

Credit Card check

The Credit Card Accountability, Responsibility, and Disclosure (CARD) Act of 2009 was signed by President Obama in May 2009, after passing both Houses of Congress by wide, bipartisan margins. The law provides for a number of changes that credit card holders will welcome:

- When multiple interest rates apply to the same credit line, payments will apply first to the balance with the highest interest rate, the opposite of past practice.
- A minimum of 21 days must be allowed to pay a bill.
- Card contracts must be available online, not just sent as fine-print forms to cardholders.
- At least 45 days' notice must be given before the APR is increased.

New restrictions apply to providing cards to those under 21. In many cases, a parent will be required to cosign for the card.

The restrictions for younger cardholders were included based upon evidence that many college students have been having trouble handling their debt, getting in over their heads. On the other hand, there is some concern that young people will have a harder time establishing their own independent credit histories once the new rules take effect.

That doesn't happen until February 22, 2010. The delayed implementation date gives credit card companies time to adjust to the new requirements. Some of the adjustments include taking a much more conservative approach to issuing credit. Some cardholders have found their credit limits reduced, sometimes unexpectedly. A big decline in the use of "teaser rates" is expected.

These developments are a predictable response given the prospective curtailment of profit opportunities for the card issuers.

It will be important to monitor communication from card companies during the coming months. Best of all, implement a plan to pay down debt aggressively, strengthening your financial foundation and reducing your vulnerability to shifts in the economic winds.

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