

CAAB's newsletter is designed to ensure that our IDA/MDA Savers are fully informed about relevant money management topics, effective savings strategies, financial education opportunities in the DC area, and upcoming CAAB events. Every month we will either feature a different article focusing on strategies or products that can help you plan for and achieve your savings goals, or we will share the story of a fellow saver.

## Credit CARD Act Changes: Read the Fine Print

The following article is taken from the Consumer News & Information section of the FDIC website ([www.fdic.gov](http://www.fdic.gov)). The full article can be found at <http://www.fdic.gov/consumers/consumer/news/index.html>

In May, Congress passed and President Obama signed the Credit Card Accountability Responsibility and Disclosure Act of 2009 — the Credit CARD Act. The new law is intended to help protect consumers from abusive fees, penalties, interest rate increases and other unwarranted changes in account terms. While the law generally took effect on February 22, 2010, some important changes went into effect on August 20, 2009, and others not until August 22, 2010. Here's a look at key provisions.

**Prohibitions and restrictions on rate increases:** Starting on February 22, 2010, card issuers generally can't increase the Annual Percentage Rate or APR (the cost of credit expressed as a yearly rate, including interest and other charges) on existing balances for one year after the account is opened.

After the first year of the account, the card issuer can raise a consumer's interest rate, but the higher rate can only apply to new transactions and it cannot exceed the potential interest rate increase previously disclosed to the cardholder. The card issuer also must generally provide a 45-day advance notice of any rate increase or any other significant changes in account terms, up from 15

days. In that same notice, card issuers must inform consumers of their right to cancel their card before the rate increase or account changes take effect. Consumers who decide to cancel their card will repay at the "old" (lower) rate, and they cannot be required to immediately repay the outstanding balance.

Card issuers also generally can continue offering low introductory rates — more commonly known as "teaser rates." But beginning February 22, 2010, these initial rates must be disclosed in a clear and conspicuous manner and cannot increase until after the advertised period, which must be at least six months.

**New limits on fees and interest charges:** One of the most important changes requires that monthly statements be mailed or delivered at least 21 days before the payment due date, an increase from 14 days. This provides consumers more time to pay the bill before incurring late fees or additional interest charges if there is a grace period.

Other important changes effective February 22, 2010, encourage fairness in the way card companies handle consumer payments:

- For cards with multiple interest rates card companies will be required to apply payments (the portion over the minimum payment) to the highest-rate balances first. This will eliminate a current practice of some card issuers that apply a consumer's payment toward balances with the lowest rate first and leaving the highest-

rate balance to continue accruing interest costs.

- Double-cycle billing — an often costly practice also known as two-cycle billing — will be banned. With double-cycle billing, a card company not only considers the current balance on the credit card when determining interest charges but also factors in the average daily balance from the previous billing period, even if a portion of that previous balance was paid.

**Improved disclosures:** Also starting on February 22, 2010, credit card issuers must provide new, clearer and more timely disclosures of account terms and costs — before and after an account is opened.

Monthly credit card statements will be changing significantly. Card statements must include a box showing cardholders how much they have paid in interest and in fees during the current year. Statements also will include details warning consumers about the high costs of making only the minimum payment. To further help cardholders plan how to repay outstanding balances, the law will require statements to show the monthly payment amount required to pay off the existing balance in 36 months, including the total cost (payments and interest).

Periodic statements also must disclose, in a prominent location, the due date for the next payment as well as the amount of any po-

tential late fee and the date it would be charged. Statements also must include a notice that one or more late payments may trigger an increase in the interest rate on the account, and they must show the penalty rate.

If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	10 years	\$3,284
\$62	3 years	\$2,232 (Savings=\$1,052)

Finally, consumers may benefit from a requirement that card companies post their standard credit card agreements on the Internet. This is intended to make it easier for consumers to compare the terms of different credit cards and understand the interest rates and fees that are being charged.

### CONGRATULATIONS!

The following savers made asset purchases in the past month

#### Business

Sewalem Mebrate  
Carlos Reaves  
Etsubdink Yihun

#### Education

Tevin Barber  
Telile Bayissa  
Anthony Biddix  
Othneil Blagrove  
Jennifer Coleman  
Nasheia Conway  
Wayne Craft  
Keon Gordon  
Emerald Jackson  
Ashley McBride  
Tory Myles  
Ana Negoescu  
Louis Ngonzo-Biyo  
Jeovanny Paz  
Sherry Richardson  
Anibal Virhuez

#### Home

Yohanness Ayechew  
Verne Mattox  
Nettina Wren

## Credit CARD Act Changes: Read the Fine Print (continued)

### Other changes worth noting:

- Fair deadlines for credit card payments: Starting on February 22, 2010, the due date for card payments must be the same day each month.
- Restrictions on penalties for going over the credit limit: Effective February 22, 2010, no fees may be imposed for making a purchase or other transaction that would put the account over its credit limit unless the cardholder "opts in" for the credit card com-

pany to process over-the-limit transactions and charge a fee. Furthermore, an over-the-limit fee may be imposed only one time during the billing cycle when the limit is exceeded. And if the cardholder remains over his or her limit but conducts no additional transactions, another fee can be imposed but only once during each of the next two billing cycles.

- Protections for young consumers: Also as of February 22,

2010, companies will be prohibited from issuing a credit card to a consumer younger than 21 unless s/he submits a written application that includes the signature of a co-signer over 21 or information indicating the young consumer has independent means to repay the card debt. Also, companies are restricted from making pre-screened offers of credit to someone under 21 unless the consumer consents to receive them.

### Final Thoughts

While the new law will prohibit certain practices and provide more timely disclosures of account terms and costs, consumers still need to do their part to better manage their credit cards. "Start by understanding the terms of a credit card before signing up for it, (and) closely review your credit card bill each month," said Susan Boenau, Chief of the FDIC's Consumer Affairs Section.

## Upcoming Events, Announcements, and Resources

### Learn How to Make Homeownership More Affordable

Visit one of United Planning Organization's (UPO) foreclosure prevention units and meet one-on-one with a HUD certified counselor.

UPO will help you understand:

- The Making Home Affordable initiative
- What do to if you're behind on mortgage payments
- Modification options if you have an adjustable rate mortgage
- If you don't understand your mortgage
- How to pay your mortgage if you lose your job



For more information and to schedule an appointment call **202-610-5861**

### Community Re-entry Program

The Public Defender Service for DC hosts a community re-entry program for individuals with a conviction for a DC Code offense. If you or someone you know has a conviction, this program will provide support in the following areas:

- Housing
- Employment
- Family/child support
- Immigration
- DNA testing
- Sex offender registration
- Public benefits



Please contact the Public Defender Service for DC for more information.

Email April Frazier [afrazier@pdsdc.org](mailto:afrazier@pdsdc.org) or call **202-824-2815**

### IT'S NOT TOO LATE!

Sign up today for CAAB's free 5-week class:

#### Money Management 101

- Tuesdays**, 6:30p.m.-8:30p.m., from March 2-March 30  
OR  
**Saturdays**, 10:00a.m.-12:00p.m., from March 6-April 10  
(except April 3)

All classes are held at CAAB's office, 1801 K St NW, Suite M100 (metro stops Farragut North and Farragut West)

To register call **202-419-1440** or email [seminars@caab.org](mailto:seminars@caab.org)

### New Scholarship Available for Adult Women

Are you a woman over the age of 40? Are you looking for ways to increase your job skills or education? The AARP Foundation Women's Scholarship Program has a scholarship for you!

To be eligible for the scholarships, applicants must be:

- Women
- Age 40 or over by March 31, 2010
- U.S. Citizens
- Enrolled in an accredited school or technical program in the U.S., within 6 months of the scholarship award date.

For more information and to apply visit

<http://aarpfoundationwlc.org/>

### DC Earned Income Tax Credit Campaign

#### WHY PAY WHEN YOU CAN FILE YOUR TAXES FOR FREE?

Our IRS-Certified preparers provide **FREE** tax help to those who qualify. It's fast, accurate and convenient.

No gimmicks. No hidden charges.

To see if you qualify and find a tax site near you, call 1-877-SAVE-515 or visit [www.dceitc.org](http://www.dceitc.org).