

# What do the new credit card rules mean for me?

By Jennifer Davies, STAFF WRITER

Later this month, the much-ballyhooed Credit Card Accountability Responsibility and Disclosure Act of 2009 (also known as the Credit CARD Act; get it?) goes into full effect. While many consumer advocates are hailing the new rules as groundbreaking, there are some downsides, loopholes and caveats you need to know about. Here is a rundown of some of the key provisions and what to watch out for:



## RATE INCREASES

Credit card companies will not be able to increase your rate on a new account for the first 12 months.

Also, any rate increase will not apply to your existing balance — only new purchases will be charged the higher rate.

**Bad news:** After 12 months, a credit card company can raise your rate at any time for any reason. If you have a variable rate, your rate can, well, vary. Also, credit card issuers have been upping rates and fees as well as switching customers to variable rates over the last year in anticipation of the new rules.

## Know this:

- Here's a nonsensical loophole: Your credit card company has to notify you 45 days before it increases your rate, but it can start charging you the higher rate 14 days after it issues the notification, says Lauren Bowne, an attorney with Consumers Union.

Remember, it's not 14 days after you receive the letter — it's 14 days after the company issues the notification. Bowne's recommendation is to find the date at the top of the letter and stop using the card within 14 days of that date if you don't want to be charged the higher rate.

- If you are 60 days late on your payment, a credit card company can raise your rate even if it's a new account. However, if you make on-time payments for six consecutive months, then your rate must go back down to its original

level. If you miss any payment — even the first month — your rate will go back up.

- If your rate does go up, you should call your credit card company and see if it will drop it back down. If you don't get satisfaction from the first person you talk to, ask to speak to a supervisor and keep asking until you've exhausted your options. If you can't get back the lower rate, then you might want to shop around for a better deal.

Bowne recommends waiting to sign up with a new credit card company until after Feb. 22, the date the new rules go into effect, because then your rate will be the same for the next 12 months. Avoid promotions because they often expire after a few months and are exempt from the rate rules for new accounts.



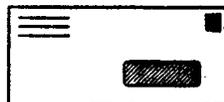
## OVER-THE-LIMIT FEES

Credit card companies can't charge over-the-limit fees unless you agree to allow those types of transactions. Bill Hardekopf, CEO of lowcards.com, which allows you to compare credit card offers, says this rule will

prevent people from getting tagged for multiple and costly fees.

**Bad news:** If you are always close to your limit, there is a greater chance of an embarrassing "Your credit card has been declined" moment.

**Know this:** Some companies have been calling their customers trying to get them to opt-in to over-the-limit transactions. Bowne's emphatic advice is to just say no.



## STATEMENTS

Your bill will have to tell you how long it would take you to pay off your credit

debt if you made only the minimum payment. It also needs to show you how much you need to pay each month to eliminate your entire current balance within three years.

**Bad news:** While enlightening, it could be pretty depressing, too.



## DUE DATES

Right now, most bill payment deadlines fluctuate by a couple of days. One month your payment could be due on the 5th and the next month it could be due on the 9th. With the new laws, your payment will be due on the same day every month, and the cutoff time for payment will be 5 p.m.

**Bad news:** There's no wiggle room.

**Know this:** According to Bowne, the 5 p.m. deadline isn't based on where you live. Instead it's based on where the bill is due. Call your credit card company to figure out what your cutoff time is. Or better yet — don't leave it to the last minute.



## AGE LIMITS

Companies can no longer offer free gifts to those under 21 to sign up for a credit card. Also, applicants under 21 have to either prove that they can make the payments on their own or provide a co-signer. *Hel-lo, Mom and Dad.*

**Bad news:** For the fiscally responsible young adult — we're sure they're out there — it will be harder to get a card as well as build up a credit score.

**Know this:** If you do co-sign with your child, you are essentially signing up for a new credit card, and there could be impacts to your credit rating — especially if your adorable offspring is less than careful with a high-limit card. Bowne says the best thing to do is keep the limit low so any damage will be minimal.