# [New Credit Card Laws: What You Need To Know About Rates And Fees](http://www.huffingtonpost.com/2010/02/22/new-credit-card-laws-what_n_471462.html)

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NEW YORK - **(BY CANDICE CHOI AND EILEEN AJ CONNELLY, AP)**

The new credit card law is finally here. Starting Monday, banks will need to abide by new regulations on terms and disclosures. The idea behind the landmark law was to prevent banks from using practices that often dug borrowers deeper into debt.

A look at how the credit card law affects key aspects of your account.

INTEREST RATES

THEN: Banks could raise the interest rate on an account at any time, including the rate on an existing balances, even if you weren't late on payments.

NOW: The rate cannot be raised in the first year after an account is opened unless an introductory rate has come to an end. After that, cardholders must be notified 45 days in advance of any rate change.

For existing balances, rates can't be raised unless the account is at least 60 days past due. If payments are made on time for six consecutive months, the original rate must be restored.

There's still no cap on rates.

DISCLOSURES

THEN: The fine print on cardholder agreements was often difficult to understand. Rates, fees and penalties for other services such as cash advances, for example, could be hard to find. The impact of the interest rate on paying down a balance was hard to compute.

NOW: Cardholders will see how many months it will take to pay off a balance if only minimum payments are made. Statements will also indicate how much needs to be paid each month to pay off a balance within three years.

SERVICE FEES

THEN: Banks could charge as much as they wanted. They could assess annual fees, activation fees and other fees. This was mostly a problem for subprime cards marketed to those with poor credit scores. One popular card, for example, the Premier Bankcard, charged $256 in first-year fees for a $250 credit line.

NOW: Service fees, such as activation and annual fees, will be capped at 25 percent of the credit limit during the first year of use. After that, there is no cap.

GRACE PERIODS

THEN: Some card companies sent out statements not long before payments were due, and sometimes shifted payment due dates from month to month, meaning that payments would not always have enough time to arrive and get processed before being deemed late. As a result, some cardholders ended up getting charged interest or late fees even when they thought they were sending in payments on time.

NOW: The law requires that due dates remain consistent. Statements must be sent out 21 days before the payment due date, and finance charges and fees cannot be applied before that period is up. In practice, about half of card issuers have extended grace periods to as long as 25 days.

OVER-THE-LIMIT FEES

THEN: Banks set credit limits, then routinely allowed charges to exceed those limits. When that happened, though, the customer was charged an over-the-limit fee as high as $39. These fees were often triggered by interest charges or late-payment fees that pushed a balance over the credit limit. What's more, multiple over-the-limit fees could get charged in a single billing cycle if the balance was paid down and another charge pushed the balance back over the limit.

NOW: The cardholder must specifically agree to permit transactions that exceed the credit limit. Only then can over-the-limit fees be charged. But the fees can't be triggered by other fees or interest charges. Only one over-the-limit fee may be imposed during a billing cycle. No over-the-limit fees may be charged unless the cardholder has specifically agreed to permit transactions exceeding their authorized credit limit. These fees can no longer be triggered by other fees or interest charges imposed by the card issuer, and only one such fee may be imposed during a billing cycle.

In practice, several of the largest card companies have dropped these fees. Some banks are using pop-up boxes on their Web sites or other methods to obtain consumer authorization.

UNIVERSAL DEFAULT

THEN: If you made a late payment on one credit card or loan, or even late payments for obligations like utility bills, that could trigger interest rate hikes on other credit card accounts.

NOW: Card companies cannot raise interest rates on existing credit card balances. Interest rates can't rise during the first year an account is open, unless the original agreement spelled out a promotional rate for a limited time.

Consumers with older accounts must be informed of any interest rate increase on new charges at least 45 days in advance. They must also be given a chance to opt out of the hike by canceling the account and paying down the balance at the old interest rate. If an interest rate is increased, the card company must review the account once every six months to assess whether the rate should be dropped.

STUDENTS

THEN: Students arriving on college campuses often confronted a gantlet of credit card marketers handing out T-shirts, pizza and other gifts in exchange for filling out card applications. Credit cards were frequently handed out without checking the applicant's income sources. In 2008, 84 percent of undergraduates had at least one credit card. Average balances topped $3,100.

NOW: Credit cards may no longer be issued to anyone under age 21, unless the applicant has a co-signer, or can show independent means to repay the debt. Colleges must disclose any marketing deals they make with credit card companies. Banks are not allowed to hand out gifts on or near campuses or at college-related events.

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