



## ASA DIX LEGAL BRIEF

A PREVENTIVE LAW SERVICE OF THE JOINT READINESS CENTER LEGAL SECTION  
UNITED STATES ARMY SUPPORT ACTIVITY DIX  
*KEEPING YOU INFORMED ON YOUR PERSONAL LEGAL NEEDS*

# *The Credit Card Accountability and Disclosure Act of 2009 (CCADA)*

### CONSUMER PROTECTION

Prior notice of rate increases is required: prohibits increase in Annual Percentage Rate (APR) without 45 days notice; prohibits applying rate increases retroactively to existing balances and, requires clear notice of right to cancel credit card when APR is raised.

A freeze on interest rate terms and fees on canceled cards is required also, prevents APR from being raised, or repayment terms being cancelled, if a cardholder cancels a card.

Requires set limits on fees and interest charges.

Prohibits double cycle billing: Prohibits credit card issuers imposing interest charges on any portion of a balance that is paid by the due date.

Over-the-limit fee restrictions: Cardholders must be given the option of having a fixed credit limit that cannot be exceeded, and card companies cannot charge over-limit fees on cardholders with fixed limits. Cardholders may elect to prohibit the creditor from completing over-limit transactions that will result in a fee or constitute a default under the credit agreement. Over-limit charges can only be charged when an extension of credit, rather than a fee or interest charge, causes the credit limit to be exceeded. Over-limit charges can only be applied once during a billing cycle.

Prohibits charging interest on fees: Prohibits the charging of interest on credit card transaction fees, such as late fees and over-limit fees.

Limits on charging certain fees: Prohibits credit card issuers from charging a fee to allow a credit card holder to pay a credit card debt, whether payment is by mail, telephone, electronic transfer, or otherwise. Also requires that all fees be reasonably related to the cost. Foreign currency exchange fees may only be imposed in an account transaction if the fee reasonably reflects costs incurred by the creditor and the creditor publicly discloses its method for calculating the fee.

Consumers have the right to reject a credit card before notice is provided of opening an account. This gives cardholders who get preapproved the right to reject the card up until they activate it without having their credit adversely affected.

The use of terms must be clarified: This prevents credit card companies from using the terms “A fixed rate@” and “A prime rate@” in a misleading way by establishing a single definition.

Application of card payments: Prohibits credit card companies from setting early deadlines for credit card payments. Requires payments to be applied first to the credit card balance with the highest rate of interest, and to minimize finance charges. Prohibits late fee if the card issuer delayed crediting the payment. Prohibits card companies from charging late fee when a cardholder presents proof of mailing payment within 7 days of the due date.

Length of billing period: Requires that all credit card statements be mailed 21 days before the bill is due. The current requirement is 14 days.

Prohibition on universal default and unilateral changes to cardholder agreements: Prevents credit card issuers from increasing interest rates on cardholders, in good standing, for reasons unrelated to the cardholder's behavior with respect to that card. Prevents credit card issuers from changing the terms of a credit card contract for the length of the card agreement. Allows penalty rate increases only for specific, material actions or omissions of the consumer specified in the card agreement. Requires issuers to lower penalty rates that have been imposed on a cardholder after 6 months if the cardholder commits no further violations.

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

Enhanced oversight: Requires the credit card issuer's primary regulator to evaluate the credit card policies and procedures of card issuers to ensure compliance with credit card requirements and prohibitions. Improves existing data collection efforts related to credit card interest rates, fees, and profits.

## **ENHANCED CONSUMER DISCLOSURES**

Payoff timing disclosures: Requires credit card issuers to provide individual consumer account information and to disclose the period of time it will take the cardholder to pay off the card balance if only minimum monthly payments are made. Also requires issuers to disclose the total amount of interest the cardholder will pay to pay off the card balance if only minimum monthly payments are made.

Requirements relating to late payment deadlines and penalties: Requires full disclosure in billing statements of payment due dates and late payment penalties. Requires that cardholders be given a reasonable period to make payment. Requires that payment, at local branches, be credited same-day.

Renewal disclosures: Requires card issuers to provide account disclosures to consumers upon card renewal when the terms of the card have changed.

## **PROTECTION OF YOUNG CONSUMERS**

Extensions of credit to underage consumers: Requires that credit card issuers, when soliciting to persons under the age of 21, obtain an application that contains either: (1) the signature of a parent, guardian, other qualified individual willing to take financial responsibility for the debt; (2) information indicating an independent means of repaying any credit extended; or (3) proof that the applicant has completed a certified financial literacy or financial education course.

Restrictions on certain affinity cards: Mandates those credit card issuers, as a condition for entering into commission-based affinity cards with higher education institutions, require that all affinity card customers, under the age of 21, comply with the requirements listed above.