



## New credit card rules take effect this month

Author:

For the shortest month, February has a lot going on this year.

Besides traditional observances such as Black History Month, Ground Hog Day, Valentine's Day and President's Day, the Winter Olympics is underway, and starting next week, new credit card policies go into effect.

Called the Credit Card Accountability Responsibility and Disclosure Act of 2009, this piece of legislation has caught a lot of consumers off guard.

A survey conducted earlier this month for FreeScore.com showed that fewer than half of Americans are aware of the new regulations that go into effect on Feb. 22, and just 40 percent of consumers knew credit card companies must now give a 45-day advance notice to changes in credit card rates, terms and conditions.

The new law aims to protect credit card users from practices such as abrupt rate increases, retroactive rate increases and double-cycle billing, wherein customers are charged interest on debt that's fully paid off during the grace period.

While the purpose of the new law is to protect consumers, good old-fashioned responsibility is still required to safeguard yourself against piling up debt.

"Unfortunately there's no magic formula to make bad debt go away or keep people from overspending," said Mike Mercer, president and CEO of Georgia Credit Union Affiliates. His organization represents 165 credit unions across the state with more than 1.8 million members.

As of last September, there were about 250,000 credit card accounts in Georgia totaling about \$600 million. At an average of \$2,400 a person, Mercer said he was surprised people still carry so much debt.

"My advice today is the same as it would always be: make payments on time; pay more than the minimum; and shop around for the best rates."

Skye Tyler, education coordinator for Consumer Credit Counseling Service of Savannah, has similar advice for attendees of her consumer education classes offered several times each month at area libraries.

The month of February is devoted to credit basics, and, in March, she will continue the theme of teaching how to keep up with credit scores.

"Credit is an important part of how we live," she told a recent class, "But it can easily get out of hand if we don't use it wisely."

One of the most attractive elements of the new legislation, said Tyler, is the requirement that consumers be provided with information on how long it will take them to pay off their balance, illustrating paying only the minimum amount due each month versus paying off the debt in three years.

And credit statements will now include contact information for nonprofit counseling agencies that may serve as a resource for sorting through financial challenges.

An unwelcome side effect will be higher interest rates, a reduction in rewards and an increased danger of piling on fees and penalties for late payments, over limit spending and annual fees.

"There's really no way around it," said Mercer. "We just have to live within our means, and we can't be reckless with credit."

Mercer added that credit unions traditionally have lower interest rates since as non-profits they have no incentive to make large profits. For those interested in learning more about credit unions, go to [findacreditunion.com](http://findacreditunion.com).

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