Summary of the Credit Cardholders' Bill of Rights

The "Credit Cardholders' Bill of Rights," provides crucial protections against unfair, but unfortunately common, credit card practices.

Ends Unfair, Arbitrary Interest Rate Increases.

- Prevents card companies from unfairly increasing interest rates on existing card balances – retroactive increases are permitted only if a cardholder is more than 30 days late, if a pre-agreed promotional rate expires, if the rate adjusts as part of a variable rate, or if the cardholder fails to comply with a workout agreement.
- Requires card companies to give 45 days notice of *all* interest rate increases or significant contract changes (e.g. fees) .

Lets Consumers Set Hard Credit Limits, Stops Excessive "Over-the-Limit" Fees.

- Requires companies to let consumers set their own fixed credit limit.
- Prevents companies from charging "over-the-limit" fees when a cardholder has set a limit, or when a preauthorized credit "hold" pushes a consumer over their limit.
- Limits (to 3) the number of over-the-limit fees companies can charge for the same transaction – some issuers now charge virtually unlimited fees for a single violation.

Ends Unfair Penalties for Cardholders Who Pay on Time.

- Ends unfair "double cycle" billing – card companies couldn't charge interest on debt consumers have already paid on time.
- If a cardholder pays on time and in full, the bill prevents card companies from piling additional fees on balances consisting solely of left-over interest.
- Prohibits card companies from charging a fee when customers pay their bill.

Requires Fair Allocation of Consumer Payments.

- Many companies credit payments to a cardholder's lowest interest rate balances first, making it impossible for the consumer to pay off high-rate debt. The bill bans this practice, requiring payments made in excess of the minimum to be allocated proportionally or to the balance with the highest interest rate.

Protects Cardholders from Due Date Gimmicks.

- Among other measures, requires card companies to mail billing statements 21 calendar days before the due date (up from the current 14 days), and to credit as "on time" payments made before 5 p.m. local time on the due date.
- Extends due date to next business day for mailed payments when the due date falls on a day a card company does not accept or receive mail (i.e. Sundays and holidays).

Prevents Companies from Using Misleading Terms and Damaging Consumers' Credit Ratings.

- Establishes standard definitions of terms like "fixed rate" and "prime rate" so companies can't mislead or deceive consumers in marketing and advertising.
- Gives consumers who are pre-approved for a card the right to reject that card prior to activation without negatively affecting their credit scores.

Protects Vulnerable Consumers From High-Fee Subprime Credit Cards.

- Prohibits issuers of subprime cards (where total yearly fixed fees exceed 25 percent of the credit limit) from charging those fees to the card itself. These cards are generally targeted to low-income consumers with weak credit histories.

Bars Issuing Credit Cards to Vulnerable Minors

- Prohibits card companies from knowingly issuing cards to individuals under 18 who are not emancipated minors.

Requires Better Data Collection from Credit Card Industry

- Requires reports to Congress by the Federal Reserve on credit card industry practices to enhance congressional oversight.

Swift Implementation of 45-Day Notice Requirement

- Requires card companies to send out 45-day notice of interest rate increases 90-days after the bill is signed into law.

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