



New Credit Card Act Offers Protection for Consumers

You may have recently received a notice from your credit card issuer, alerting you of changes in interest rates and fees on your credit cards. If you are a credit card holder, it is imperative that you know about the sweeping changes in the credit card industry that will take effect in February 2010.

The Credit Card Accountability, Responsibility, and Disclosure (CARD) Act of 2009, designed to strengthen consumer protections in the credit card market, was signed into law by President Obama last May. The Act limits when credit card companies can increase interest rates and bans billing and payment practices that the Federal Reserve calls “unfair or deceptive.” Some of the provisions that took effect in August include the following:

- Consumers must be notified 45 days prior to interest rate increases and other key contract changes (previously 15 days). Issuers must also inform cardholders of their right to cancel or close their account — called opting out — if they do not agree to the changes.
- Statements must be delivered 21 days before a payment is due (previously 14 days).

Effective February 22, 2010, credit card issuers:

- Cannot increase interest rates on existing balances unless the account is at least 60 days past due. (Beginning in July 2010, accounts must revert to the original interest rates after six months of on-time payments.)
- Must clearly disclose terms using wording that is easy to understand.
- Cannot raise interest rate because you are past due on other accounts (Universal Default).

Other key provisions under the Credit CARD Act:

- Credit card issuers won't be able to charge over-limit fees unless the card holder has given them consent to extend credit beyond the card limit.
- Statements must show how long it would take you to pay the existing balance — and the total interest cost — if you made only the minimum payment.

- Those under 21 years old won't be able to get a credit card unless they have a co-signer or proof of sufficient income.
- Statements must include information about at least three credit counseling companies for any consumers who have carried a balance within the past 60 days.
- Credit card issuers must honor promotional rates for at least six months.
- Credit card issuers will limit fees on sub-prime, low-limit cards.

Accel recommends that you take the following steps if you receive a notice that your interest rate or fees are increasing:

- **Contact your creditor to find out your options.** By opting out of the interest rate increase, your account may be closed, so consider whether this is a line of credit you wish to keep or not. If you pay your card in full each month, then the rate increase may not impact you.
- **Weigh your options before deciding to close your account.** Think about how useful this line of credit is to you. Do you use the card to pay monthly recurring bills? Do you use it for business expenses? Do you earn points for rewards or other perks?
- **Know what fees are being charged and the frequency of those fees.** Is it an annual fee? Is the fee only charged under certain conditions, like when you carry over a balance? Understand how the fees will be calculated so that you can decide if they are going to impact you or not.

It's a good practice any time, but be especially careful to read *everything* you get from your credit card companies in the coming months so you can stay informed of how the changes will impact you.

Avoiding a Credit Card Hangover This Holiday Season

Accel financial counselors encourage you to carefully budget your holiday spending this season and every year. While credit cards can be very tempting to purchase gifts, they can result in a “holiday hangover” in January, when the credit card bills come due. During the holiday season, Accel reminds members to consider the following:

Before using credit

- Plan for purchases in advance. Do you want to commit future income to monthly credit payments?
- Is the item you are considering purchasing with credit a need or a luxury?
- Learn to say no and mean it. Remember, we cannot have everything that we want.
- Understand your own weaknesses when it comes to money.
- If you know credit card purchases are tempting, then don't carry the cards with you. Keep them in a safe place.
- If you know you have a tendency to over-spend at the grocery store because you have over-draft protection on your checking account, make a list to shop from, and withdraw cash from the bank. Leave your checkbook at home.
- Work toward the goals you have set. Does the credit purchase fit into your overall plan?

- Weigh the pro's and con's of the purchase. Did you observe the “two-day rule?” (The two day rule: When you see something you really want to buy on credit, go home and think about it for two days. If you decide after two days that it is still a smart buy, and it fits into your budget, then go back and buy it.)

Shop around

- Look at various sources
- Compare cost, terms and conditions

Read and understand the contract

- Read the contract carefully
- Don't rush into signing anything
- Once a contract is signed, get a copy of it
- Know the penalties for missed payments

Know your cost

- Figure out the total price when paying with credit
- Make the largest payments possible
- Buy on installment credit only after you have evaluated all other possibilities
- Don't be misled into thinking small monthly payments will be easy

By observing these suggestions and planning ahead, you can kick off the New Year without a “holiday hangover.”

Building Credit Step-by-step

At some point in your life, you may experience the need to establish or re-build your credit. To make what may seem like a daunting task easier, here are some do's and don'ts provided by the National Foundation for Credit Counseling (NFCC) that consumers should follow that will make the road to credit much smoother.

- **Do obtain a free copy of your credit report** from www.annualcreditreport.com. This is particularly useful if you are trying to rebuild your credit.
- **Do open checking and savings accounts.** Even though this activity is usually not reported to the credit bureaus, lenders may inquire about the presence of such accounts on credit applications.

- **Don't apply for too much credit at once.** This can appear as though you're desperate for credit and perhaps make lenders less inclined to extend credit to you.
- **Do apply for a variety of credit types.** Credit scoring models value having different types of credit. Therefore, having some revolving accounts (typically credit cards) and some installment fixed payment loans (such as a car payment) can improve your score.
- **Do research the type of card that is right for you.** Each issuer has different lending standards (yes, a credit card is a loan), so you'll only want to apply for cards from those whose lending profile you fit.

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