

Senator Carper Outlines Consumer Protections in the Credit CARD Act

In December 2008, the Federal Reserve issued new rules to curb unfair and deceptive credit card practices that are set to take effect in July 2010. On May 19th, the United States Senate passed the Credit Card Accountability, Responsibility and Disclosure Act (Credit CARD Act) to strengthen these consumer protections and add even more safeguards, while also moving the effective date forward. Thanks to this bipartisan effort, the legislation will allow consumers to make smart choices about their credit cards while ensuring that we have an effective and reliable credit market.

The Credit CARD Act will protect Delawareans in a number of ways:

- **Provide sensible rules for how and when credit card companies can raise interest rates.** Credit card companies must now give 45 days' notice before increasing rates, and these companies can no longer increase interest rates on one card if the consumer missed a payment on another card.
- **Prohibit increases to the interest rate unless a payment is more than 60 days overdue.** The legislation allows consumers to earn back the lower interest rate if they pay their bills on time for six months.
- **Crack down on abusive fees.** Credit card companies must mail statements at least 21 days before the bill is due so cardholders can avoid hefty late fees. The bill also ends the practice of companies imposing fees on cardholders who exceed their credit limit unless the cardholder authorizes the charges.
- **Enhance consumer disclosures.** The bill requires credit card companies to provide easy to understand explanations about payoff timing, late payment deadlines and penalties, card renewal terms, and also requires the credit issuers to post their card agreements online.
- **Protect young consumers and students.** A young person under 21 must have a parent or guardian co-sign the credit card agreement, or they must demonstrate the ability to pay their debts. This provision will help young people make better choices when using their credit cards and avoid going into debt at an early age.
- **Prohibit interest charges on paid-off balances from previous billing cycle.** The bill ends the practice, also referred to as "double-cycle billing," of companies assessing interest on debt paid on time from the previous month.

To find out more information about the Credit CARD Act, visit Senator Carper on the Web at:

www.carper.senate.gov