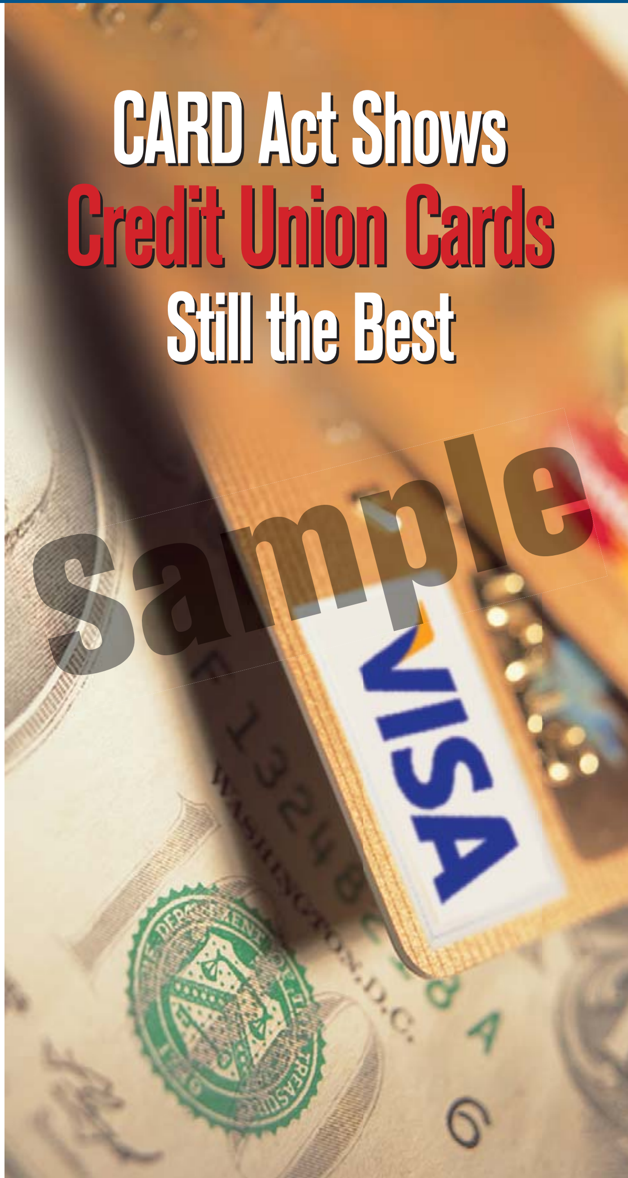
CARD Act Shows Credit Union Cards Still the Best



Legislation in 2009 launched a new era for the credit card industry. According to the *New York Times*, credit union cards are a great test case for how other cards will perform under the 2009 law—because they already operate in consumers' best interest.

The Credit Card Accountability, Responsibility, and Disclosure Act of 2009 (CARD Act) limits changes for interest rates, fees, and other significant terms on credit card accounts. It also requires a longer notice when certain terms are changed, bans certain deceptive practices, and provides additional protection to consumers.

> ***Credit unions largely conformed to the practices enforced by the CARD Act.***

"These rules should help 'rein in' many abusive credit card practices," says Dan Mica, Credit Union National Association President/CEO.

In reaction to the CARD Act, many banks have raised rates and fees to maintain profits—even gouging cost-conscious consumers who maintain good credit.

If you *have* a credit union credit card, you already know about the low-interest rate, low fees, reasonable grace period, and great member service that are standard operating procedure at a credit union. If you don't have a credit union credit card, now is a great time to get one.

Credit unions largely conformed to the practices enforced by the CARD Act, before Congress felt the need for legislation. And even though credit unions weren't involved in the abusive and deceptive practices—such as high over-the-limit fees and huge interest rate hikes—that led to the law, it's important to know how and when components of the law affect you.

The CARD Act forces card issuers to show consumers the big picture. For example, if you generally make only the minimum payment on your credit card each month, now you get a clear picture of what this means for your financial future.

At a credit union, you get a better card and a better financial institution. What distinguishes credit unions from banks is that credit unions answer to a different group of owners—their members—reports the *New York Times*. As a member, you receive better rates and service than if you're a customer of a bank—which shareholders own.

Use the table inside to understand how the law affects your credit card and when these new practices took effect.

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	Aug. 20, 2009	Feb. 22, 2010	Aug. 22, 2010	What this means to you
Interest rates	• Issuers have to give written notice at least 45 days before increasing the annual percentage rate (APR). • Notices must contain a brief statement about the cardholder's right to cancel the account.	• Interest charges on debts paid on time—known as double-cycle billing—are banned. • No increase in APR allowed in first year that account is opened unless certain exceptions apply (ask the card issuer for details). • No "teaser" rates for less than six months. • No penalty rate unless 60 days overdue.		If you miss a payment and your rate rises, you can restore your old rate over time. You still should compare rates to make sure you're getting a card with the best deal. The best deal likely is at your credit union.
Fees		• Late fees not charged if card issuer delays crediting payments. • Consumers must "opt in" to over-the-limit fees; those who "opt out" may have transactions rejected if they exceed their credit limits. • Issuers are prohibited from charging fees for consumers paying by mail, electronic transfer, or phone—unless live services are required.	• Penalties have to be "reasonable and proportional" to the violation.	Most nuisance fees you've seen on bank card statements will disappear. Your best bet is to switch to a credit union credit card, where fees are typically lower.
Payments	• Credit card issuers must mail statements 21 days before due date.	• Payment due date the same each month; if due date falls when issuer is closed (weekends, holidays), creditor can't treat payment received next business day as late.		Clearer due dates and times: You'll have more time to pay your bill and won't have to worry about early morning payment and other unreasonable deadlines.
Young adults (younger than age 21)		• Cards can't be issued without an adult co-signer unless cardholder can prove means to repay the debt. • Credit limits can't be increased without considering the ability of the borrower to make required payments. • Card issuers not allowed to offer tangible items or inducement for applications on or near campus and at college-sponsored events.		If you're younger than age 21, you'll need a co-signer if you want a credit card unless you have a steady source of income. Your credit union still is the best place to shop for a credit card—with your parents' approval, of course.
General-use prepaid cards, gift certificates, and store gift cards			• No penalties for not using the card unless no activity for 12 months. • Cards can't expire for the first five years. • Expiration date terms must be clearly stated.	New rules eliminate hidden fees and expiration dates.
Disclosure		• Each card issuer will maintain a Web site posting card agreements; Federal Reserve must post on Web site as well *(federalreserve.gov)*. • Issuers must disclose consequences of making only minimum monthly payments—how much interest you will pay and how long it will take to pay off card. • Toll-free number available for help in locating credit counseling and debt management services.		It now will be easier to compare rates and terms.
Oversight		• Law increases penalties for violating Truth in Lending Act. • Fed will review terms of credit card agreements and industry practices.		You will be protected from deceptive credit card practices.