

## New Directions for Credit Cardholders

In 2009, Congress passed a new law for credit cards that helps protect consumers from most instances of interest rate increases and other unfavorable changes in fees and account terms. Most of the rules implementing the law are now in effect, and the remaining provisions will be effective on August 22, 2010. In spite of provisions in the law, consumers could face account changes in the future, such as interest rate increases on future transactions and imposing of new fees and penalties. The following are 8 strategies from the FDIC on how to avoid potential pitfalls in the new world of credit cards.



1. **Understand your right to cancel a credit card before certain significant changes take effect.** Under the new law, card issuers must generally tell customers about certain changes in account terms – in areas such as interest rate and fee increases – 45 days in advance. Consumers must also be informed of their right to cancel the card before certain changes take effect.
2. **Keep an eye on your credit limit.** Some people, even those with excellent credit histories, have seen their credit limits cut back. This could be harmful because it diminishes borrowing power. One way you can limit the likelihood of your card being canceled or that your credit limit will be cut, is to pay your bills, including credit cards, on time. Also, try to pay more than the minimum each month, if you carry a balance. Credit card companies consider how you pay your bills.
3. **Decide how you want to handle transactions that could put you over your credit limit.** Under the new law, no fees may be imposed for making a purchase or other transaction that would put your account over the credit limit unless you explicitly agree, in advance, that the credit card company can process the transactions for you and charge a fee.
4. **Be careful with “no-interest” offers.** Many retailers offer “zero-percent interest” purchases for a certain period of time. Keep in mind that it is important to follow the rules of the offer, or the “no-interest” special could become very expensive. Minimum monthly payments must be made and the total purchase amount must be paid by the end of the “no-interest” period. If you don’t, you will be charged interest from the date you bought the item.
5. **Keep only the credit cards you really need and then periodically use them all.** Having too many credit cards can lead you to overspend. Also, having many credit cards with no existing balance or a very low balance can reduce your credit score. Two or three general purpose cards are probably enough. Avoid large balances on them in relation to the credit limit.
6. **Do your research before paying high annual fees for a “reward” card.** Always read the fine print and be realistic about your likelihood of using the card before you accept and expensive annual fee in return for rewards.
7. **Take additional precautions against interest rate increases.** While credit card companies cannot increase the interest rate on existing balances except in certain circumstances, they may raise rates on extensions of credit for new purchases as long as proper notice is provided.
8. **Parents of young adults have a new opportunity to teach responsible management of credit cards.** The new law includes protections for young consumers, including a requirement that anyone under 21 who wants to obtain a credit card, must have a qualified co-signer on the account or must prove he or she alone can repay any debt. Parents need to talk with their children about how to use credit wisely.

More information on this topic can be found at:

[Http://www.fdic.gov/consumers/consumer/news/cnspr10/new\\_realities.html](http://www.fdic.gov/consumers/consumer/news/cnspr10/new_realities.html)