The CARD Act ***Bans***…

Unfair Rate Increases

Financial institutions are not allowed to raise rates unfairly, giving consumers confidence that interest rates on their balances will not be hiked. Credit card companies must provide consumers a 45-day notice of any rate increase. The consumer then has the option to decline the increase and close the account or to accept the increase. While this provision does not apply to credit terminations and does not place a cap on your interest rates, it does protect consumers from suddenly spiked rates.

Retroactive Rate Increase

No longer are credit card companies able to change interest rates at 'any time' and 'for any reason.' Existing balances cannot be subject to arbitrary rate increases. For example, if a consumer purchases an item with a current rate of 6.0%, the credit card company cannot hike the rate to 20% after the purchase.

Funding provided through a grant from the Central Carolina Community Foundation

Central Carolina Community Foundation

The CARD Act ***also Bans***…

"Universal Default"

This clause, typically buried in fine print on your card agreement, allows the creditor to raise your rate if you are more than 30 days late on another card, resulting in increased payments and damage to your credit score. This practice is no longer allowed. Penalties may only be applied to the defaulted account.

"Double Cycle" Billing

Credit card companies will be required to apply excess payments to the highest interest balance first. Also, credit card companies cannot calculate interest charges based on an average of the current and previous months' balance. This practice is known as "double-cycle" billing. For example, a consumer may have a balance of $1000 in January and $400 in February. Rather than calculate the interest based on the current balance ($400), some credit card companies calculate a higher interest rate based on the average of the two months ($700). In effect, interest is charged on a paid balance.

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a publication of
South Carolina Department of Consumer Affairs

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What is The CARD Act?

The Credit Card Accountability, Responsibility & Disclosure Act (CARD Act) is a federal law that changes the credit card industry by eliminating unfair credit practices.

21 or Under? College student?

Credit cards cannot be issued to persons under the age of 21 unless the person can either provide proof that they can repay the money they are borrowing or have a parent (or someone else over age 21) co-sign and agree to be responsible for that debt. The Act also prohibits credit card companies from offering incentives to students for completing an application and sets limitations on credit card marketing. Gone are the days on America's college campuses where free t-shirts and hot dogs are exchanged for signing up for a credit card.

Consistent Payment Dates

Requires that payments are due on the same date of each month by 5:00 p.m. Good-bye floating due dates and noon deadlines. Also, if you make a payment over the phone or Internet, no fee can be charged unless your payment is expedited.

Over-the-Limit Fees

Gives consumers valuable protection against over-the-limit fees. Previously, many credit card companies allowed consumers to continue making purchases when they exceeded their limit and then issued over-the-limit fees. These fees, $39 or more per transaction, were added to the balance, increasing the amount of interest due. Now, consumers must opt-in to over-the-limit programs that allow them to exceed their credit limit and the credit card company to charge these fees.

Subprime Credit Cards

Fees on subprime, low-limit credit cards are restricted. This occurs when subprime credit cards come with big upfront annual fees that can eat up most of the available credit. Consumers using these cards are often considered risky borrowers.

Gift Cards and Stored Value Cards

Cards must have enhanced disclosures. Dormancy or inactivity fees and expiration terms must be clearly disclosed to gift card buyers. Fees for inactivity cannot be charged unless the card has not been used for at least 12 months and cannot expire until at least five years after its activation date. *(This provision is effective August 22, 2010.)*

Plain Sight/Plain Language Disclosures

Credit card contract terms must be disclosed in language that consumers can see and understand, so they can avoid unnecessary costs and manage their finances. Prior to opening an account, disclosures covering account terms must be given and clear statements of account activity, such as explanations for fees charged, must be given after the account is opened. Consumers must be provided information on how long it will take to pay their balance, and the total cost (principal and interest) to the consumer, if only minimum payments are made. Notices regarding late fees or penalty rates as well as a toll-free phone number for credit counseling information must also be given.