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Credit Card Rules

As reported in recent articles, the Credit Card Accountability, Responsibility and Disclosure Act of 2009 went into effect. The rules are to make the contracts of the credit card easier for the consumer to understand.

This sets into motion a timeline of different rules that will go into effect at different times. To see a more detailed interactive timeline of the credit rules, please go to: http://www.creditcards.com/credit-card-news/timeline-credit-card-reform-phase-in-dates-1282.php

At this time, the card issuers must give more notice before they impose rate increases and/or charging late fees.

Before any fees can accrue or rates change, card issuers must give 45 days notice, as opposed to the previously set 15 days notice. Instead of accepting the rate increase, the consumer now has the option to decline the rate increase by closing the account, but only on the condition that the balance be paid off within five (5) years at the current rate.

As a result of these new rules, and to compensate for any losses, the card issuer is increasing their interest rates, introducing annual fees where none previously existed, and raising balance transfer fees. Some are also cutting bonus offers and/or rewards programs. According to LowCards, a firm that tracks credit-card offers, only approximately 20 percent of US credit cards carry annual fees at this time.

More regulations will take effect in February. These will include payment allocation rules, limiting credit offered to students, and restrictions on raising interest rates.

With all these changes, credit card issuers will be very choosy as to who they will extend credit to. Subprime credit cards are issued for people with bad credit. These are credit cards that are charged account-opening fees that normally eat up their available balances. With the new credit rules, these upfront fees are not to exceed 25 percent of the available credit limit in the first year.

As previously stated, this Act will set into motion a timeline of the credit rules. Some of those still to come are:

February 2010, credit issuers must disclose to a consumer who makes only minimum payments, how long it would take to pay off the entire balance and what the interest amount would be over that time. They will also be required to tell you how much you would need to pay each month to pay off the balance in 36 months and what the interest paid on that amount would be during that 36 months.

February 22, 2010, credit offers to students will be limited. Anyone under the age of 21 will be banned from obtaining a credit card unless they have a co-signer or show proof that they have the means to repay the debt. Colleges, universities and alumni associations that allow access to student and alumni contact information to credit card marketers would have to disclose the nature of the contracts they sign with the credit card marketer. On college campuses, credit card solicitation booths that offer gifts for signing up for a credit card will be banned.

August 2010, gift cards must be valid for at least 5 years, and the dormancy fees on the cards will be banned unless there has been no activity on the card for 12 months.

President Obama said the law is for "people who found out that credit cards are a one-way street. It's easy to get in, but almost impossible to get out".

Bill Hardekopf, CEO of LowCards, recommends consumers pay their bills early to avoid immediate increases in their rates, send more than the minimum, and do not use more than a third of your credit limit.

As the consumer, you must take the time to read the disclosures that are being mailed to you. As stated by Gene Truono, managing Director with BDO Consulting, "The disclosures are only as good as the consumers who actually read them".