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NEW CREDIT CARD LAW CHANGES **How will these new changes affect credit card holders?**

New credit card legislation recently signed into law by President Barack Obama brought about more significant changes in credit card policy. The Credit Card Accountability, Responsibility and Disclosure, or “Credit CARD Act” took effect in February 2010, adding additional elements to the existing Credit Card Act of 2009 that was enacted last May. Additional changes to this policy are expected to go into effect in August 2010.

Like it or not, our economy runs on credit with the average household carrying over \$8,000 in credit card debt. The changes made to legislation is intended to end what has been considered to be unfair and deceptive practices on the part of credit card issuers and to stop pushing consumers further in a seemingly inescapable spiral of debt. Specifically, the intent of the “**Credit CARD Act**” is to eliminate unexpected changes in interest rates, credit limits, or fees.

Some key components of the new “**Credit CARD Act**” that may affect your wallet include:

~**Interest Rates:** Card issuers are barred from increasing interest rates on new accounts during the first year and retroactive rate increases are generally prohibited. They will no longer be able to raise rates on existing balances unless one of the four exceptions applies:

- The consumer is 60 days or more past due
- The Promotional rate expired
- The consumer failed to complete a workout plan
- The variable rate increased due to index movement. (Variable-rate cardholders beware: An increase in the prime rate could push your rate higher, without any notice).

If a late payment triggered the rate jump, after six months of on-time payments the issuer must reinstate the lower rate.

~**Fees:** Card users should not be charged extra fees for making payments by mail, phone, or online.

~**Opting Out:** Consumers now have the right to opt out of (or reject) certain significant changes in terms on their accounts. Opting out means cardholders agree to close their accounts and pay off the balance under the old terms and should have at least five years to pay the balance.

~**Opting In:** Consumers must now “opt in” (or agree) to let the issuer approve over the limit transactions and incur the fee. Those who opt out would have their transactions rejected if they exceed their credit limits, thus avoiding the expensive over the limit fees.

~**Payments and Billing:** Cardholders should receive their statements at least 21 days before the due date, an increase from the standard 14 days, allowing for more time to pay and avoid late fees. Card Issuers should also set a payment due date that falls on the same day each month. If the due date falls on a holiday or weekend then payments received on the next business day can't trigger late fees.

~**Statements:** Statements should now disclose the late fee, payment deadline and any rate increase that will apply as a result of a late payment. Periodic statements should include the cost and repayment time if the consumer makes only the minimum payment each month. **Example:** Pay the minimum amount due on a \$3,000 balance with a 14% interest rate, it could take you 10 years to pay it off. They should also explain what the cost would be to repay the balance in 36 months. **Example:** You would need to pay approximately \$102.53 each month to pay off the same debt within 36 months.

Consumers should also see a toll free number they can call for information about credit counseling and debt management services.

~Young People: Consumers under the age of 21 will need an adult co-signer to open a credit card account. Card issuers cannot use gifts (free pizza, gift cards, etc.) to entice students to sign up.

~What the law doesn't cover: Although these are the most dramatic changes in credit card laws in decades, they do not protect cardholders from everything, such as:

- The law doesn't cap balance transfers, cash advances, rates or fees
- Issuers can still raise interest rates on future card purchases and there is no cap on how high interest rates can go
- Business and corporate credit cards are not covered by the protections in the CARD Act
- Credit Card companies can also continue to close accounts and slash credit limits abruptly without giving cardholders advance warning

Credit card companies have had nine months to prepare for this change in the law. It has been estimated that the new law would save consumers \$10 billion a year from restrictions on interest rate increases alone. To offset this loss of income, credit card companies looked for other ways to generate income. Along these lines, many of you have seen the reinstatement of annual fees, an increase in the interest rate or reduced credit lines. In some cases, new fees have been added such as fees for paper statements or inactivity fees if a card is not used. In short, it's costing you more to have a credit card.

~What you can do to protect yourself

Credit card debt is the most expensive forms of credit available to most of us. While the new law will provide protection from arbitrary changes in your credit card contract, as discussed previously, it will cost you.

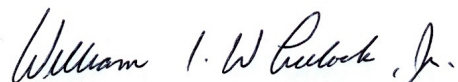
If at all possible, credit card balances should be paid in full each month. Sounds great, but it's not always feasible. An alternative is convert credit card balances to a lower cost loan such as a Home Equity loan or even a personal loan. This will allow for a systematic reduction of the balance.

If converting the credit card balance to a lower cost loan is not something you want to do, then significantly increasing the amount of monthly payment beyond the minimum called for will also result in lowering your interest expense.

At the very least, consumers need to be extremely careful in watching their credit card statements, especially in the next few months, to catch new fees and pending rate changes. No longer can you afford to throw away the inserts that come with your monthly bill without going over them. Whether you run a balance or pay off your bill monthly, this may be the time for you to start shopping around and comparing your rates and fees with those of other cards.

I hope you found this information helpful in highlighting some of the key points of this new legislation. If you have any questions on how these changes affect you personally, please do not hesitate to contact your credit card issuer for more details.

Committed to your success!



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