

Credit Cardholder's Bill of Rights Act of 2008

Contributed by Webmaster

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The Credit Cardholders' Bill of Rights Act of 2008 passed the House on Sept. 23 by a vote of 312-112 (with nine members not voting).

The bill is aimed at "major industry abuses that unfairly hurt consumers.

Highlights:

Requires card companies to give cardholders 45 days notice of any interest rate increases.

Prevents the so-called "universal default" rate increase.

Prevents the so-called "double-cycle billing" practice.

Gives cardholders time to pay their bills by requiring card companies to mail billing statements 25 calendar days before the due date (14 days is the current minimum).

Requires that payments made before 5 p.m. EST on the due date are considered timely.

Prohibits card companies from charging late fees when a cardholder presents proof of mailing his/her bill within 7 days of the due date.

Prevents card companies from charging over-the-limit fees on a cardholder with a fixed credit limit.

Some significant provisions:

Retroactive interest rate increases and universal default limits. Credit card companies frequently raise your interest rates if you are

late on your payment, if you are in default or sometimes for no reason at all. The Credit Cardholders' Bill of Rights would limit a card issuer's ability to raise interest rates. For example, a credit card company could not raise interest rates on existing balances. If the interest rate on feature balances was raised, the credit card issuer would be limited on how quickly it could insist that the old balance subject to the lower interest rate is paid off.

Another protection is 45-day written notice before higher interest rate increases.

Double-cycle billing. In most cases credit card companies go back two billing cycles to calculate cardholder's average daily balance. The result is that you have to pay interest rates on a balance you paid off the previous month. The Credit Cardholder's Bill of Rights would attack this practice as well.

Statements must be sent 25 days before payment is due. The Credit Cardholders' Bill of Rights would require all credit card companies to send out bill 25 days before it is due. It will give customers plenty of time to pay the bill before interest charges accrues.

Over-the-limit transactions. A dark area that has been widely criticized. If you go over your limit, usually you are slapped with a higher fee. The problem is that first credit card companies do allow such practice and if you do go over your limit, they will charge you another fee.

Argument is that you should know your credit limit. The Act would allow consumers to elect to have their credit card company reject any transactions that would send them over their limit.

More Highlights:

The new Act requires advance notice of credit card account rate increases.

Authorizes a consumer who receives such notice to: (1) cancel the credit card without penalty or the imposition of any fee; and (2) pay any outstanding balance that accrued before the effective date of the increase at the APR and in the repayment period in effect before notice was received.

Prohibits a creditor from imposing interest on credit repaid within the interest-free repayment time period. (Thus prohibits double cycle billing).

Prohibits the imposition of fees on any outstanding balance on a credit card account attributable only to accrued interest on previously repaid credit.

Requires each periodic statement of account to provide specified information on obtaining the payoff balance.

Prohibits a creditor from furnishing information to a consumer reporting agency concerning a newly opened credit card account until the consumer has used or activated the credit card.

Details mandatory pro rata payment allocations by a creditor.

Authorizes a consumer to opt-out of creditor authorization of over-the-limit transactions if fees are imposed.

Restricts the frequency of over-the-limit fees.

Susan Duey represents RateTake Refinance marketplace. RateTake matches consumers with multiple lenders offering low mortgage rate quotes. For more information please visit [Credit Cardholders Bill](#)