



State of Connecticut
Attorney General George Jepsen

Quick Tips

Your Rights Under the CARD Act

What is the CARD Act?

The federal Credit Accountability, Responsibility and Disclosure (“CARD”) Act — signed into law in 2009 — contains many protections to shield consumers against credit card abuses like deceptive language and unjustified interest rate increases on existing balances. Many of the CARD Act’s provisions took effect in 2010.

What your Credit Card Company Has to Tell You

Your credit card company must send you a notice 45 days before they can:

- Increase your interest rate;
- Change certain fees that apply to your account, such as annual fees, cash advance fees and late fees; or
- Make other significant changes to the terms of your card.

If your credit card company is going to make changes to the terms of your card, it must give you the option to cancel the card before certain fee increases take effect. If you take that option, however, the company may close your account and increase your monthly payment, subject to certain limitations. For example, it can require you to pay the balance off in five years, or it can double the percentage of your balance used to calculate your minimum payment.

The company does not have to send you a 45-day notice if:

- You have a variable interest rate tied to an index (if the index goes up, the company does not have to provide notice before your rate goes up);
- Your introductory rate expires and reverts to the previously disclosed “go-to” rate; or
- Your rate increases because you are in a workout agreement but haven’t made your agreed-to payments.

Your credit card company also must tell you how long it will take to pay off your balance. Your monthly bill will include information on how long it will take if you only make minimum payments as well as how much you would need to pay each month to pay off your balance in three years.

Know your rights

Interest Rates

Your credit card company cannot increase your rate for the first 12 months after you open an account, with a few exceptions:

- If your card has a variable interest rate tied to an index; your rate can go up whenever the index goes up.
- If there is an introductory rate, it must be in place for at least six months; after that, your rate can revert to the “go-to” rate the company disclosed when you got the card.
- If you are more than 60 days late in paying your bill, your rate can go up.
- If you are in a workout agreement and you don’t make your payments as agreed to, your rate can go up.

Increased rates apply only to new charges. If you have a balance, your old interest rate will apply to that balance.

If your credit card company increases your card’s Annual Percentage Rate (APR), it must tell you why. Your credit card company must reevaluate that rate increase every six months. If appropriate, it must reduce your rate within 45 days after completing the evaluation.

Underage Consumers

If you are under 21, you will need to show that you are able to make payments, or you will need a cosigner, in order to open a credit card account. If you are under 21 and have a card with a cosigner and want an increase in credit limit, your cosigner must agree in writing to the increase.



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Fees

If your credit card requires you to pay fees — such as an annual fee or an application fee — those fees cannot total more than 25 percent of the initial credit limit. This limit does not apply to penalty fees, such as penalties for late payments.

If you are late making your minimum payment, your credit card company cannot charge you a fee of more than \$25 unless:

- One of your last six payments was late, in which case your fee may be up to \$35; or
- Your credit card company can show that the costs it incurs as a result of late payments justify a higher fee.

Your credit card company cannot charge a late payment fee that is greater than your minimum payment.

Your credit card company cannot charge you inactivity fees, such as fees for not using your card.

Your credit card company cannot charge you more than one fee for a single event or transaction that violates your cardholder agreement. For example, you cannot be charged more than one fee for a single late payment.

Limits

You must tell your credit card company that you want it to allow transactions that will take you over your credit limit. Otherwise, if a transaction would take you over your limit, it may be turned down. If you do not opt-in to over-the-limit transactions and your credit card company allows one to go through, it cannot charge you an over-the-limit fee.

If you opt-in to allowing transactions that take you over your credit limit, your credit card company can impose only one fee per billing cycle. You can revoke your opt-in at any time.

Changes to Billing and Payments

Your credit card company must mail or deliver your credit card bill at least 21 days before your payment is due. Also:

- Your due date should be the same date each month.
- The payment cut-off time cannot be earlier than 5:00 p.m. on the due date.
- If your payment due date is on a weekend or a holiday (when the company does not process payments), you will have until the following business day to pay.

If you make more than the minimum payment on your credit card bill, your credit card company must apply the excess amount to the balance with the highest interest rate, with one exception:

- If you made a purchase under a deferred interest plan (for example: “no interest if paid in full by March 2012”) the credit card company may let you choose to apply extra amounts to the deferred interest balance before other balances. Otherwise, for two billing cycles prior to the end of the deferred interest period, the credit card company must apply your entire payment to the deferred interest rate balance first.

Two-cycle (double-cycle) billing is not allowed. Credit card companies can only impose interest charges on balances in the current billing cycle.