up to you to make the most of these changes. Education is the first step, so be sure to keep this brochure with your financial papers and refer to it often.