



COPING WITH CREDIT CARDS NOW EASIER UNDER NEW LAW

We all have credit cards and sometimes we let them get away from us. A new consumer law, however, is helping us rein in our plastic. BY S. KAY BELL

How many pieces of plastic do you have in your wallet? Surveys over the last few years have shown that the average American owns around eight credit cards. The numbers get even more staggering when you look at how much is charged. In September 2009, *Consumer Reports* found that, as a nation, we owe \$917 billion on revolving credit lines. More distressing, \$69 billion of that amount was past due when the study was conducted.

Those numbers were being compiled as the most sweeping credit card reform measure in U.S. history was being rolled out. The Credit Card Accountability, Responsibility and Disclosure Act, referred to as CARD, became law in May 2009. But as is usually the case with major legislation, some provisions didn't take effect until later. Most were in place by February; the act will be fully implemented later this year.

So what exactly does this new measure mean to you, me and our overwhelmed accounts? Two Austin credit card experts, Daniel P. Ray, editor-in-chief of CreditCards.com, and Connie Prater, senior writer with the website, shared their analysis of the law.

INTEREST RATE PROTECTION

Older charges are now protected against higher interest rates. "When you buy something with credit cards and later mess-up and they jack-up your interest rate, those purchases that you made years ago won't see the increase," said Prater. "It's protecting existing balances on the credit cards. Before issuers could increase your rate and it would apply to everything."

"Credit cards were the only financial product where a deal was not a deal," said Ray. "If you keep on paying your mortgage, you have the same rate. If you keep on paying your auto loan, you have the same rate. But if you kept on paying your credit card, you could get whacked for any reason, at any time. So this makes a deal a deal."

The interest rate limit gives some, and Prater emphasized *some*, protection against a surprise rate hike. Keep in mind, however, that your credit card company can still increase your interest rate, just not on old debt.



AGE LIMITS

The new law also aims to protect young, inexperienced consumers as they deal with a complex financial product, said Prater. A long-standing complaint of consumer protection groups had been the ability of young people to obtain credit cards which they then maxed out, leaving them with debt they carry deep into adulthood. Now, however, individuals younger than 21 can't get a credit card on their own. They must have a 21-or-older account co-signer, typically a parent or guardian. Young people can sidestep this provision if they can show the credit card company they have some income or means to repay the revolving loan.

While some college kids might not be happy now, many will probably thank lawmakers later when they're not facing payment of charges into their golden years. 

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CLEARER STATEMENTS

Ray also pointed to the new law's increased transparency requirements. Credit card companies now must post statements online and change the way the statements are presented so that people realize the true cost of their borrowing.

"When somebody opens up their statement now, they'll think, 'Oh my God, it's going to take me 27 years to pay it off if I only pay the minimum rate!' That's a good sticker shock because it's compelling some people to increase their payments to get out of debt," said Ray.

PAYMENT RULES

About those payments. Now a credit card bill's due date can't change.

"They have to be the same date every month," said Prater. "If they set the initial payment for August 5, it's always going to be the fifth of the month."

Timing of a payment's receipt also has been made uniform and more payer-friendly.

"There were questionable practices that dealt with the time your payment was due," said Prater. "Some issuers, for example, had set it for one o'clock in the afternoon, but the time the mail arrived at the payment facility may vary depending on the lunch hour of the postman or other factors beyond the consumer's control."

Now 5 p.m., the close of business for most companies, is the payment deadline time.

EXPECT LOOPHOLES

While the law is, and will be, a big help for debt-laden consumers, credit card companies are already looking for ways they can comply with the strict letter of the law if not the intent of CARD.

"Some of their old trip wires have been cut, but they're busy creating new ones," said Ray.

For example, the law limits upfront fees a card issuer can charge so some companies are calling the charges by other names.

The bottom line is that while CARD will make life, and payment of debt, easier for many, consumers still must be smart and responsible credit card holders.

Read your statements carefully. Pay your bill as soon as you get it. Pay, when possible, more than the minimum due. Review new card offers closely.

"The law hasn't eliminated 'gotchas.' It's closed them down a bit, but it hasn't completely eliminated them," said Prater. *aw*

Get the latest tax tips and news at S. Kay Bell's blog, Don't Mess With Taxes (dontmesswithtaxes.typepad.com).

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Left to right: Frank Hinds, M.D., Anita Sandhu, M.D., Mikaela Rush, M.D., John Thoppil, M.D., Jennifer Meadows, M.D., Kimberlee Coleman-Henderson, M.D., Shelia Parekh, M.D., Anthony Monteiro, Jr., D.O.
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