

the limit the next billing cycle, you would not be charged a credit limit fee, unless you make an additional transaction that puts your balance over the limit.

- No over-the-limit fees can be caused by a hold on your credit limit. If a transaction, like a car rental, puts a hold on your credit limit, thereby reducing your available credit, a subsequent charge cannot put you over the limit.

Stricter Finance Charge and Interest Rate Increase Rules

- No more double cycle billing finance charges. Credit card issuers are prohibited from calculating finance charges using this method which causes cardholders to pay interest on previously paid balances.
- No interest rate increases are permitted during the first 12 months of opening a credit card, unless the rate increase was disclosed when you first opened the credit card.
- Promotional rates must last at least 6 months.
- No interest rate increases are allowed on pre-existing balances. If your credit card issuer decides to increase your interest rate, that new rate would only apply to new balances. Your current balance would continue to be subject to the old interest rate. There's an exception, however, if you are more than 60 days late on your credit card payments. Cash advances can have a dramatically higher interest rate.
- Credit card issuers must give a 45-day advance notice before increasing your interest rate or making any major change to your credit card agreement. Remember, balances from purchases within the 45-day window will go up if not paid.

- Your interest rate could increase if you don't make the minimum payment within 30 days of your due date, even during the first 12 months of opening your account. You must receive a 45-day advance notice of penalty rate increases.
- Increased rates must be reviewed and lowered if the review shows improved payment habits.
- Card companies are required to re-evaluate interest rate increases adopted since the start of 2009 and to reduce rates if appropriate.

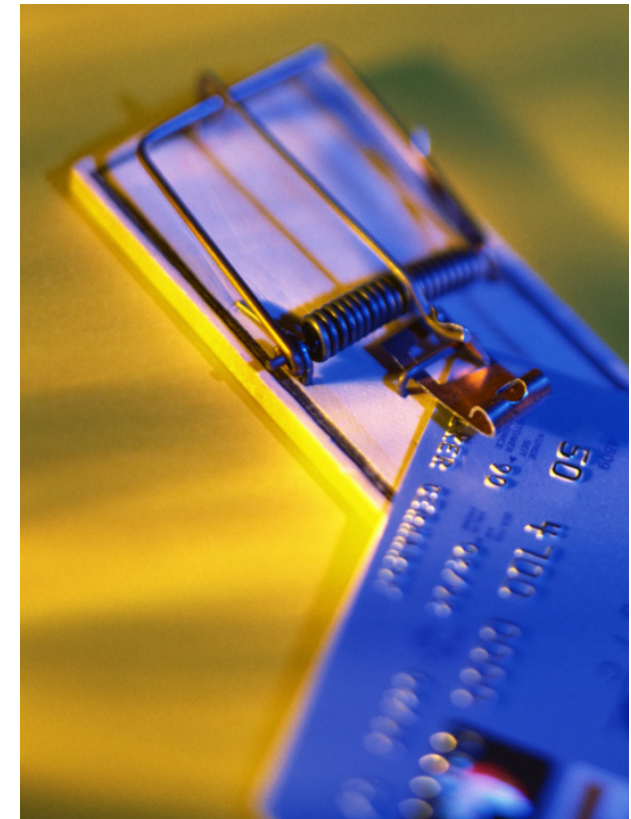
FOR MORE INFORMATION CONTACT:



WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MA 02108
1-800-269-5428
WWW.SEC.STATE.MA.US/SCT

What You Need to Know

Know the New Credit Card Rules (and the loopholes)



William Francis Galvin
Secretary of the Commonwealth
Securities Division

Billing Statements and Payment Processing

- Billing statements must be sent 21 days before the due date, giving you more time to pay your credit card bill and reducing the risk of a late fee and interest rate penalty.
- Mailed credit card payments received by 5 pm on the due date must be credited as on time.
- Payments are on time when received the next business day after a holiday or weekend.
- Payments made at a local branch should be credited the same day.
- Removal of new accounts from your credit report if you never activate or use the account, or you close it within 45 days.

Debit Cards Are Different

Although credit cards and debit cards may look virtually identical, there are important differences. A debit card is tied to the cardholder's savings or checking account and the card subtracts funds from that account. The debit card does not involve a loan unless the user exceeds the balance of the account and the bank extends credit for the purchase.

- Starting July 1, 2010, Federal Reserve rules prohibit institutions from charging overdraft fees for ATM and one-time debit card transactions unless the consumer "opts in" to an overdraft service for such transactions. Based on this rule change, you will need to sign up for overdraft protection for your debit card if you want it.
- Your liability for the misuse of the debit card depends on how quickly you report the misuse and loss. The debit cardholder's exposure can be up to \$50 for lost cards that



are reported within 2 days, but exposure may be unlimited if the customer fails to notify the bank more than 60 days after the mailing of a statement showing unauthorized use of the card.

For extra safety, you may ask your bank to issue you an ATM-only card that does not function as a debit card. A PIN is needed for these cards, providing added safety. For more information see the Federal Trade Commission website: www.ftc.gov/bcp/edu/pubs/consumer/credit/cre04.shtm

Payment Allocation and Fees

- Payments above the minimum must be applied to highest-interest rate balances. If you have balances with different interest rates, the new rules require banks to allocate anything over the minimum payment to your highest interest rate balance. This reduces the amount of finance charges you pay on balances.
- There are no fees to make your credit card payment online, by mail, or over the phone, unless you make a last-minute payment over the phone and your bill is due the same day or next day.
- Payments are due on the same date each month.

- Starting August 22, 2010:

- Card companies are generally barred from charging a penalty over \$25 for late payments;
- Card companies are prohibited from charging a penalty higher than the dollar amount associated with a customer's violation;
- Multiple penalty fees for a single late payment are banned; and
- Inactivity fees are banned.

Over-the-Limit Fees

- No over-the-limit fees are allowed unless you request (opt-in) the credit card issuer to process over-the-limit transactions. Otherwise, over-the-limit transactions would be denied and you would not incur a fee.
- Only one over-the-limit fee is allowed per billing cycle. You cannot receive more than one charge for exceeding your credit limit in any billing cycle.
- Only one over-the-limit fee is permitted per over-the-limit transaction. If you make a purchase that puts you over your credit limit, you should only be charged one fee for that instance. Even if your balance remains over

