

# CLIENT TELL

## BEFORE & AFTER: THE 2010 CREDIT CARD REGS

The Credit Card Accountability, Responsibility, and Disclosure Act (CARD) was signed into law last summer and took effect this past February. This law was developed to provide added consumer protection. Here are some of the changes that resulted from this law:

### INTEREST RATES

**BEFORE:** Credit card companies could increase the rate on your account at any time, including the rate on existing balances, even if you hadn't missed or made late payments.

**AFTER:** The interest rate cannot go up on an account in the first year after it is opened unless the introductory rate runs out. From then on, you must be notified 45 days in advance of any rate change. Rates on existing balances cannot be increased unless the account is 60 days past due. There is still no cap on interest rates.

### DISCLOSURES

**BEFORE:** It was often hard to find and understand items in the fine print on credit card disclosures. For

example, it was difficult to see how rates, late fees, and penalties for services such as cash advances might affect you or how much interest would be charged on an unpaid balance.

**AFTER:** You are able to see how many months it will take to pay off a balance if only minimum monthly payments are made. Statements also show how much has to be paid off each month in order to pay off the balance in three years.

### SERVICE FEES

**BEFORE:** There was no limit on how much could be charged for service fees. This particularly affected customers with poor credit scores.

**AFTER:** For the first year of your account, service fees such as annual and activation fees cannot total more than 25 percent of your initial credit limit. After that, there is still no cap.

### GRACE PERIODS

**BEFORE:** Some credit card providers waited to send out a statement until the payment was almost due or

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This year's federal credit card regulations provide increased consumer protection. However, some credit card providers have increased their interest rates, fees, and penalties. It's also harder to obtain credit in the current economic environment. By completing your DMP, you are taking a BIG step toward becoming creditworthy. Here are a few guidelines that will help you use credit more effectively and wisely once you finish the program:

**Think before you apply.** Before applying for a credit card, shop around and compare. Don't be enticed by introductory offers that sound too good to be true or by tempting rewards that conceal excessive rates. (Continued on Page 3)

## PLASTIC FACTS

Although credit card delinquencies have fallen in the past few months, many Americans are still living on credit:

- Total credit cards in circulation in U.S: 576.4 million, as of year end 2009 (Source: *Nilson Report*, February, 2010)
- Average credit card debt per U.S. household: \$7,394 (indexcreditcards.com)
- U.S. credit card default rate: 11.17 percent. (Source: Fitch Ratings, May 2010)

If you have family members or friends with serious credit problems, please give them a helping hand. Tell them about CCCS of MD & DE and encourage them to call for help at 1-800-642-2227 or visit [www.cccs-inc.org](http://www.cccs-inc.org) to learn more.

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FROM THE PRESIDENT  
Jim Godfrey

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## MUSIC, MONEY, & MORE: DAMION WOLFE'S STORY

When Damion Wolfe was growing up, his dad tried to instill in him the value of saving for things and paying with cash. But like many of us, Damion didn't learn this lesson until later. As a self-employed musician-songwriter, he used his two credit cards to make it from gig-to-gig. When he eventually maxed out both cards, his interest rates skyrocketed. Faced with mounting debt, he considered taking out a third credit card and shifting the unpaid balances, but ultimately he chose to seek help from CCCS of MD & DE instead.

At CCCS, Damion's credit counselor was reassuring and helpful. After the appointment, he felt profound relief. He notes, "So much anxiety was wrapped around being in debt. CCCS helps to ease that anxiety by providing you with a structure and guidelines for paying off what you owe. Being in the program makes you feel like you aren't so alone — that you're less at the credit card companies' mercy."

Damion completed his DMP in about four-and-a-half years. During that time, he never missed a monthly payment. He also gained financial knowledge and skills that he still employs today. "The program taught me to be more proactive about getting work. It made me a lot more conscious of what and how I was spending. It also helped me put an emphasis on saving."

Prior to enrolling with CCCS, Damion had owned a series of undependable cars. While in the program, he qualified for a loan with his local credit union and bought reliable transportation. Today, he continues to keep track of his income and expenses. He concludes, "I wish I had become thrifter sooner. I never want to go back to that place again. That's why I avoid credit cards and live on a cash-only basis as much as possible."

## SUMMER \$AVINGS STRATEGIES

Are you in need of extra money to help finance a vacation this summer? Here are a few suggestions that may come in handy:

- Look for part-time employment or extra hours at your full-time job. Encourage other adults and teens in your family to do the same.
- If your auto or home owners' insurance is coming up, shop around to see if you can cut the cost of your premium.
- Carpool to work to save on gas. Also check out how much gas costs at nearby stations and buy from the one with the best price. Some stations provide substantial savings if you visit the pump on a specific day each week.
- Gather usable items you own and hold a garage or yard sale. Take clothing that your family no longer wears that's still in good shape to a local secondhand store to sell on commission.
- If you have young children at home, apply for summer camp scholarships to save on childcare expenses.
- Use coupons from local newspaper and web sites to save on groceries and back-to-school items.

## STAY COOL & ON BUDGET

As the temperatures climb, here are tips to help you save on energy and expense and *still* remain comfortable:

Open your windows and turn off the air-conditioner. To help circulate the air, place ceiling and portable fans in strategic locations throughout your home.

Many utility companies have developed programs to help conserve energy and ease their communities' "peak" demand for electricity. As part of this effort, they provide free energy audits, free or low-cost programmable thermostats, and other incentives that may help you reduce your summer energy bill. Check to see what your utility company offers.

If you have central air conditioning, you can save about 5 - 7% for every degree you raise the thermostat setting above 72°F. Consider keeping your AC at 78° or higher during the summer months.

Wait to use appliances until early morning or late evening, so that your air conditioner won't have to work so hard to offset the heat produced by these appliances. Your utility company also may charge less for electricity use during these "off peak" times.

Turn off unnecessary lights. Regular incandescent light bulbs emit a great deal of heat. Also consider replacing worn out incandescent bulbs with compact fluorescent lights or "CFLs", which use about 75 percent less energy and give off 75 percent less heat to create the same amount of light.

"Summerize" your home by insulating or adding to the insulation already in your attic. Also insulate the hot water heater and ducts in unconditioned spaces.

## BEFORE & AFTER: THE 2010 CREDIT CARD REGS (Continued)

shifted payment due dates from month-to-month. Consequently, by the time a payment was received and processed, it might be deemed late. Some card holders were charged interest or received late fees even when they thought they had made a payment on time.

**AFTER:** Consistent due dates are required. The statement must be sent out 21 days before the payment due date, and fees and finance charges cannot be assessed until after that time.

### OVER-THE-LIMIT FEES

**BEFORE:** Companies set credit limits, and then routinely let charges be made over those limits. If this happened, the customer was then charged an over-the-limit fee. These fees might also be prompted by late-payment fees or interest charges that pushed the balance beyond the limit.

**AFTER:** You must specifically agree to permit over-the-limit transactions. Only one such fee can be charged per billing cycle. An over-the-limit fee cannot be triggered by other fees or interest charges. Due to the law, many of the larger banks have now dropped these fees. Some use a pop-up feature on their website to obtain customer authorization.

### UNIVERSAL DEFAULT

**BEFORE:** If you paid late on one credit card account — or even on items like your utility bill — that could lead to interest rate hikes on other credit card accounts.

**AFTER:** August 22, 2010, credit card issuers must review interest rate increases going back to January 1, 2009. They must reassess the risk factors that led to these rate increases and if warranted, reduce the APR going forward.

After assessment, if the issuer still believes an increase was justified, it must provide the customer with a written notice explaining the reasons.

### STUDENTS

**BEFORE:** Companies heavily marketed credit cards to students when they arrived on campus. Accounts were often opened without companies first checking to see if students had a viable means to repay the debt they incurred.

**AFTER:** Providers are not allowed to issue a credit card to applicants under 21 years of age unless they have a co-signer or submit information to document that they have an independent means for repaying credit card debt. Colleges also must now disclose any marketing deals they make with credit card companies.

**Pay your credit card balance in full each month.** If you can't pay the complete balance, pay as much as possible. When you only make minimum monthly payments, a lot more interest accrues, and it takes a lot longer to pay off what you owe. For example, if you charge \$1,000 on a credit card with an 18% APR and only make minimum payments of \$30 each month, it could take up to eight years to pay off the balance, and you will pay almost \$700 in interest. To learn more about the cost of credit, please visit the Financial Tools section of the CCCS of MD & DE web site at [www.cccs-inc.org](http://www.cccs-inc.org).

**Spend responsibly.** As a CCCS client, you already know how important it is to maintain a good credit history. Used properly, credit cards can help you build a better credit rating. They also may be required or come in handy on car rentals, online purchases, or when you buy big ticket items, such as computers or kitchen appliances. But it never pays to use credit cards to make impulse buys or if you know you won't be able to pay off the balance when the bill arrives. These behaviors can lead to trouble. It takes a lot of time, effort, discipline, and patience to become debt-free. Here at CCCS, we strongly hope you will stay that way once you complete your program.

**Avoid cash advances and credit card checks.** These transactions often involve a higher interest rate.

**Review monthly statements.** Check for and dispute unexplained charges. Also routinely request and review your credit report. To obtain a free, annual credit report from each of the three major credit reporting companies, visit [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com). Each of these companies compile the same data, and their reports contain much of the same information. If you request and review a free credit report from each company every few months, this can help you monitor where you stand throughout the year.

### Ask a Counselor

**Q:** I've been out of work. Luckily, I just found a new job, but it doesn't pay as much as my old job did. I am concerned that I won't be able to keep making monthly DMP payments and also cover my mortgage. What should I do?

**A:** The Federal government and some States have set up housing programs to help consumers reduce their mortgage payments by refinancing or modifying their mortgages. This type of plan may make it possible for you to afford your mortgage *and* stay in your DMP. To see if you qualify for a Fed housing program, visit [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov). This website also includes a referral list for HUD-approved housing counselors like CCCS of MD & DE (1-866-731-8486).

### HELPFUL RESOURCES

**Client Choice:** CCCS offers several ways to make your monthly DMP payment. Whether you use ACH EASY PAY, pay online, or with a money order, the choice is always up to you. No matter which method you choose, always pay on time and in full. Also mail us copies of your creditor statements each quarter so that we can keep your account balances current. For questions about your account, please contact CCCS Operations at 1-800-571-2227. We are always here to help you!

**Using Money Orders to Make Your Monthly Payment?** Please fill in all the required information and make sure it's readable. Print *CCCS of MD & DE* in the "Pay to Order Of" blank. Write your address and phone number under your signature. Place your client number in the corner of the money order. Sign the money order and include the top part of your statement. Retain your money order receipt for future reference.

**More Tips on Saving Money & Energy at Home:** The U. S. Department of Energy free "Energy Savers Booklet" is available online. It covers many easy, practical ways to reduce your utility bill. For your copy, go to: [http://www1.eere.energy.gov/consumer/tips/pdfs/energy\\_savers.pdf](http://www1.eere.energy.gov/consumer/tips/pdfs/energy_savers.pdf).

### Our Mission

*To promote economic self-sufficiency to individuals, families and communities through financial education and counseling.*

*A personal finance education advocate since 1966.  
Helping People Help Themselves Through Education,  
Financial Counseling & Debt Repayment.*

