



NATIONAL FOUNDATION FOR
CREDIT COUNSELING

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NFCC PRESS RELEASE

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CONSUMERS IDENTIFY MOST VALUABLE ELEMENTS OF NEW CARD ACT IN ONLINE POLL

CARD Act's Limit on Interest Rate Increases Wins Overwhelming Approval

Silver Spring, MD – Most elements of the CARD Act, which is considered by many to be the largest piece of credit card legislation since the inception of the industry, went into effect February 22, 2010.

Due to the Act's focus on consumer protection, the National Foundation for Credit Counseling (NFCC) utilized its February online poll to ask consumers which of five selected elements of the Act were most meaningful to them.

The findings revealed that 72 percent of more than 3,500 respondents listed the most important provision to be the one centering around issuers generally not being able to raise interest rates on pre-existing purchases. Consumers so overwhelmingly favored this one provision, that there was not a close second. The four other options combined only accounted for 28 percent of the total votes cast.

“This protection really struck a nerve with consumers, as many have experienced first-hand how difficult, or sometimes impossible, it is to make even the minimum required monthly payment after an interest rate increase. Further, when paying high interest on a high balance, debt reduction is discouragingly slow, sometimes taking decades to become debt free,” said Gail Cunningham, spokesperson for the NFCC. “Due to the CARD Act, if the credit card company does raise the interest rate, the new rate will apply only to new charges you make. If you have a balance, your old interest rate will still apply to that balance.”

Consumers must realize, however, that even with these protections in place, they must spend wisely and handle their credit obligations responsibly. Even though the Act disallows an interest rate increase for the first 12 months a card is open, there are circumstances under which the issuer can raise the Annual Percentage Rate (APR). For instance, if the card has a variable interest rate tied to an index, the consumer's interest rate can go up whenever the index goes up. Further, if the card is associated with an introductory rate, that rate must stay in place for at least six months, but after that time period has elapsed, the rate can increase.

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“Perhaps the trigger that consumers need to pay the most attention to is that an interest rate increase is allowed if the payments are more than 60 days late,” continued Cunningham. “But, even if that happens, consumers are not doomed long-term, as after six months of on-time payments, the issuer is required to lower the rate back to where it originated.”

The February poll in its entirety is below:

Q: Consumers are about to be given new rights associated with their credit card. Which of the following is most important to you?

- A. Receiving a 45-day advance notice of any increase to my interest rate (under most circumstances). **7%**
- B. No interest rate increases allowed on pre-existing balances. = **72%**
- C. Billing statements showing how long it will take me to pay off my balance. = **10%**
- D. I can only be charged one over limit fee per billing cycle. = **4%**
- E. There's information on my statement on where to receive credit counseling, should I need it. = **7%**

Note: The NFCC's February online poll, called the Financial Literacy Opinion Index, was conducted via the homepage of the NFCC Web site from February 1-28, 2010 and answered by 3,527 individuals.

For help maximizing the benefits of the CARD Act, reach out to a trained and certified credit counselor. To find the NFCC Member Agency closest to you, dial toll-free (800) 388-2227, or go online to www.DebtAdvice.org. For assistance in Spanish, call (800) 682-9832.

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