

Credit Card Act of 2009 - New Rules

Summary of new credit card regulations

- Credit card companies cannot increase interest rates on existing credit card balances unless a customer is at least 60 days late.
- In the event of an interest rate increase, the credit card company must revert to the original rate after the customer makes six months of on-time payments.
- Credit card companies must give customers at least 45 days notice of any other interest rate hikes.
- Billing statements must be mailed 21 days prior to the due date, and companies cannot charge a late fee if a payment is late due to a delay in processing.
- A credit card company cannot raise interest rates in the first year of a customer relationship, and promotional interest rates must last at least six months.
- Creditors must adhere to new regulations that will make it more difficult to issue credit cards to consumers under 21.

Dealers and credit promotions

As a result of a question from an association staff member, I did some research yesterday into how the Credit Card Act of 2009 (or portions of it) will effect dealers who promote consumer cards with revolving terms. I visited a local bank, a Home Depot, and spoke with several dealers representing various brands.

What I found is that retailers that promote private-label cards, such as manufacturer-branded cards or a Home Depot Consumer Credit Card, will now have to offer credit applications based on the guidelines imposed on the finance companies or banks that support the cards. Here are three pieces of the law that may have an effect on dealers or their customers:

1. "No payment" promotions are being eliminated.
2. All promotional financing offers must be at least six months in length for consumer accountholders.
3. A customer's ability to pay on his/her account must be considered at time of account opening and when providing credit limit increases.

Most retailers have or should have received new credit applications for private-label cards or inserts with new information/requirements. Dealers who promote private-label cards but have not received new credit applications or inserts with procedures are encouraged to contact representatives of those companies, whether it's Deere, Case, New Holland, etc., for details. However, the dealers with whom I've visited have the materials they need.

In summary, the Credit Card Act of 2009 is designed to curb or eliminate questionable credit card practices as well as determine the ability of credit applicants to pay their bills.

Following are two sources that offer more details about the Credit Card Act of 2009.

GE Capital:

<http://www.gemoney.com/en/business/2010FAQ2.html>

CreditCards.com:

<http://www.creditcards.com/credit-card-news/credit-card-law-interactive-1282.php>