

NEW CONSUMER CREDIT CARD PROTECTIONS By Capt. Antonio J. Pataca, Legal Assistance Attorney

Officially known as the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009, these new amendments to current law provide protections to consumers and users of credit cards. A small number of these protections recently took effect on August 22, 2009, but the bulk of the protections under this Act will only become effective on February 22, 2010.

Under the first phase of the new law that recently took effect, creditors are required to provide written notice of an increase in the annual percentage rate (APR) on your account not later than 45 days before the effective date of the proposed change. Previously, only 15 days notice was required. Additionally, creditors must also provide written notice of any significant change in the terms of your agreement with the creditor not later than 45 days before the effective date of the change. More importantly, when creditors send notice of an increase in the APR or any other significant change in the terms, they must also provide clear written notice to the consumer of the consumer's right to cancel the account before the interest rate increase or the change in the terms of the account take effect. Canceling your account however, will not excuse you from paying the balance owed on the account. Although, it will prevent you from using that credit card in the future.

Many of the provisions set to take effect on February 22, 2010 focus on consumer protection. For example, consumers will be given an option of having a fixed credit limit that cannot be exceeded. As a result, creditors must obtain the consumer's permission to allow a purchase that would exceed the credit limit and therefore result in a fee or constitute a default under the credit agreement. Creditors will also be required to send consumers their credit card bill no later than 21 days before the due date of the statement without threat of late fees (current requirement is 14 days). Yet another protection under the new legislation will prevent creditors from automatically raising interest rates on your account if you are late on a payment. The new legislation would only permit a rate increase on existing balances that are over 60 days behind schedule.

The Credit CARD Act also enhances consumer disclosure requirements that are set to take effect in February of 2010. For instance, the Act requires creditors to provide individual consumer information disclosing how long it would take the consumer to pay off the balance on their account if only minimum monthly payments were made. It would also require creditors to disclose the total amount of interest the consumer would be required to pay if only minimum monthly payments were made.

Finally, the Act establishes new protections for young consumers. Effective February 22, 2010, creditors will not be permitted to issue credit cards to people under the age of 21, unless they obtain an application that contains one of the following: (1) the signature of a co-signor, including the parent, legal guardian or any other individual willing to assume financial responsibility for any debt incurred; or (2) submitting financial information by the consumer indicating that the consumer has an independent means of repaying any obligation they may incur.

The Credit CARD Act provides numerous other protections not mentioned in this article. Furthermore, some of the protections mentioned here have other requirements that must be fulfilled to take full advantage of the Act's protections. You should read the fine print of all disclosures your credit card company provides you. Should you have any additional questions regarding the Credit CARD Act of 2009 or any other credit card issues, you may call the Fort Meade Legal Assistance Division and make an appointment to speak with an attorney. The number is (301) 677-9536.