Summary of the Credit Cardholders' Bill of Rights

The "Credit Cardholders' Bill of Rights," provides crucial protections against unfair, but unfortunately common, credit card practices.

Ends Unfair, Arbitrary Interest Rate Increases.

- Prevents card companies from unfairly increasing interest rates on existing card balances – retroactive increases are permitted only if a cardholder is more than 30 days late, if a pre-agreed promotional rate expires, or if the rate adjusts as part of a variable rate.
- Requires card companies to give 45 days notice of *all* interest rate increases so consumers can pay off their balances and shop for a better deal.

Lets Consumers Set Hard Credit Limits, Stops Excessive "Over-the-Limit" Fees.

- Requires companies to let consumers set their own fixed credit limit.
- Prevents companies from charging "over-the-limit" fees when a cardholder has set a limit, or when a preauthorized credit "hold" pushes a consumer over their limit.
- Limits (to 3) the number of over-the-limit fees companies can charge for the same transaction – some issuers now charge virtually unlimited fees for a single limit violation.

Ends Unfair Penalties for Cardholders Who Pay on Time.

- Ends unfair "double cycle" billing – card companies couldn't charge interest on debt consumers have already paid on time.
- If a cardholder pays on time and in full, the bill prevents card companies from piling additional fees on balances consisting solely of left-over interest.

Requires Fair Allocation of Consumer Payments.

- Many companies credit payments to a cardholder's lowest interest rate balances first, making it impossible for the consumer to pay off high-rate debt. The bill bans this practice, generally requiring payments to be allocated proportionally to balances that have different rates.

Protects Cardholders from Due Date Gimmicks.

- Among other measures, requires card companies to mail billing statements 25 calendar days before the due date (up from the current 14 days), and to credit as "on time" payments made before 5 p.m. local time on the due date.

Prevents Companies from Using Misleading Terms and Damaging Consumers' Credit Ratings.

- Establishes standard definitions of terms like "fixed rate" and "prime rate" so companies can't mislead or deceive consumers in marketing and advertising.
- Gives consumers who are pre-approved for a card the right to reject that card prior to activation without negatively affecting their credit scores.

Protects Vulnerable Consumers From High-Fee Subprime Credit Cards.

- Prohibits issuers of subprime cards (where total yearly fixed fees exceed 25 percent of the credit limit) from charging those fees to the card itself. These cards are generally targeted to low-income consumers with weak credit histories.

Bars Issuing Credit Cards to Vulnerable Minors

- Prohibits card companies from knowingly issuing cards to individuals under 18 who are not emancipated minors.

Swift Implementation of Provisions

- Legislation would be implemented 3 months following the President signing the legislation into law.

(1/15/2009)