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New credit card rules now in effect

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SAVANNAH, GA (WTOC) - Sweeping new credit card rules are now in effect. The goal is to crack down on deceptive credit card practices.

Credit card issuers cannot raise rates for one year when you open a new account and if they raise rates on an existing account, the new rate only applies to new purchases and not your old balance.

Each credit card bill must also show how long it will take to pay off the balance if you only pay the minimum payment.

The new rules also crack down on credit card companies recruiting college students.

"Now they can't just send out pre-approval letters saying you're approved, sign on the dotted line without any income verification. These individuals have to qualify, if they don't qualify it will be required that an adult can qualify and sign along with them" says financial advisor Karen Jenkins.

Some people use credit cards for everything. Savannah resident Murray Galin has three of them, but pays them all off each month.

"I don't want to pay the interest. I use it as a convenience," Galin told WTOC.

Sudden interest rate hikes scare Galin and millions of Americans. Now, the government is forcing credit card companies to give a 45 day warning to customers.

"I pay mine off so these new rules don't apply to me, but I think it is good for people who have their interest rates raised without any warning. It's a very bad thing," he said.

"We made that mistake already. No more credit cards," Jen O'Dell told WTOC.

Jen and Brian O'Dell got burnt by credit card fees and interest rate hikes.

"It happened at the worst possible time. We were unemployed for a short period of time. That's when you need your credit card, and you are late paying them because you are struggling and then get huge fees, late fees, it's insane and you get in deep debt really quickly," O'Dell said.

Under the new laws, sudden interest rate hikes are a thing of the past. Interest rates won't go up without warning and billing statements will now show how long it will take you to pay off your debt.

For example, the typical interest rate is 18.9 percent. If you have \$5,000 on your credit card, it will take you 40 years to pay it off if you only pay the minimum.

[Click here for a credit card repayment calculator.](#)

Your statement will also come earlier and payments will be due at the same time each month to help avoid late fees



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"You should open your statement and read your statement," Skip Watson with Savannah Schools Federal Credit Union, told WTOC.

Watson thinks the new laws will protect consumers who still need to be responsible. He wants to pay attention to what your interest rate is now on your new statement, as some credit card companies bumped them up before the law took effect and reduced credit lines.

"Some of the credit card companies have been going as high as 30 percent and the Federal Reserve website puts on a red alert, you will never pay off this debt," Watson said. "You should always try to pay more than the minimum, even if its just \$5 more."

"I do think its up to us to be smart," O'Dell said. "You can't rely on the government to take care of ourselves. Credit cards aren't very good for us."

The O'Dells gave up on credit cards. Galin is hoping the new laws help others who may be struggling with credit debt.

"I think they are long overdue," he said.

If you need help with credit card debt, experts warn not to apply to debt management programs you see on TV.

The Better Business Bureau recommends Consumer Credit Counseling of Savannah.

For more information, visit their website at <http://www.cccsavannah.org/>. They can help with budgets and credit debt tips.

For a list of all the new rules, visit the Federal Reserve's website at <http://www.federalreserve.gov/creditcard/>.

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