



FEDERATION OF AMERICAN CONSUMERS AND TRAVELERS

- NEWS RELEASE -

FOR IMMEDIATE RELEASE

Avoiding Credit Card Traps -- As Important As Ever!

EDWARDSVILLE, IL, June 9, 2009 -The Credit Card Accountability, Responsibility and Disclosure (CARD) Act of 2009 was signed into law just a few short weeks ago. While the bill has been touted by its backers as a “win” for cardholders, the new legislation hardly means that you can start swiping your plastic worry-free.

As the new rules go into effect in nine months (though some will kick in as soon as 90-days) and banks start curtailing certain practices this legislation addresses, other practices will likely emerge that can hurt consumers just as badly. So, whether you use your credit cards as a tool toward free rewards points or you carry debt that you’re hoping to repay one day, you should watch out for new fees, higher interest rates, less generous rewards and fewer promotional offers. According to the experts, here’s what you should be aware of:

Watch out for new kinds of fees

The new law prohibits over-limit fees (unless the cardholder agrees to allow transactions that exceed their limits). To make up for that lost revenue, banks are expected to introduce other charges. Among the fees cardholders should watch out for: fees for rewards programs and possibly even fees for checking your balance. Also, expect annual fees to make a comeback. In the 1980s, annual fees were standard, but were largely dropped as competition among card issuers heated up. Analysts predict that some issuers will slap annual fees on all their credit cards, while others will tie the fee to spending thresholds, so that only big spenders get a free ride.

Prepare for higher rates

Universal default allows card issuers to hike rates if a cardholder's credit score drops or if they make late payments on other accounts. Once the new legislation is in place, issuers will lose this powerful risk-management tool. Without the ability to hike rates if a cardholder's perceived risk level rises, card issuers are expected to start charging higher rates across the board. To avoid higher interest charges, consumers who carry a balance will have to shop around for lower rates -- perhaps in exchange for paying an annual fee. Those who pay their balances in full each month shouldn't be affected.

What should you, as a cardholder, do?

To protect against unpleasant surprises, examine credit-card statements and give extra attention to *change-in-terms* letters. For now, card issuers can change terms at any time with 15 days’ notice, but once the new law is in effect, they will need to give 45 days’ notice.

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