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**MEMORANDUM**

May 22, 2009

To Our Clients and Friends

**Re:** The Credit Card Accountability Responsibility and Disclosure Act

The Credit Card Accountability Responsibility and Disclosure Act (“CARD Act”), enacted on May 22, 2009, makes numerous important changes to the manner in which credit card issuers may impose charges as well as to other industry practices. Presented below are descriptions of several significant provisions affecting card issuers. The CARD Act generally becomes effective on February 22, 2010.

**LIMITS ON INCREASES IN INTEREST RATES**

- Prohibits an increase in interest rates for cardholders in good standing for reasons unrelated to the cardholder’s behavior with respect to that card
- Requires 45 days’ advance notice before increasing interest rates, fees or finance charges
- Restricts retroactive rate increases on existing balances until after the balances become sixty days overdue
- Requires promotional rates to remain in effect for at least six months
- Prohibits rate increases during the first year an account is opened

**LIMITS ON FEES**

- Prohibits issuers from charging additional fees for cardholders to make payments by telephone or over the Internet
- Prohibits charging over-limit fees unless cardholder opts in to over-limit transactions
- Requires penalty fees to be reasonable and proportional to the omission or violation.

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### **BILLING AND PAYMENTS**

- Requires issuers to send bills to cardholders at least 21 days before payment is due
- Cardholders' payments in excess of the minimum amount due must be applied to balances with the highest interest rates

### **CARDHOLDER DISCLOSURES**

- Requires disclosure of the amount of time it would take to pay off the outstanding balance by making the minimum monthly payment
- Requires disclosure of the total amount of interest that would be paid if only minimum monthly payments are made

### **SAFEGUARDS FOR YOUNG PEOPLE**

- If an applicant is under 21, issuers are required to obtain the signature of the person's parent or other person who will assume responsibility for the debt, or obtain proof that the person has an independent means of repayment
- Limits prescreened offers of credit to persons under 21

### **OVERSIGHT**

- Requires the FTC to adopt rules to prevent deceptive marketing of free credit reports
- Requires card issuers to post credit card agreements on the Internet and provide copies to the Federal Reserve Board to post on its website

A copy of the CARD Act can be found on our website at [http://www.schwartzandballen.com/whats\\_new.html](http://www.schwartzandballen.com/whats_new.html).

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox or Heidi Wicker at (202) 776-0700.