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FLORIDA CONSUMER eNEWSLETTER



brought to you by the Division of Consumer Services
FLORIDA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES
1-800-HELP-FLA (435-7352) | 1-800-FL-AYUDA (352-9832)

Dear Friends:

In late August, the final provisions of the Credit Card Account Responsibility and Disclosure Act of 2009 (otherwise known as the Credit CARD Act) went into effect. This comprehensive, reform legislation addresses a number of issues that routinely impact consumers with credit card debt, not the least of which includes the massive dollar amounts in "fees" collected each year by card issuers. In 2009 alone, credit card customers were charged more than \$20 billion in penalty fees.

But, while this new law seems to go a long way toward establishing fair and transparent practices within the industry, by no means does it completely prevent or prohibit creditors from making money through fees. We've dedicated this edition of the Florida Consumer E-Newsletter to informing consumers about the provisions and potential impacts of the Credit CARD Act of 2009. Remember... an educated consumer is an empowered consumer! The Florida Department of Agriculture and Consumer Services is here for you – visit our website at www.800helpfla.com if you would like additional information, or call our Consumer Assistance Center. They will answer almost any questions you may have or direct you to the best resource for assistance. If you are calling within Florida simply dial 1-800-HELP-FLA (435-7352), outside of Florida 850-488-2221 or en Español 1-800-FL-AYUDA (352-9832).

Sincerely, *Charles H. Bronson*

the credit CARD act

By stressing fairness, transparency, accountability and responsibility, the CARD Act goes farther than any legislation in recent memory to strengthen consumer protections in the credit card and gift card industry. Credit card contract terms now be disclosed in language that consumers can see ("Plain Sight") and understand ("Plain Language"). This, in turn, gives consumers the ability to better manage their finances and avoid unnecessary costs. The new law increases penalties and requirements for not only the credit card issuers, but also the regulators charged with enforcing protections and preventing unfair practices. Here are some of the key changes that consumers can expect to see:

College Students and/or the Under 21 Crowd - If unable to show an ability to make payments, consumers who are under 21 years of age will now be required to have a cosigner in order to open a credit card account. If you are under 21 and a cosigner is required, the cosigner must agree in writing to any increases in credit limit. Also, card issuers and universities must now disclose agreements with respect to the marketing or distribution of credit cards to students.

Gift Certificates, Store Gift Cards or Bank Gift Cards - Gift cards must print key terms and conditions on the card itself, including: fee information, expiration information, a toll-free number for additional information and a website (if available). These cards cannot expire for at least 5 years, and no inactivity or "service fees" (such as a balance inquiry fee or an ATM fee) can be charged unless it has not been used in 12 months. Even after 12 months of inactivity, only one such fee can be deducted from the balance per month.

Statements, Billing and Payments – Your credit card company must mail your statement to you at least 21 days prior to the due date, the due date must be the same date each month, and the payment cut-off time cannot be earlier than 5 pm on the due date. If your payment due date falls on a weekend or holiday (when the company does not process payments), you will have until the following business day to pay. Interest charges can now only be imposed on balances in the current billing cycle (no two-cycle or double-cycle billing). If portions of your balance are at different interest rates, any payment in excess of the minimum payment must be credited first to the balance with the highest interest rate. If you have a deferred interest plan (for example, "0% interest if paid in full by May of 2011"), the company may allow you to apply extra amounts to the deferred interest balance before other balances. Lastly, your credit card statement must now indicate both, how long it will take to pay off the existing balance (and the total interest cost) if you continue to pay only the minimum amount due, as well as the minimum monthly payment that would be necessary to pay off the existing balance in 36 months.

Rates, Fees and Limits – All contract terms with your credit card company must be clearly spelled out and stable for the entire first year. Cards with a fixed interest rate may not increase their rate during the first 12 months (unless you are more than 60 days late paying your bill). Promotional interest rates may still be offered, but they must be clearly disclosed and last for at least 6 months. The credit card company must send you a notice 45 days in advance of making any significant changes to the terms of your card agreement (including increases in your interest rate, annual fees, cash advance fees or late fees). If your interest rate does increase, the new rate will only apply to new charges you make. The company will also be required to re-evaluate the rate increase every 6 months (even for penalty interest rate increases), and, if applicable, reduce the rate within 45 days of completing this evaluation. Non-penalty fees on subprime or low-limit credit cards must not exceed 25% of the original credit limit under this new law. In an effort to prevent over-the-limit fees, it also prohibits cardholders from purchasing items which would cause them to exceed their credit limit, unless they contact the company and request the ability to do so (making this request will allow penalty fees to apply each time you go over your credit limit). The CARD Act caps late fees at \$25 for the first violation (\$35 if the same offense occurs in the next 6 billing cycles). These penalty fees cannot exceed the dollar amount associated with the violation. If your minimum payment due is \$12, then the penalty for late payment cannot be more than \$12. If you exceed your credit limit by \$5, then the over-the-limit fee can be no more than \$5. Only one charge or fee may be levied for a single event or transaction that violates the cardholder agreement, and no longer can any type of fee be charged for inactivity.

Consumers who feel that a credit card company is violating the provisions of this new law can file a complaint with the Florida Department of Agriculture and Consumer Services, and/or notify the Federal Reserve Bank or the Office of the Comptroller of the Currency directly.