

SUMMARY
“THE CREDIT CARD ACCOUNTABILITY RESPONSIBILITY AND DISCLOSURE ACT”
The CARD Act

Strengthens Credit Card Industry Regulation and Supervision

- Requires banking regulators to evaluate the policies and procedures of card issuers to ensure compliance with card requirements and prohibitions;
- Improves data collection related to rates, fees, and profits;
- Provides each federal financial regulator with the authority to prescribe regulations governing unfair or deceptive practices by banks and savings and loan institutions.

Prevents “any-time, any reason” Increases in Interest Rate and Terms

- Prevents credit card issuers from increasing interest rates on cardholders in good standing for reasons unrelated to the cardholder’s behavior with respect to that card (universal default ban);
- Prevents issuers from changing the terms of a credit card contract for the length of the card agreement (ban on unilateral changes to card agreements);
- Allows customers who close their accounts to pay under the terms existing at the time the account is closed;
- Requires interest rate increases to apply only to future credit card debt.

Requires Fairness in Application of Card Payments

- Requires payments to be applied first to the credit card balance with the highest rate of interest, and to minimize finance charges;
- Prohibits issuers from setting early morning deadlines for credit card payments.

Protects the Rights of Financially Responsible Credit Card Users

- Prohibits interest charges on debt paid on time (double-cycle billing ban);
- Prohibits late fees if the card issuer delayed crediting the payment;
- Requires credit card statements to be mailed 21 days before the bill is due rather than the current 14;
- Requires that payment at local branches be credited same-day.

Prohibits Exorbitant and Unnecessary Rates and Fees

- Prohibits the charging of interest on credit card transaction fees, such as late fees and overlimit fee;
- Prohibits issuers from charging a fee to allow a credit card holder to pay a credit card debt, whether payment is by mail, telephone, electronic transfer, or otherwise;
- Prevents issuers from multiple over-limit fees for exceeding a card limit, and allows such fees only when a cardholder’s action, rather than a fee or finance charge, causes the limit to be exceeded;
- Requires issuers to offer consumers the option of operating under a fixed credit limit;
- Requires issuers to lower penalty rates that have been imposed on a cardholder after 6 months if the cardholder commits no further violations.

Provides Enhanced Disclosures of Card Terms and Conditions

- Requires cardholders to be given 45 days’ notice of any interest rate increase;
- Requires issuers to provide disclosures to consumers upon card renewal when the card terms have changed;

- Requires issuers to provide individual consumer account information and to disclose the period of time and total interest it will take to pay off the card balance if only minimum monthly payments are made;
- Requires full disclosure in billing statements of payment due dates and applicable late payment penalties.

Ensures Adequate Safeguards for Young People

- Requires issuers soliciting to persons under the age of 21 to obtain an application that contains: the signature of a parent, guardian, or other individual who will take responsibility for the debt; proof that the applicant has an independent means of repaying any credit extended; or proof that the applicant has completed a certified financial literacy course;
- Limits prescreened offers of credit to young consumers by prohibiting consumer reporting agencies from furnishing reports in connection with firm offers of credit that are not initiated by consumers under age 21. Allows consumers who are at least 18, but not yet 21, to choose to receive such solicitations.

Studies:

Interchange Fees: Requires the GAO to study the impact of interchange fees on consumers and merchants, specifically their disclosure, pricing, fee and cost structure.

Credit Card Safety Rating Commission: Authorizes the GAO to establish a Commission to determine if a rating system may enable card customers to better assess: the level of safety of credit card agreements; the impact of credit card transparency of various rating system policy options.