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FINANCIAL FOCUS



Lane Gorman Trubitt, L.L.P.
Accountants & Advisors

Your Accounting for a New Economy

Ask the Experts:

What is the Credit CARD Act of 2009?

On May 22, 2009, President Obama signed into law the Credit Card Accountability Responsibility and Disclosure Act (the Credit CARD Act) of 2009. This Act amends the Truth in Lending Act, and includes the following provisions:

- Credit card companies are prohibited from increasing the annual percentage rate (APR) applicable to a cardholder's existing balance unless the account falls 60 days past due, or other specific conditions apply. If the APR is increased because the account falls 60 days past due, the cardholder must be informed that the rate increase will be terminated (and the rate restored to what it was before the increase) once the credit card company receives the minimum payments due in a timely fashion for six months.
- Credit card companies must notify a cardholder in writing of any change in the APR on the account at least 45 days prior to the change. The notification must also inform the cardholder of the right to cancel the account before the effective date of the rate increase. If the cardholder cancels the account, that won't be considered a default on the account or trigger an obligation to repay the account in full.
- Credit card companies are prohibited from calculating interest using a two-cycle billing method.
- Credit card companies are required, in cases where different APR's apply to different balances (purchases, balance transfers, cash advances), to allocate payments exceeding the minimum payment due to the balance with the highest rate first.
- Credit card companies are prevented from issuing a card to any individual under 21 years old unless the individual demonstrates the independent means of repaying the debt or has a cosigner over 21 capable of repaying the debt.

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