



KNOW YOUR RIGHTS

Help is Here for Your Credit Card Crisis

Banks are strangling consumers. Consumers are legally fleeced for billions of dollars in annual profits through fees and finance charges on revolving credit lines, also known as consumer credit cards. As of 2007, approximately 215 million Americans had credit cards, but few cardholders know their rights and obligations pertaining to the everyday use (and abuse) of those cards.

On May 22, President Barack Obama signed the Credit Card Accountability, Responsibility and Disclosure (CARD) Act, which gives more power to credit card users, and limits some of the abusive and unfair tactics employed by credit card companies to boost profits.

The secret to mammoth credit card profits is a mammoth customer list. Credit card companies have learned the lessons of marketing and often employ “promotional rate” strategies to attract new customers. In the past, when the 60- or 90-day promotional rate period ended, the cardholder would face skyrocketing rates. By that time, the credit card companies hoped the consumer would be carrying a balance, and that the adjusted, higher interest rate would thus have to be paid on the balance. No more. Under the new act, promotional rates cannot be increased for a minimum term of six months from the date the promotional rate takes effect.

CARD also makes headway in protecting underage consumers, individuals statistically less likely to appreciate the

significance and obligations of a credit card. Consumers under age 21 must now have either a cosigner over the age of 21 who will be jointly liable for the debt, or be able to establish an independent means of paying the bills. If there is a cosigner, the credit limit may not be increased without the written approval of the cosigner.

Since many consumers need a credit card when they start college, credit card companies and universities have been scratching each other’s backs to put cards into the hands of students. Now, any higher education institution that has a marketing agreement with a company must disclose the agreement publicly. Credit card companies are prohibited from giving away tangible items that would serve to induce a student to apply for a credit card if the offer is made on campus, near campus or at a school-sponsored event.

The economic downturn has hit banking hard, directly limiting the amount of credit that credit card companies can advance, limiting their profits. As a result, the companies began looking to stable consumers to boost profits, and considered charging interest or a fee to consumers who paid off their cards every month. To prevent that, CARD prohibits a credit card company from charging a finance charge on payments to a credit card account when the payment is made within the minimum 21-day time period provided. The new 21-day minimum payment period will help to ensure that consumers have sufficient time to make



Consumer rights lawyer Tyler Dowdall lets readers know their rights under a new credit card law.

payments to their accounts and thereby avoid late fees or other charges.

In the event that you are unable to pay off your bill in full every month, or you are carrying a balance, take heart that CARD will help you pay your debts faster. In the past, when a consumer had a balance charged at varying interest rates, the companies would apply payments to the balance with the lowest rate of interest. This would maximize profit

by leaving the balance with the highest interest rate intact. Now, payments in excess of the minimum payment will be applied first to the balance bearing the highest interest rate, and then to each successive balance bearing the next highest interest rate, until the payment is exhausted.

The credit card industry calls a cardholder who pays his or her bill in full every month a “deadbeat.” The industry uses this term because individuals

who pay their bill in full every month prevent the company from charging interest on the unpaid balance, which shrinks profit margins. A sweater marked down 20 percent isn’t a bargain if you’re paying 20 percent interest on it. Use your credit card as a substitute for cash, not as an endless well of free money. Pay off your card every month, minimize your debts and the card company’s profits, and be a deadbeat.

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Dowdall is an attorney with the Law Offices of Federico Castelan Sayre in Santa Ana. He specializes in the areas of serious personal injury, civil rights, wrongful death, product and premises liability, insurance bad faith, medical malpractice, fraud, breach of contract and toxic torts. He is dedicated to protecting the rights and interests of consumers and individuals who have been injured through the wrongful, intentional or negligent acts of others.