Do You Know Your Rights Under New Federal Credit Card Laws?

August 27, 2010 - If you have a credit card then the chances are that at some point you credit card company has treated you in a way that you didn't particularly care for. Perhaps they increased your interest rate for no particular reason. Or maybe they hit you with late fees that were higher than your minimum payment. Well, on August 22nd new regulations went into effect for credit card companies. Here is a quick check list of some of the more significant changes that you can expect under the new regulations.

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s.type = 'text/javascript';
s.src = 'http://widgets.digg.com/buttons.js';
s1.parentNode.insertBefore(s, s1);
})();

Late Fees: Generally, the first time in any six month period that you are billed a late fee now, that fee can't exceed $25. Subsequent late payments within six months of an initial late payment will have fees capped at $35. Additionally, late fees can no longer exceed your minimum monthly payment. If that payment is $10, then with certain limited exceptions the fee can't exceed $10 either.

Over the Limit Fees: These are fees that are charged if you exceed your credit limit. Under the new rules, you must agree to have your company provide with the ability to exceed your credit limit. If you don't provide that permission, then if you attempt to make a charge that exceeds your credit limit, the charge will be denied. If you do opt in for over the limit

purchase capability, then your over the limit fee can't exceed the amount that you exceeded your limit. In other words, if you are $1 over your credit limit, the maximum fee will be $1.

Inactivity Fees: Kiss these goodbye. Card issuers can no longer charge you for not using your credit card.

Interest rates: Under the new regulations, credit card companies are limited in changes that they can make to your interest rate but consumers should not be fooled into thinking that all of these restrictions are beneficial to them.

Under the new regulations, credit card companies can no longer increase the interest rate you pay on an existing credit card balance without giving you 45 days notice unless you are more than 60 days late on a payment. One exception to this is that if the credit card company offers promotional or introductory interest rates. These types of promotions can still be offered for a minimum period of six months, after which the interest rate can expire. Consumers need to read their credit card agreements and promotional documentation thoroughly when dealing with these rates.

Fixed rate credit cards must have the same interest rate for the first twelve months after the card is issued. If the rate increases at the end of twelve months, it can only be increased on new purchases. Your existing balance must continue to be billed at the old rate.

If you receive a notice that your rate is being increased on an adjustable rate card, you have the option to reject the rate increase on your existing balance, but if you do, you credit card company can cancel your account. Additionally, the credit card company can increase the minimum monthly payment on the cancelled account and limit the repayment period to five years. Cardholders do need to be aware that this could actually increase their overall monthly payments.

If your credit card company does raise your rates, they must reevaluate you every six months. If the evaluation determines that your rate should be lower, then they must reduce your interest rate within 45 days of completing your evaluation.

Payment Fees: You can no longer be charged additional money for paying your bill by phone or online.

Multiple Fees on a Single Transaction: You can't be billed multiple fees for any single transaction.

Payment Application: If you have separate balances on your card that are billed a different interest rates, payments must be applied to the portion of your balance with the highest interest rate first. This will help hold your overall bill down and pay off your balance more quickly.

There is additional information available on the new regulations through the Federal Reserve website.

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