

Credit Card Changes

On August 20, many provisions of the new credit card law took effect to help consumers better understand the workings of their credit cards. The new law contains the biggest changes the credit card industry has seen in decades. Below are several highlights from the new law:

Limited interest rate hikes. Interest-rate hikes have become more controlled and will only be allowed under certain circumstances (such as the end of a promotional rate). Because of this change, credit card companies must give at least 45 days of notice before changing the rate on their cards.

Universal default (raising interest rates based on payment record with other forms of unrelated credit, such as a utility company) will also end.

More time to make your payment. Consumers will now be given a reasonable amount of time to make monthly payments. Payments will be due at least 21 days after the bill is mailed. Credit card companies will no longer be able to set early morning or unreasonable deadlines for payments.

Deadlines before 5 p.m. on the payment due date will be illegal. Also, payments that are due on a weekend, holiday or any day the company is closed for business, will not be subject to a late fee.

Limits on over-the-limit fees. Consumers have the right to decide if they want to pay over-limit fees or not. This does not mean they can argue over the charge. What it does mean is that they will be given the option of receiving over-limit fees and allowing themselves to purchase something that exceeds their credit card limits. If they choose not to receive these fees, any transactions exceeding your credit limit will be denied.

Minimum Payments. Credit card companies are now required to let consumers know the consequences of making only the minimum payment each month. They will have to tell you how long it will take to pay off the entire balance if you only make that minimum payment.

They must also tell you how much they will have to pay each month to pay off their credit cards in 12, 24 or 36 months, including interest. Remember, the more a person charges, the more he or she has to pay off.

These are just a few of the highlights to the new law. To read the law in its entirety, click on the following link: <http://www.creditcards.com/credit-card-news/assets/credit-card-act.pdf>

This article was contributed by Wil Golden, Regional Extension Agent, Consumer Science & Personal Financial Management, Alabama Cooperative Extension System.