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1. Eric has a \$3,000 balance on his Newport Express Card. Newport Express notified Eric in writing that in 45 days, the interest rate on his balance would increase from 10% to 15%. The card issuer explained that the increased rate was necessary due to market conditions. ***What advice do you have for Eric?***
2. Amy is carrying a balance on her credit card. Due to unavoidable circumstances, Amy becomes more than 60 days delinquent on her credit card. After providing proper notice, the card issuer penalizes Amy by increasing her interest rate from 15% to 36%. ***Can the bank do this? What are Amy's options?***
3. Susana heard that credit card companies wouldn't be making harsh and sudden changes to customer accounts anymore. When her bank reduced her credit limit in half, Susana protested the change as a violation of new credit card rules. She was doubly infuriated because the bank did not provide her advance notice of the credit reduction. ***Must Susana's bank reverse the reduction and reinstate her prior credit limit?***
4. Ricardo likes to conduct his business in person. Last Saturday, he visited his local branch of Bank by the Bay to make his credit card payment. Ricardo was paying two days early, since payment wasn't due until Monday. Ricardo paid the full balance of \$78. When his new statement arrived, Ricardo discovered that he was hit with a \$40 late fee and an interest rate increase of 2%. The bank explained that because he paid on Saturday (not an official business day) and because Monday was a holiday, his payment was not posted until Tuesday, and was therefore late. ***Can the new credit card rules help Ricardo?***
5. Jasmine stands in line at the upscale Washington Department Store. When it's her turn at the counter, Jasmine tells the clerk that she'd like to open a charge account in order to save 20% on the faux leather jacket she plans to wear that evening. The clerk tells her that because verifying her income will take two business days, she'll have to put the jacket on hold, or pay full price. ***Has instant credit disappeared thanks to the new credit card rules?***
6. Marcos studies at Cafe Romano across the street from his university campus every afternoon. Lattes have been getting more expensive lately, and he thinks that it would be better to pay for his coffee with a rewards credit card to get something back for all that he spends. A local bank has set up a table outside the coffee shop to promote a new credit card for students. Everyone who applies for a card will get a \$5 gift card valid at the student store. ***Will Marcos be able to reap the rewards of his spending using the new student credit card? What advice do you have for him?***

*Turn the page over for some answers....*

## Answer Key for CARD Act Quiz

1. Eric's increased rate would apply only to future transactions, not to existing balances. However, the new rate could be applied to all new transactions starting 14 days from the date of the notice.

The card issuer must review his account every 6 months to see if the market condition (or other issue) that caused the increase has changed. If those factors have changed, card issuers must, if warranted, reduce the interest rate.

Note that Eric does *not* have the right to cancel the card (close the account) and to pay off the balance under the old APR. The option to cancel the card ("opt out") before changes take effect is available when a card issuer sends you a 45-day advance notice about changes to annual fees, cash advance fees, and late fees. (This option is not required for APR increases on existing balances or future transactions.) When you have the option to opt out and you accept it, your credit card company can close your account and increase your monthly payment, subject to certain limitations.

2. Yes, the bank can do this. There is no interest rate cap on credit cards, and because Amy was 60 days or more late in paying her bill, the higher rate applies to both existing balances and future transactions. If Amy *immediately* begins to make timely payments and keeps them up for six months, the card issuer must lower her interest rate. Although not required, some card issuers may lower the interest rate after any six consecutive payments, even if they don't immediately follow the rate increase. If Amy cannot afford the payments, her only option is to enter a debt management plan with a credit counseling agency, or to default on the loan, which will have a negative impact on her credit and probably result in calls from bill collectors.

Note that Amy does *not* have the right to cancel the card (close the account) and to pay off the balance under the old APR. The option to cancel the card ("opt out") before changes take effect is available when a card issuer sends you a 45-day advance notice about changes to annual fees, cash advance fees, and late fees. (This option is not required for APR increases on existing balances or future transactions.) When you have the option to opt out and you accept it, your credit card company can close your account and increase your monthly payment, subject to certain limitations.

3. Susana should know that:

- Credit limit reductions can happen, and without notice.
- Notice is required only if the reduction in the credit limit will trigger an over-limit fee or penalty rate.
- Always check your credit limit before making a major purchase.

4. Yes, the new law will help Ricardo. Under the new law, if branch payments are accepted, the date paid in the branch must be the posting date AND if the due date falls on non-business day, payment received the next day is on time.

5. Jasmine should try another store, credit issuers will be able to rely on "statistically valid" estimates of an applicant's ability to pay, and won't necessarily have to verify income. Despite the new rules, instant credit is expected to remain alive and well.

6. If Marcos is under 21 he must show an independent means of paying for credit card purchases, before he can get credit on his own. Otherwise he will need a cosigner. Also, the card company cannot offer gifts with monetary value on or near campus, in exchange for student credit applications.