

# CREDIT CARD



## *Disclosure Act of 2009*

consumer**brief**

### THE CREDIT CARD ACCOUNTABILITY, RESPONSIBILITY, AND DISCLOSURE (CARD) ACT OF 2009

The Credit Card Accountability, Responsibility, and Disclosure (*CARD*) Act of 2009 is a national law that strengthens consumer protection for those who use credit cards by:

- Banning Unfair Rate Increases
- Limiting Certain Fees
- Requiring Plain Sight/Plain Language Disclosures
- Creating protections for college students

### KEY ELEMENTS OF THE CREDIT CARD ACT OF 2009

#### CREDIT CARD RATES

- **Bans Unfair Rate Increases:** Card issuers cannot raise the interest rates on existing balances.
- **Bans Retroactive Rate Increases:** Bans rate increases on existing balances due to "any time, any reason" or "universal default" and severely restricts retroactive rate increases due to late payment.
- **First Year Protection:** Contract terms must be clearly spelled out and stable for the entire first year. Card issuers may continue to offer promotional rates but the time period that the promotional rates are in effect must be clearly disclosed.

#### CREDIT CARD FEES

- **Ends Late Fee Traps:** Card issuers must give card holders a reasonable time to pay the monthly bill – at least 21 calendar days from time of mailing. The act also ends late fee traps such as weekend deadlines, due dates that change each month and deadlines that fall in the middle of the day.
- **Enforces Fair Interest Calculation:** Card issuers are required to apply excess payments to the highest interest balance first, as consumers expect them to do. The act also ends the confusing and unfair practice by which card issuers use the balance in a previous month to calculate interest charges on the current month, so called "double-cycle" billing.
- **Requires Opt-In to Over-Limit Fees:** Consumers will find it easier to avoid over-limit fees because card issuers have to obtain a consumer's permission to process transactions that would place the account over the limit.
- **Restrains Unfair Sub-Prime Fees:** Fees on subprime, low-limit credit cards are substantially restricted.

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#### DIVISION OF CONSUMER AFFAIRS

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Web site: [www.NJConsumerAffairs.gov](http://www.NJConsumerAffairs.gov)

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## PLAIN SIGHT / PLAIN LANGUAGE DISCLOSURES

Credit card contract terms must be disclosed in language that consumers can see and understand so they can avoid unnecessary costs and manage their finances.

■ **Disclosures:** Card issuers must give consumers clear disclosures of account terms before consumers open an account, and clear statements of the activity on consumers' accounts afterwards. These disclosures will help consumers make informed choices about using the right financial products and managing their own financial needs.

Card issuers must display on periodic statements how long it would take to pay off the existing balance – and the total interest cost – if the consumer paid only the minimum due.

Card issuers must display the payment amount and total interest cost to pay off the existing balance in 36 months.

## PENALTIES ARE ASSESSED IN A FAIR WAY

### *The law:*

■ **Prohibits charging a penalty fee of more than \$25 for late fees.** If the consumer has violated the account's terms or has engaged in repeated violations or the issuer can show that a higher fee represents a reasonable proportion of the costs as a result of the violations, the penalty can be higher.

■ **Prohibits charging penalty fees that exceed the dollar amount associated with the consumer's violation.** For example, card issuers will not longer be permitted to charge a \$39 fee when a consumer is late making a \$20 minimum payment. Instead, the fee cannot exceed \$20.

■ **Bans "inactivity" fees.** Fees based on the consumer's failure to use the account to make new purchases.

■ **Prevent issuers for charging multiples penalty fees.** The issuer cannot charge multiple fees based on a single late payment or other violation of the account terms.

■ **Requires issuers to evaluate any increased rates** (since January 1, 2009,) identify the reasons for the increases, and, if appropriate, reduce the rates charged.

## PROTECTING COLLEGE STUDENTS AND UNDERAGE PERSONS

The *CARD* Act requires people under age 21 to have a parent or other adult who is at least 21 years old cosign the credit card if they can't demonstrate an independent source of funds sufficient to repay any debts incurred with the credit card.

The *CARD* Act bans unsolicited pre-screened credit card offers to consumers under age 21.

Card issuers are no longer able to give away premiums such as t-shirts, baseball caps, iPods or other tangible items on or near college campuses in order to get college students to apply for a credit card.

## FOR MORE INFORMATION

For more information about the *CARD* Act, or to learn how and where to file a complaint about your card issuer, go to the web site of the Federal Reserve at:

[www.FederalReserve.gov/creditcard](http://www.FederalReserve.gov/creditcard)

or call toll-free at 888-851-1920 (TTY: 877-766-8533).



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