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**Obama signs credit card reforms into law**

Enactment starts the clock ticking on new consumer protections

By Connie Prater

President Barack Obama signed new credit card rules into law Friday, starting the clock ticking on the advent of a host of consumer protections slated to start as early as August.

"With this bill we're putting in place some common sense reforms," the president said during signing ceremonies at the White House. As he signed the law, he was flanked by key Congress members who helped usher in the legislation. The Credit Card Accountability, Responsibility and Disclosure Act (or Credit CARD Act) of 2009 includes the most sweeping changes in how credit cards are marketed,

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advertised and managed in decades. ([Watch the ceremony](#) on CSPAN.)

The law limits when credit card interest rates can be increased on existing balances and allows consumers whose interest rates have been increased to reduce their [annual percentage rates](#) (APRs) to previous levels if they've been good and paid their bills on time for six months. [Read the act.](#)

### 45 days' notice starting Aug. 20

Consumer protections will be phased in over the next 15 months with the earliest starting Aug. 20, 2009. By that date, all card issuers must begin giving 45-day advance notice of significant changes in card terms. That is also the deadline for giving consumers at least 21 days (instead of the current 14) to pay their monthly credit card bills. (See an [interactive timeline](#) of how the bill became law and when its provisions take effect.)

The bulk of the consumer protections -- limiting when interest rates can be increased, banning universal default and double-cycle billing, and restricting credit cards for minors, among others -- take effect Feb. 22, 2010. The timing of the law was a major point of contention during Congressional debate on the bill. Consumer advocates argued families struggling in the recession needed help sooner while banking lobbyists pushed for more time to implement changes in billing, operations and computer systems required by the law.

Provisions for restoring interest rates to previous levels if cardholders show six months of good behavior do not start until Aug. 22, 2010. Making gift cards valid for at least five years and requiring that fees are reasonable also take effect by August 2010.

Federal rules approved by regulators in December 2008 overlap with the new law and cover many but not all of the same practices. Those federal rules take effect July 1, 2010.

Other provisions of the bill include:

- Fines of up to \$5,000 for card issuers that violate the act.
- Banning [universal default](#) and [double-cycle billing](#).
- Prohibiting [over-limit fees](#) unless consumers agree to allow



Obama signs credit card reform legislation

A bipartisan group of lawmakers applaud after President Barack Obama signs the Credit CARD Act of 2009 into law. (Official White House photo)

**Now that a credit card reform law has been passed, how do you think the credit card industry**

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transactions that exceed their credit limits to go through rather than be denied.

- Fees for late payments, over-limit charges or other penalty fees must be reasonable and related to the violation.
- Extending the life of gift cards and gift certificates so that they cannot expire within five years of activation. Banning dormancy or inactivity fees on gift cards unless there has been no activity in a 12-month period.
- Banning credit cards for people under the age of 21 unless they have adult [co-signers](#) or show proof that they have the means to repay the debts. College students must get permission from parents or guardians to increase credit limits on [joint accounts](#) they hold with those adults. The new law will [ban those free pizza and T-shirt giveaways](#) -- popular on many college campuses -- if students sign up for credit cards. Colleges, universities and alumni associations would have to disclose the nature of contracts they sign with credit card marketers allowing access to student and alumni contact information.
- Requiring that card issuers disclose how long it would take to pay off credit card balances if cardholders make only minimum payments each month and how much users would have to pay each month if they want to pay off their balances in 36 months.

#### will react?

- Card issuers will swiftly embrace the reforms.
- Issuers will over time come into compliance.
- They will delay until the last minute.
- Issuers will raise rates and otherwise squeeze consumers until the last second.

VOTE

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Obama said the law is for "people who found out that credit cards are a one-way street. It's easy to get in but almost impossible to get out." He warned, however, that the law doesn't give consumers an easy pass: "We expect consumers to live within their means and pay what they owe," the president said.

U.S. Sen. Carl Levin, a Michigan Democrat who has been holding hearings on credit card abuses since 2007, attended the signing along with Rep. Carolyn Maloney of New York and Sen. Christopher Dodd of Connecticut. Both are credited with ushering the legislation through the House and Senate, respectively, leading up to this week's passage.

"Credit card companies have crossed line after line with outrageous practices that hurt American families and businesses," Levin said. "They underestimated the ability of Congress to turn public outcry into public policy. We faced powerful forces against this effort, but we prevailed. Millions of Americans will benefit now that some balance of power is being restored between cardholders and card issuers."

Said Dodd: "Gone are the days of gouging hardworking families with 'any time, any reason' rate increases and unreasonable fees and penalties. With the signing of this bill, President Obama has ushered in a new era where consumer protections will be strong and reliable, rules transparent and fair, and statements clear and informative ... Today is the day we finally make credit card companies

accountable to their customers and responsible for their actions."

### Not covered

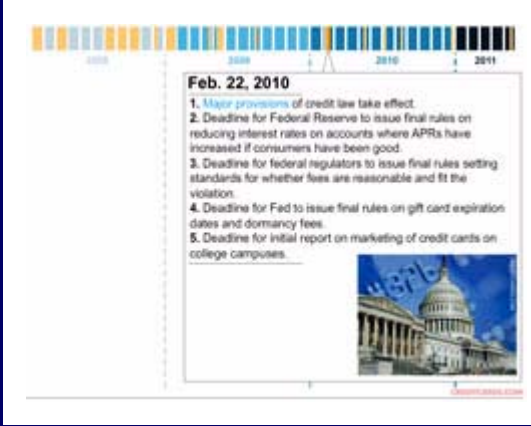
The new law does not cap how high interest rates can go. Nor does it limit when APRs can be hiked on future purchases. People with business or corporate credit cards will not have the same protections as people with personal credit cards because the new law and the federal rules apply only to consumer credit cards.

The banking industry has said the new law would mean higher interest rates for all customers -- including those who pay their bills on time and have good credit -- and lowered credit limits or no credit cards at all for high risk customers with bad credit. [Annual fees](#) would also return as a routine component of many cards, according to issuers.

"Credit cards provide access to credit for millions of Americans and small businesses every day," Kenneth Clayton, senior vice president for card policy for the American Bankers Association, said after the senate Banking committee approved a previous version of the reform bill. "Making this credit available is a very risky business and the committee's action today will unfortunately make it harder -- not easier -- for banks to continue doing so. Credit card lenders of all sizes will likely have to pull back on providing reasonably-priced credit to a wide range of consumers and small businesses. It is hard to see how that makes good policy sense."

Opponents of the law say the majority of Americans manage their credit well and the new restrictions will hurt those consumers more than help card users who default on payments. Opponents also objected to the timing of the law, saying it will restrict credit at a time when the economy needs more consumer spending to pull out of the recession.

Many of the major banks have received federal tax dollars to help bail them out of the Wall Street meltdown. Credit industry analysts have projected those banks will struggle to make profits into 2010



**Feb. 22, 2010**

1. Major provisions of credit law take effect.
2. Deadline for Federal Reserve to issue final rules on reducing interest rates on accounts where APRs have increased if consumers have been good.
3. Deadline for federal regulators to issue final rules setting standards for whether fees are reasonable and fit the violation.
4. Deadline for Fed to issue final rules on gift card expiration dates and dormancy fees.
5. Deadline for initial report on marketing of credit cards on college campuses.

**CREDIT CARD REFORM AND YOU**

- [How to cope until the new law takes effect.](#)
- [What the new credit card law means for you.](#)
- [A comprehensive guide to the new Credit CARD Act](#)
- [What people are saying about the new credit card law](#)
- [Interactive timeline: How the credit card reform bill became law and when its provisions take effect.](#)
- [Read the act.](#)


as credit card defaults rise to record levels. Some industry estimates are that the new law could cost banks tens of billions of dollars in lost revenue from interest charges and late fees and penalties. Credit industry analyst R.K. Hammer estimates that credit card companies will generate \$20.5 billion in fees in 2009 -- up from \$19 billion in 2008.

"Who are they kidding?" Maloney asked in a newsletter sent minutes after the signing to her supporters. "They've already been cutting credit lines and raising rates as a result of the overall financial crisis."

She added: "It was a long and bumpy road. Some credit card issuers fought these reforms every step of the way -- and they were still at it as recently as Tuesday, claiming these reforms will hurt consumers and result in increased interest rates and reduced credit availability."

#### Credit card videos

For more on this topic, check out this video:

 [Credit card video: Credit CARD Act to bring big changes](#)

#### Guns at national parks

Asked about an unrelated provision in the bill allowing visitors to U.S. National Parks and refuges to legally carry licensed, loaded firearms, White House Press Secretary Robert Gibbs told reporters during Friday's press briefing, just before the signing ceremony, that

Obama would sign the bill with the gun provision included: "Overall, the credit card reform bill is important for consumers and should be signed," Gibbs told reporters. The gun clause takes effect Feb. 22, 2010.

**See related:** [A comprehensive guide to the new Credit CARD Act](#), [What people are saying about the new credit card law](#), [Interactive timeline: How the bill became law, when its provisions take effect](#), [Will the new credit card law hurt more consumers than it helps?](#), [Annual fees return in credit card mail offers](#), [Law alters cozy relationship between colleges, credit card issuers](#), [House easily passes credit card reform bill](#), [Senate passes tough new credit card bill](#), [How to cope until the new credit card rules take effect](#), [What the new credit card rules mean for you](#), [Feds: Close interest rate loophole in new credit card rules](#), [New credit card rules don't cover business, corporate credit cards](#), [House OKs Credit Cardholders' Bill of Rights](#), [House committee OKs Cardholders' Bill of Rights](#), [Credit Cardholders' Bill of Rights passes first legislative hurdle](#), [Federal banking regulators finalize sweeping rule changes for credit cards](#), [House again weighs Cardholders' Bill of Rights](#)

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- [FTC eyes new rules on \(not-so\) free trial offers](#) – So-called 'negative option' deals mean unless you act, the free trial morphs into a permanent debt ...

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