SUMMARY
"THE CREDIT CARD ACCOUNTABILITY RESPONSIBILITY AND DISCLOSURE ACT"
The CARD Act of 2009
May 19, 2009

Prevents Unfair Increases in Interest Rates and Changes in Terms

- Prohibits arbitrary interest rate increases and universal default on existing balances;
- Requires a credit card issuer who increases a cardholder's interest rate to periodically review and decrease the rate if indicated by the review;
- Prohibits credit card issuers from increasing rates on a cardholder in the first year after a credit card account is opened;
- Requires promotional rates to last at least 6 months.

Prohibits Exorbitant and Unnecessary Fees

- Prohibits issuers from charging a fee to pay a credit card debt, whether by mail, telephone, or electronic transfer, except for live services to make expedited payments;
- Prohibits issuers from charging over-limit fees unless the cardholder elects to allow the issuer to complete over-limit transactions, and also limits over-limit fees on electing cardholders;
- Requires penalty fees to be reasonable and proportional to the omission or violation;
- Enhances protections against excessive fees on low-credit, high-fee credit cards.

Requires Fairness in Application and Timing of Card Payments

- Requires payments in excess of the minimum to be applied first to the credit card balance with the highest rate of interest;
- Prohibits issuers from setting early morning deadlines for credit card payments;
- Requires credit card statements to be mailed 21 days before the bill is due rather than the current 14.

Protects the Rights of Financially Responsible Credit Card Users

- Prohibits interest charges on debt paid on time (double-cycle billing ban);
- Prohibits late fees if the card issuer delayed crediting the payment;
- Requires that payment at local branches be credited same-day;
- Requires credit card companies to consider a consumer's ability to pay when issuing credit cards or increasing credit limits.

Provides Enhanced Disclosures of Card Terms and Conditions

- Requires cardholders to be given 45 days notice of interest rate, fee and finance charge increases;
- Requires issuers to provide disclosures to consumers upon card renewal when the card terms have changed;
- Requires issuers to provide individual consumer account information and to disclose the period of time and total interest it will take to pay off the card balance if only minimum monthly payments are made;
- Requires full disclosure in billing statements of payment due dates and applicable late payment penalties.

Strengthens Oversight of Credit Card Industry Practices

- Requires each credit card issuer to post its credit card agreements on the Internet, and provide those agreements to the Federal Reserve Board to post on its website;
- Requires the Federal Reserve Board to review the consumer credit card market, including the terms of credit card agreements and the practices of credit card issuers and the cost and availability of credit to consumers;
- Requires Federal Trade Commission rulemaking to prevent deceptive marketing of free credit reports.

Ensures Adequate Safeguards for Young People

- Requires issuers extending credit to young consumers under the age of 21 to obtain an application that contains: the signature of a parent, guardian, or other individual 21 years or older who will take responsibility for the debt; or proof that the applicant has an independent means of repaying any credit extended;
- Limits prescreened offers of credit to young consumers;
- Prohibits increases in the credit limit on accounts where a parent, legal guardian, spouse or other individual is jointly liable unless the individual who is jointly liable approves the increase;
- Increases protections for students against aggressive credit card marketing, and increases transparency of affinity arrangements between credit card companies and universities.

Enhanced Penalties

- Increases existing penalties for companies that violate the Truth in Lending Act for credit card customers.

Gift Card Protections

- Protects recipients of gift cards by requiring all gift cards to have at least a five-year life span, and eliminates the practice of declining values and hidden fees for those cards not used within a reasonable period of time.

Encourages Transparency in Credit Card Pricing

- Requires the GAO to study the impact of interchange fees on consumers and merchants, specifically their disclosure, pricing, fee and cost structure.

Protects Small Businesses

- Requires the Federal Reserve to study the use of credit cards by small businesses and make recommendations for administrative and legislative proposals;
- Establishes Small Business Information Security Task Force to address the information technology security needs of small businesses and help prevent the loss of credit card data.

Promotes Financial Literacy

- Requires comprehensive summary of existing financial literacy programs and development of strategic plan to improve financial literacy education.