
# THE CARD ACT

## BEFORE AND AFTER

Before the signing of the Credit Cardholders' Bill of Rights (CARD Act) in 2009, laws concerning credit cards were very different from what they are today. The Act established strict rules for how credit card companies must treat their customers, barring many unfair practices. The CARD Act has helped tens of millions of credit cardholders. One study found that the CARD Act saves consumers approximately $12 billion annually.

### INTEREST RATES

**BEFORE:** Credit card companies could increase rates on existing balances.
**AFTER: Retroactive rate increases are prohibited.**

**BEFORE:** Card companies could increase your interest rate or change the terms of your card at any time.
**AFTER: A 45-day notice is required prior to the date of a rate increase or a change in terms.**

**BEFORE:** Companies could raise your interest rate if you were late paying off other cards.
**AFTER: The practice of "universal default" is banned.**

**BEFORE:** Companies could increase your interest rate if your risk profile got worse, but they were not required to decrease your interest rate if it improves.
**AFTER: Lenders are required to decrease rates if your credit improves.**

**BEFORE:** Card issuers could increase your annual interest at any time.
**AFTER: Rates must stay in effect for at least one year after the account is opened.**

**BEFORE:** Companies could raise your rates almost immediately after your payment is late.
**AFTER: They are now required to provide a 45-day grace period before any rate increase takes effect.**

### LATE FEES

**BEFORE:** Companies could impose a due date that doesn't give you much time to pay.
**AFTER: Companies must mail credit card bills no later than 21 days before the due date.**

**BEFORE:** Companies could change their mailing address and then charge you a late fee if your payment doesn't arrive on time.
**AFTER: Companies can't impose late fees or finance charges within 60 days of the change.**

**BEFORE:** Companies could charge you a late fee even if your due date is on a weekend or holiday.
**AFTER: The effective due date must be the next business day.**

**BEFORE:** Companies could establish arbitrary cutoff times on the date a payment is due, increasing the chance that you will incur late fee.
**AFTER: Companies are prevented from imposing a deadline before 5:00 pm.**

**BEFORE:** A company could charge you extra for paying via the electronic transfer or by phone.
**AFTER: Companies cannot charge you an additional fee for a payment unless "it involves an expedited service by a service representative of the creditor."**

## FINANCE CHARGES

**BEFORE:** Companies could calculate finance charges not just on the amount you owe in the current month, but also on amount you owed last month.
**AFTER: "Double cycle" billing is banned.**

**BEFORE:** Companies could apply payments to balances with the lowest interest rate before balances with the highest interest rate, increasing your long-term costs.
**AFTER: Companies must apply payments to the balances with the highest rate first.**

## CREDIT LIMITS AND OVER-LIMIT FEES

**BEFORE:** Companies could set your credit limit without considering whether you can repay the debt.
**AFTER: Companies cannot offer you a card or increase your credit limit without getting proof of income.**

**BEFORE:** Companies could charge you an over-limit fee (instead of denying the charge) even if the you never opted into the service.
**AFTER: Companies are prevented from assessing such fees if you don't sign up.**

**BEFORE:** Companies could charge you large penalties even for a small infraction.
**AFTER: Fees must be "reasonable and proportional."**

**BEFORE:** Companies could charge you multiple over-limit fees during a billing cycle.
**AFTER: Only one over-limit fee per billing cycle is permitted.**

## DISCLOSURE

**BEFORE:** Companies didn't have to tell you how much it would cost you in the long term if you pay only the minimum payment.
**AFTER: Credit card statements must clearly warn users that "making only the minimum payment will increase the amount of the interest you pay and the time it takes to repay your balance" or a similar warning.**

## MARKETING TO MINORS

**BEFORE:** Companies could sell credit cards to young people without their parents' consent.
**AFTER: Companies cannot sell cards to individuals under the age of 21 without an adult co-signer – a parent, spouse or legal guardian.**

**BEFORE:** Companies could use incentives to sell credit cards to college students on campus.
**AFTER: Companies cannot use incentives to sell credit cards to students on or near campus.**

## OTHER FEES

**BEFORE:** If you cancel your credit card, the company could demand immediate payment of your balance.
**AFTER: You are guaranteed five years to pay off your balance.**

**BEFORE:** A company could charge you extra for paying via the electronic transfer or by phone.
**AFTER: Companies cannot charge you an additional fee for a payment unless "it involves an expedited service by a service representative of the creditor."**