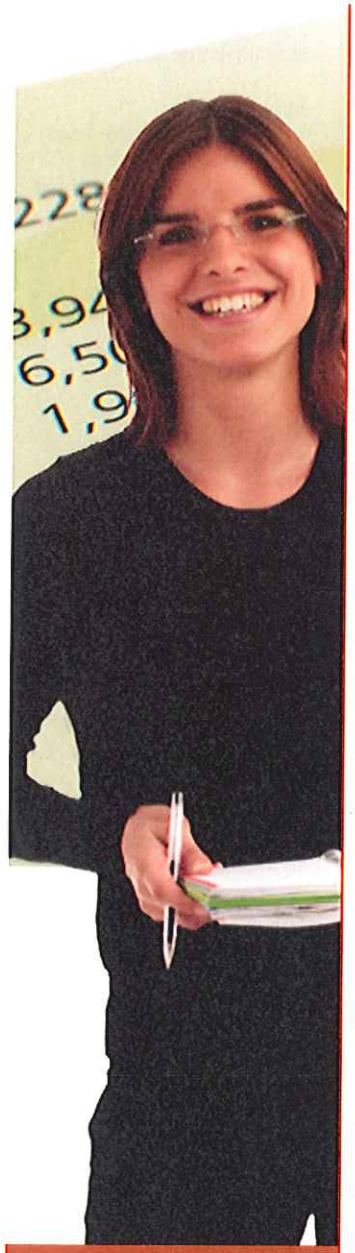
# WHAT YOU NEED TO KNOW:
# New Credit Card Rules



The Federal Reserve's new rules for credit card companies mean new credit card protections for you. Here are some key changes you should expect from your credit card company beginning on February 22, 2010.

## What your credit card company has to tell you

- **When they plan to increase your rate or other fees.** Your credit card company must send you a notice 45 days before they can
  - increase your interest rate;
  - change certain fees (such as annual fees, cash advance fees, and late fees) that apply to your account; or
  - make other significant changes to the terms of your card.

  If your credit card company is going to make changes to the terms of your card, it must give you the option to cancel the card before certain fee increases take effect. If you take that option, however, your credit card company may close your account and increase your monthly payment, subject to certain limitations.

  For example, they can require you to pay the balance off in five years, or they can double the percentage of your balance used to calculate your minimum payment (which will result in faster repayment than under the terms of your account).

  The company does not have to send you a 45-day advance notice if
  - you have a variable interest rate tied to an index; if the index goes up, the company does not have to provide notice before your rate goes up;
  - your introductory rate expires and reverts to the previously disclosed "go-to" rate;
  - your rate increases because you are in a workout agreement and you haven't made your payments as agreed.

- **How long it will take to pay off your balance.** Your monthly credit card bill will include information on how long it will take you to pay off your balance if you only make minimum payments. It will also tell you how much you would need to pay each month in order to pay off your balance in three years. For example, suppose you owe $3,000 and your interest rate is 14.4%—your bill might look like this:

| | |
|---|---|
| New balance | $3,000.00 |
| Minimum payment due | $90.00 |
| Payment due date | 4/20/12 |

**Late Payment Warning:** If we do not receive your minimum payment by the date listed above, you may have to pay a $35 late fee and your APRs may be increased up to the Penalty APR of 28.99%.

**Minimum Payment Warning:** If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

| If you make no additional charges using this card and each month you pay. . . | You will pay off the balance shown on this statement in about. . . | And you will end up paying an estimated total of. . . |
|---|---|---|
| Only the minimum payment | 11 years | $4,745 |
| $103 | 3 years | $3,712 (Savings = $1,033) |

The Federal Reserve Board
www.federalreserve.gov

## New rules regarding rates, fees, and limits

- **No interest rate increases for the first year.** Your credit card company cannot increase your rate for the first 12 months after you open an account. There are some exceptions:
  - If your card has a variable interest rate tied to an index; your rate can go up whenever the index goes up.
  - If there is an introductory rate, it must be in place for at least 6 months; after that your rate can revert to the "go-to" rate the company disclosed when you got the card.
  - If you are more than 60 days late in paying your bill, your rate can go up.
  - If you are in a workout agreement and you don't make your payments as agreed, your rate can go up.

- **Increased rates apply only to new charges.** If your credit card company does raise your interest rate after the first year, the new rate will apply only to new charges you make. If you have a balance, your old interest rate will apply to that balance.

- **Restrictions on over-the-limit transactions.** You must tell your credit card company that you want it to allow transactions that will take you over your credit limit. Otherwise, if a transaction would take you over your limit, it may be turned down. If you do not opt-in to over-the-limit transactions and your credit card company allows one to go through, it cannot charge you an over-the-limit fee.
  - If you opt-in to allowing transactions that take you over your credit limit, your credit card company can impose only one fee per billing cycle. You can revoke your opt-in at any time.

- **Caps on high-fee cards.** If your credit card company requires you to pay fees (such as, an annual fee or application fee), those fees cannot total more than 25% of the initial credit limit. For example, if your initial credit limit is $500, the fees for the first year cannot be more than $125. This limit does not apply to penalty fees, such as penalties for late payments).

- **Protections for underage consumers.** If you are under 21, you will need to show that you are able to make payments, or you will need a cosigner, in order to open a credit card account.
  - If you are under age 21 and have a card with a cosigner and want an increase in the credit limit, your cosigner must agree in writing to the increase.

## Changes to billing and payments

- **Standard payment dates and times.** Your credit card company must mail or deliver your credit card bill at least 21 days before your payment is due. In addition
  - Your due date should be the same date each month (for example, your payment is always due on the 15th or always due on the last day of the month).
  - The payment cut-off time cannot be earlier than 5 p.m. on the due date.
  - If your payment due date is on a weekend or holiday (when the company does not process payments), you will have until the following business day to pay. (For example, if the due date is Sunday the 15th, your payment will be on time if it is received by Monday the 16th before 5 p.m.).

- **Payments directed to highest interest balances first.** If you make more than the minimum payment on your credit card bill, your credit card company must apply the excess amount to the balance with the highest interest rate. There is an exception:
  - If you made a purchase under a deferred interest plan (for example, "no interest if paid in full by March, 2012"), the credit card company may let you choose to apply extra amounts to the deferred interest balance before other balances. Otherwise, for two billing cycles prior to the end of the deferred interest period, the credit card company must apply your entire payment to the deferred interest-rate balance first.

- **No two-cycle (double-cycle) billing.** Credit card companies can only impose interest charges on balances in the current billing cycle.

### Useful terms...

**"go-to" rate**
interest rate you are charged after the introductory rate

**index**
an economic indicator used to calculate interest-rate adjustments (e.g. the Cost of Funds Index)

**opt-in**
giving your credit card company permission to include you in a particular service

**workout agreement**
a type of debt management plan

### Other resources...

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

bank accounts and services

consumer credit

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