



WHAT YOU NEED TO KNOW: New Credit Card Rules Effective Aug. 22

More new rules from the Federal Reserve mean more new credit card protections for you. Here are some key changes you should expect from your credit card company beginning on August 22, 2010:

Reasonable penalty fees

Let's say you are late making your minimum payment.

- **Today:** Your late payment fee may be as high as \$39, and you likely pay the same fee whether you are late with a \$20 minimum payment or a \$100 minimum payment.
- **Under the new rules:** Your credit card company cannot charge you a fee of more than \$25 unless:
 - one of your last six payments was late, in which case your fee may be up to \$35; or
 - your credit card company can show that the costs it incurs as a result of late payments justify a higher fee.

In addition, your credit card company cannot charge a late payment fee that is greater than your minimum payment. So, if your minimum payment is \$20, your late payment fee can't be more than \$20. Similarly, if you exceed your credit limit by \$5, you can't be charged an over-the-limit fee of more than \$5.

Additional fee protections

- **No inactivity fees.** Your credit card company can't charge you inactivity fees, such as fees for not using your card.
- **One-fee limit.** Your credit card company can't charge you more than one fee for a single event or transaction that violates your cardholder agreement. For example, you cannot be charged more than one fee for a single late payment.

Explanation of rate increase

- If your credit card company increases your card's annual percentage rate (APR), it must tell you why.

Re-evaluation of recent rate increases

- **Today:** Your credit card company can increase your card's APR with no obligation to re-evaluate your rate increase.
- **Under the new rules:** If your credit card company increases your APR, it must re-evaluate that rate increase every six months. If appropriate, it must reduce your rate within 45 days after completing the evaluation.

This set of rules is the latest in a series of regulations that implement the Credit Card Accountability, Responsibility, and Disclosure Act (the Credit Card Act). For information on protections under the Federal Reserve's other credit card rules, see "What You Need to Know: New Credit Card Rules Effective Feb. 22."



Useful terms...

annual percentage rate (APR)

for credit cards, the APR is the cost of credit expressed as a yearly interest rate. Each billing period (usually about a month), the company charges a fraction of the annual rate, called the periodic rate.

penalty fees

fees charged if you violate the terms of your cardholder agreement or other requirements related to your account. For example, your credit card company may charge a penalty fee if you make a late payment or if you exceed your credit limit.

Other resources...

Visit the Federal Reserve's website at www.federalreserve.gov/consumerinfo to get more information about

bank accounts and services

credit cards

identity theft

leasing

mortgages

personal finance

federal agency contacts

Need more direction?

To learn more about how these new rules directly apply to you, contact your credit card company by calling their toll-free number.