

Larry B Parness

Larry Parness, CPA, MBA, MST, PFS
128 Dorrance Street, Suite 520
Providence RI 02903
(401)454-0900
parnessl@ix.netcom.com

To find out more click [here](#).

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The Credit Card Accountability Responsibility and Disclosure Act of 2009

On May 22, 2009, President Obama signed into law the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the Credit CARD Act of 2009).

Amending the Truth in Lending Act, the Credit CARD Act of 2009 requires that credit card companies notify cardholders in writing at least 45 days prior to any change in the annual percentage rate (APR). The notification must also inform cardholders that they have the right to cancel the account before the effective date of the rate increase. If a cardholder cancels the account, the cancellation cannot be considered a default on the account, and cannot trigger an obligation to repay the account in full.

Credit card companies are further prohibited from increasing annual percentage rates (APRs) that apply to existing balances unless specific conditions apply. An APR may be increased only if 1) the index on which the rate is based changes, 2) it is a promotional rate that has expired, 3) a cardholder fails to comply with a hardship workout plan, or 4) the account falls 60 days past due.

What's more, if a rate increase is triggered by a cardholder falling 60 days past due on the account, the credit card company must inform the cardholder that the rate increase will be terminated (and the rate restored to what it was before the increase) once the cardholder has made timely minimum payments for six months.

Other features of the Credit CARD Act of 2009 include:

- If different APRs apply to separate portions of an outstanding balance, the amount of any payment beyond the minimum payment due must be applied to the portion of the balance with the highest APR.
- If the payment due date is a date when a creditor does not receive or accept payments by mail (e.g., weekends and holidays), the creditor cannot treat a payment received on the next business date as a late payment.
- Credit card companies are prohibited from charging a cardholder an over-the-limit fee unless the cardholder authorizes the credit card company to complete the transaction that causes the balance to go over the limit (opt-in).
- Credit card companies are prohibited from charging a fee based on the manner in which a payment is made (e.g., on line, by telephone).
- Extension of credit to consumers under age 21 is prohibited, unless the consumer demonstrates the independent means of repaying the debt or has a cosigner over 21 capable of repaying the debt.