

2009 CREDIT CARD LAW CHANGES THE RULES

The credit card legislation signed into law by President Obama last month provides significant new consumer protections against arbitrary fees, interest hikes and other predatory lending practices.

Major provisions of the law include:

- ✓ **Banks cannot apply penalty interest rates until a payment is 60 days past due.** This prevents banks from raising your overall rate if you make a payment a day or two late.
- ✓ **Banks must give 45 days notice of any increase in interest rates.** They must also give ample notice of any other changes in the terms of the card. This gives you notice before the changes take effect, instead of discovering an increase when your statement shows up with a triple size finance charge.
- ✓ **Banks cannot increase a credit card rate for the first year unless a payment is 60 days late.** They must also provide clear information of **all terms** on issuing of the card.
- ✓ **Banks cannot apply payments to the lowest interest debt first.** If you pay more than the minimum due and have charges at several different interest rates, banks must apply the excess funds to pay down the highest interest debt, or at least distribute it over all the charges.
- ✓ **Double cycle billing is banned.** Banks can no longer increase your finance charges by calculating them on the past 2 billing cycles instead of the most recent.
- ✓ **Universal default is banned.** Banks can no longer raise your rates only because you made a late payment to some other creditor.

(continued in Column 2)

(continued from Column 1)

- ✓ **Practices that forced late payments are banned.** Banks must mail monthly statements no less than 21 days before the payment due date instead of the 14 days previously allowed. In addition, a payment received before 5 pm on the due date is considered on time, as is a payment whose due date falls on a Sunday or holiday, and which is delivered the following day. This prevents banks from levying late charges for payments that are mailed in good time.
- ✓ **No one under 21 can have a credit card without a parent, guardian or spouse as primary cardholder.** Underage cardholders must also have the co-signer's permission before their credit line can be increased. This protects college students and youth from being targeted by predatory lenders.
- ✓ **Credit card gift cards must have all their terms and charges clearly printed on the card.** These cards also cannot expire for at least 5 years from the date of purchase.
- ✓ **Banks must obtain your permission to allow you to exceed your credit limit.** This prevents banks from allowing overcharges so that they can charge extra fees and higher interest.

WATCH OUT FOR STEALTH BANK FEES

Banks and credit card companies are resorting more and more to increased fees to generate revenue. Some common fee types:

- ✓ **ATM.** If you use another bank's ATM, you can be charged a transaction fee by both banks. Stick to your own bank's ATMs as much as possible.
- ✓ **Overdraft.** These fees can run as high as \$35 per overdraft, so keep close track of your account if your average balance is low. Also, find out if your bank has an overdraft protection plan.

(continued on next page)

TALK TO US ABOUT YOUR BUSINESS PAYROLL NEEDS

Streamline your payroll with our web-based, hassle-free payroll system. Direct deposit and electronic filing included. Call Neil or Cynthia for more information.

CHANGES COMING IN THE NEW CREDIT CARD LAW

Plus: AVOID BANK AND CREDIT CARD FEES

THE LIGHT is a publication of Fradin & Company, Ltd., Certified Public Accountants & Consultants
1000 Greenwich Avenue • Warwick, RI 02886 • 401.738.2900 • email info@fradincpa.com • www.fradincpa.com

WATCH OUT FOR STEALTH BANK FEES

(continued from Page 1)

- ✓ **Returned Check.** Someone else's bad check deposited in your account can cost you a hefty fee, too. Be careful whose checks you accept.
- ✓ **Transaction.** Some banks charge for phone and teller transactions over a monthly limit. If yours does this, look for alternatives like the bank's web site, and direct deposit.
- ✓ **Checking account.** Read bank notices and statements carefully to make sure your bank doesn't change your free account to a fee charging one.
- ✓ **Credit card charges.** Late fees, over limit fees, annual fees and other charges will be going up in advance of the new law, so keep current on your cards.

Other types of fees to beware include currency conversion fees, and penalties for closing an account within a few months of opening it.

In general, large banks are more likely to levy lots of fees, and small banks are more likely to reverse a fee if you ask nicely.

This publication is not intended to be financial or tax advice, but is intended only to inform the reader of recent developments. If you require financial or tax advice on a particular matter, please contact us directly at (401) 738-2900, or email info@fradincpa.com

THE LIGHT
Fradin & Company, Ltd.
1000 Greenwich Ave.
Warwick, RI 02886

PRSRT STD
U.S. POSTAGE
PAID
WARWICK RI
PERMIT NO. 828