What *is* in your wallet? New Rules (and ruler makers) for the Plastic You Carry

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Division of Consumer & Community Affairs
Federal Reserve Board

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A tale of 4 cards
(and then some)

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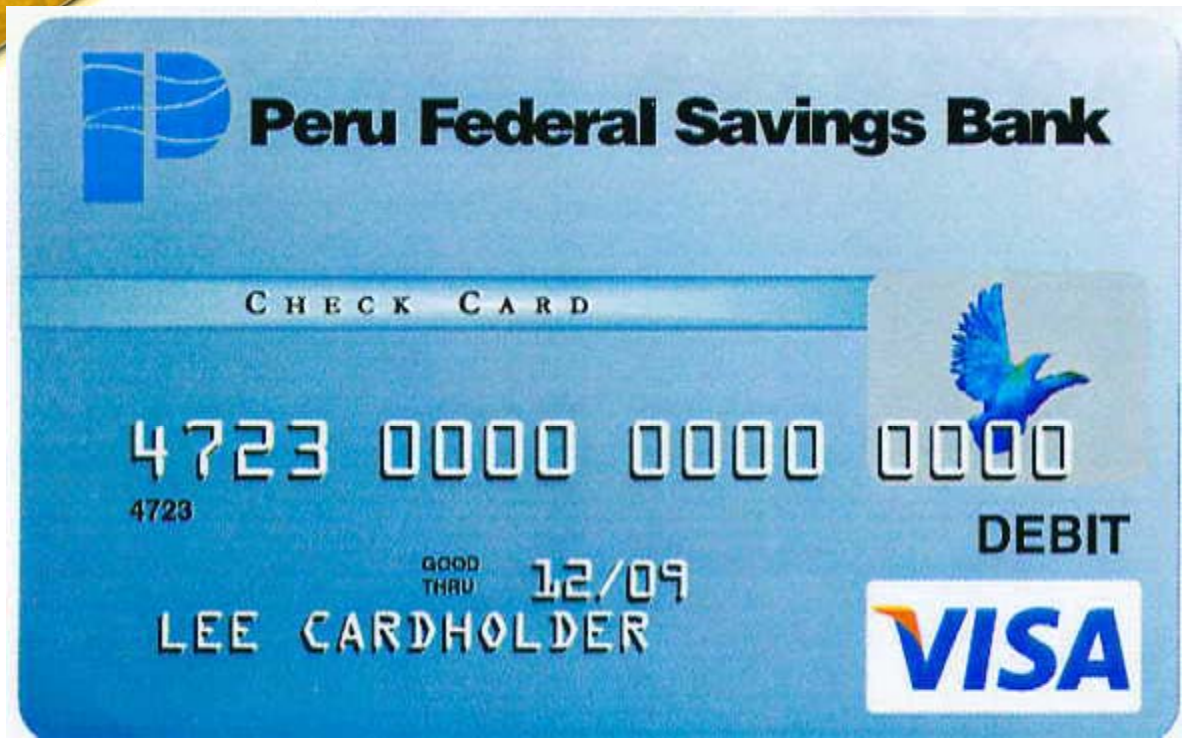

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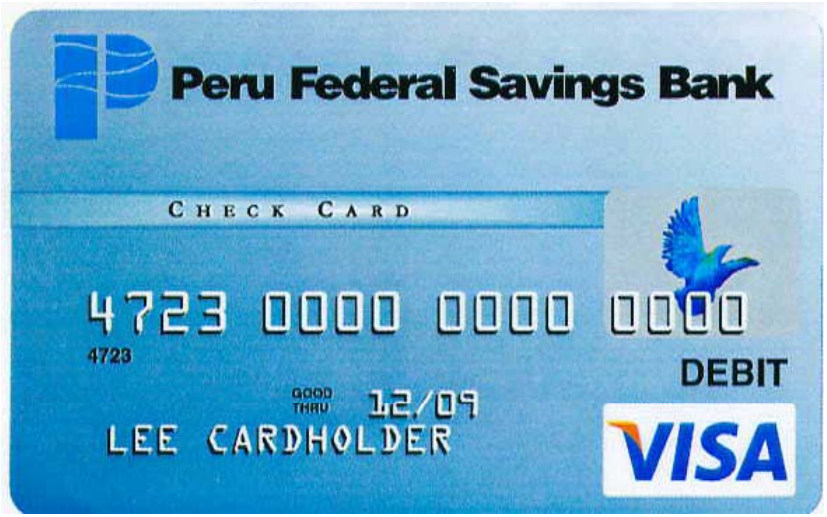


Different consumer protections

Type of card	Liability limit
Credit	$50
Debit	$50, $500, ∞
Payroll	$50, $500, ∞
Gift	$ on card
Prepaid (stored-value)	$ on card

Different consumer protections

Type of card	Bill disputes
Credit	Withhold payment
Debit	Money is already out of your account
Payroll	Money is already out of your account
Gift	Money is already out of your account
Prepaid	Money is already out of your account

THE KARDASHIAN KARD

Home | Cardholder Information | Features & Benefits | Customer Service | Cardholder Login

Meet the KARDASHIAN Prepaid MasterCard,® a fast and convenient way to manage money. Enjoy the benefits of a credit card without the penalties, high interest rates, and debt. The KARDASHIAN KARD is a prepaid card that allows cardholders to make purchases, obtain money at ATM's, send and receive money instantly from a mobile phone, online, or anywhere Debit MasterCard is accepted worldwide. And, there are no credit checks, or ChexSystems or employment verification. Sign up today and receive approval in seconds by completing the quick and easy application form.

Get it Now!

Pricing Options

Take us with you. Everywhere.

MARKETPLACE

- No Credit Checks
- No Overdraft Fees
- No Minimum Balance
- No Bounced Checks

Goals

- Review credit card rules
- Review overdraft/ATM/Debit rules
- Review gift card rules
- Explore new risk-based pricing rules
- Highlights of Dodd-Frank Act

How the CARD Act affects you

- Add one point if you have. . .
  - A child under 21
  - Paid a late fee for missing a 10 AM payment deadline
  - No idea how long it will take to pay off your card with only minimum payments
  - Received your bill only 2 weeks before it was due

How the CARD Act affects you

- Add one point if you have. . .
  - Had the interest rate go up without being told in advance
  - Had the interest rate go up in the first year you had the card
  - Paid a fee for paying your bill
  - Received a T-shirt or mug for applying for a card

How the CARD Act affects you

- Add one point if you have. . .
  - Been charged an over-the-limit fee that was more than the amount you went over the limit
  - Had a gift card expire before you could use it
  - Lost value on a gift card due to dormancy or usage fees

New law and rules

- New features
  - Rate & fee changes
  - Payments
  - Opt-in for going over limit
  - Cards for those under 21
- New disclosures
  - Solicitations
  - Account opening
  - Monthly bill
  - Change in terms

Rate & fee changes: advance notice

- 45 day advance notice
  - Interest rate, fees, other significant change in terms
- No rate increase allowed for first 12 months
- Old rate applies to existing balances

Rate & fee changes: "cure" for penalty rates

- IF you trigger a penalty rate
  AND
- IF you make at least minimum payments on time for 6 consecutive months
- THEN your rate should automatically go back down to the "regular" rate for your card

Reasonable fees

- Penalty fees = $25
  - Can be $35 if late payment in last 6 months
- Late payment fee not more than minimum payment
- OTL fee not more than amount over limit
- No inactivity fees

Payments

- Time to pay
- Apply to highest interest rate first
- How long to pay off
- No double-cycle billing

Over-the-limit fees

- Opt-in for going over the limit
  - One fee per cycle
  - Not triggered by other fees or interest

Credit cards & minors

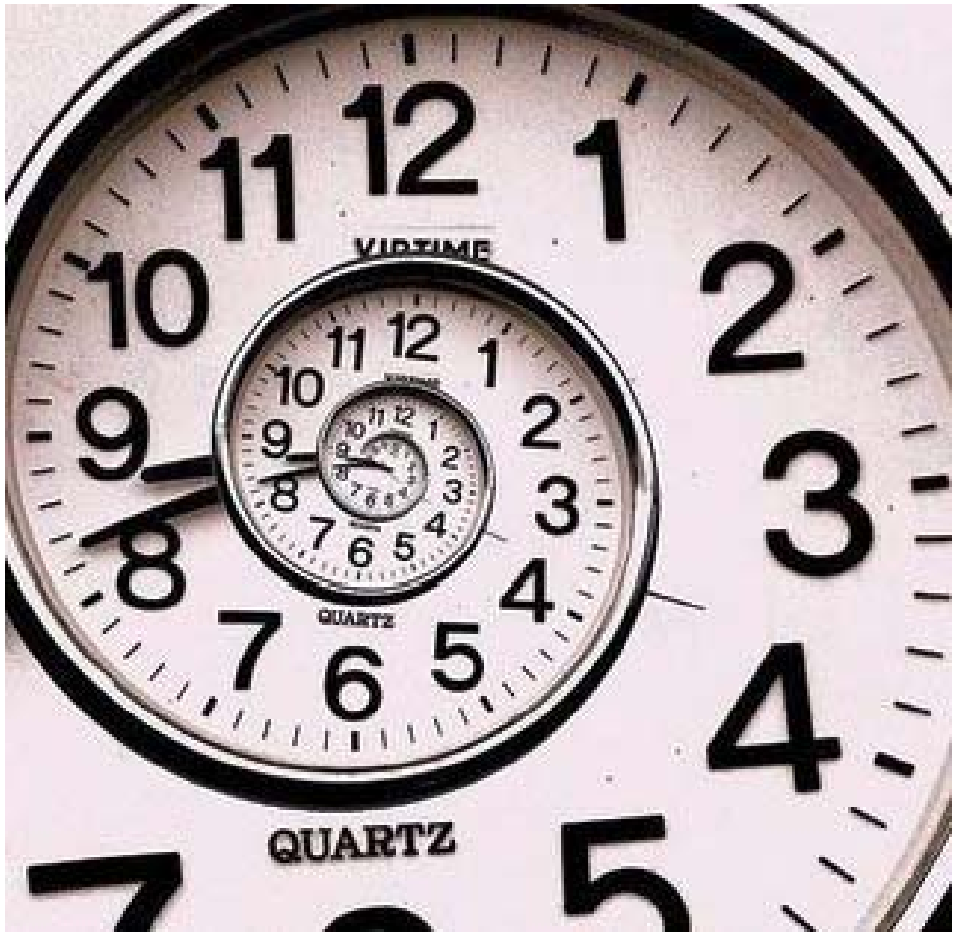
- Anyone under 21 needs:
  - cosigner or
  - proof of ability to pay
- Cosigner must agree in writing to credit limit increase
- Consumers under 21 can sign up for a secured card

Students and credit cards

- No soliciting
  - On campus
  - Near campus
    - 1,000 feet
  - At university event
    - Ads use words, pictures, symbols of university
- No "tangible item"
  - Intro rate is OK

Disclosures at 4 key points

- Solicitations
- Account opening
- Monthly bill
- Change in terms



Solicitations new disclosure box

Interest Rates and Interest Charges	
Annual Percentage Rate (APR) for Purchases	**8.99%, 10.99%, or 12.99%** introductory APR for one year, based on your creditworthiness. After that, your APR will be **14.99%**. This APR will vary with the market based on the Prime Rate.
APR for Balance Transfers	**15.99%** This APR will vary with the market based on the Prime Rate
APR for Cash Advances	**21.99%** This APR will vary with the market based on the Prime Rate.
Penalty APR and When it Applies	**28.99%** This APR may be applied to your account if you: 1) Make a late payment; 2) Go over your credit limit; 3) Make a payment that is returned; or 4) Do any of the above on another account that you have with us. **How Long Will the Penalty APR Apply?:** If your APRs are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due.
How to Avoid Paying Interest on Purchases	Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month.
Minimum Interest Charge	If you are charged interest, the charge will be no less than $1.50.
For Credit Card Tips from the Federal Reserve Board	To learn more about factors to consider when applying for or using a credit card, visit the website of the Federal Reserve Board at http://www.federalreserve.gov/creditcard.

Fees	
Set-up and Maintenance Fees	NOTICE: Some of these set-up and maintenance fees will be assessed before you begin using your card and will reduce the amount of credit you initially have available. For example, if you are assigned the minimum credit limit of $250, your initial available credit will be only about $209 (or about $204 if you choose to have an additional card).
• Annual Fee	**$20**
• Account Set-up Fee	**$20** (one-time fee)
• Participation Fee	**$12** annually ($1 per month)
• Additional Card Fee	**$5** annually (if applicable)
Transaction Fees	
• Balance Transfer	Either **$5** or **3%** of the amount of each transfer, whichever is greater (maximum fee: $100).
• Cash Advance	Either **$5** or **3%** of the amount of each cash advance, whichever is greater.
• Foreign Transaction	**2%** of each transaction in U.S. dollars.
Penalty Fees	
• Late Payment	**$29** if balance is less than or equal to $1,000; **$35** if balance is more than $1,000
• Over-the-Credit Limit	**$29**
• Returned Payment	**$35**

How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)."

Loss of Introductory APR: We may end your introductory APR and apply the Penalty APR if you make a late payment.

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Board of Governors of the Federal Reserve System

- 5 Tips Series
- Bank Accounts and Services
- Credit Cards
- Identity Theft
- Leasing
- Mortgages
- Personal Finance
- Federal Agency Contacts

Consumer Information

Features

Consumer's Guide: Credit Cards
A new website by the Federal Reserve summarizing new credit card protections that take effect on February 22, 2010. The site includes interactive tools for users to learn more about the terms and fees of credit card offers, and about the new features of monthly statements.

5 Tips for Dealing with a Home Equity Line Freeze or Reduction
Explains consumers' rights and lenders' responsibilities when credit lines are reduced and provides information for those seeking to have a credit line reinstated.
ESPAÑOL 5 Consejos Para Hacer Frente a la Reduccion o Congelamiento de una Linea de Credito con Garantia Hipotecaria
More 5 Tips brochures

Credit Card Repayment Calculator
Estimate how long it will take you to pay off your credit card balance if you make only the minimum payment on time each month. Other calculations can help you develop a plan for paying off your balance sooner.
ESPAÑOL La Calculadora de Pago de Tarjetas de Credito

Mortgage Foreclosure Resources
Information from the Federal Reserve and other government agencies. If you are having difficulty making your mortgage payment, one of the most important things you can do is seek assistance. The following resources provide information and links to agencies and organizations that may be able to help you.

Federal Reserve Consumer Help
If you have a problem with a bank or other financial institution, contact the Federal Reserve for

CONSUMER'S GUIDE

Credit Cards

As a consumer, it pays to be smart when choosing and using a credit card. This site--maintained by the Federal Reserve Board, whose goal is to protect the credit rights of consumers--provides a basic guide to navigating the credit card process. Stay tuned during the coming months as we add additional features and information.

Interactive tools and features

Learn more about your offer

Understand the terms and fees of your credit card offer.

Accessible version (937 KB PDF)

Understand your statement

Learn more about the new features of your monthly statement.

Accessible version (1.01 MB PDF)

Pay it off

Get an estimate of how long it will take you to pay off your credit card balance. ESPAÑOL

Watch our PSA

Learn how to get the most from your credit cards.

WHAT YOU NEED TO KNOW:

New Credit Card Rules

The Federal Reserve's new rules for credit card companies mean new credit card protections for

Learn more about...

- Options
- Interest Rates
- Fees
- Lost or Stolen Cards
- Billing Errors
- General Complaints
- Managing Your Credit

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Credit Protection Laws

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5 Tips for...

Improving Your Credit Score
ESPAÑOL

Getting the Most From Your Credit Card
ESPAÑOL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

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What your credit card company has to tell you

- **When they plan to increase your rate or other fees.** Your credit card company must send you a notice 45 days before they can
  - increase your interest rate;
  - change certain fees (such as annual fees, cash advance fees, and late fees) that apply to your account; or
  - make other significant changes to the terms of your card.

If your credit card company is going to make changes to the terms of your card, it must give you the option to cancel the card before certain fee increases take effect. If you take that option, however, your credit card company may close your account and increase your monthly payment, subject to certain limitations.

For example, they can require you to pay the balance off in five years, or they can double the percentage of your balance used to calculate your minimum payment (which will result in faster repayment than under the terms of your account).

The company does **not** have to send you a 45-day advance notice if

- you have a variable interest rate tied to an index; if the index goes up, the company does not have to provide notice before your rate goes up;
- your introductory rate expires and reverts to the previously disclosed "go-to" rate;
- your rate increases because you are in a workout agreement and you haven't made your

Useful terms...

"go-to" rate
interest rate you are charged after the introductory rate

index
an economic indicator used to calculate interest-rate adjustments (e.g. the Cost of Funds Index 71 KB PDF)

opt-in
giving your credit card company permission to include you in a particular service

workout agreement
a type of debt management plan

Download 2 MB PDF

Español Version

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Last Update Date: February 22, 2010
Home | Consumer Information

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- Choices
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- Fees
- Lost or Stolen Cards
- Billing Errors
- General Complaints
- Managing Your Credit

Glossary

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5 Tips for...

- Improving Your Credit Score
- Getting the Most From Your Credit Card

Other resources...

Contact Us | Survey of Credit Card Plans | FR Consumer Help

Survey Report by APR: July 31, 2010

Sorted by Annual Fee | Sorted by Institution Name

Codes used in list of plans

Institution	Availability and Credit Card Plan	Annual Percentage Rate	Type of Pricing	Index	Grace Period (days)	Annual Fee	Other Features	Telephone
NORTH SIDE BANK AND TRUST COMPANY, THE	R - VISA	6.25	V	1	25	0	6,10	(513) 542-7800
CNB BANK	N - VISA GOLD	7.00	V	1	30	0	2,3,4,5,6,8,10	(800) 492-3221
SYNOVUS BANK	N - PLATINUM	7.15	V	1	25	0	N.R.	(800) 543-8227
FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION	N - VISA	7.15	V	1	25	0	N.R.	(800) 768-3248
FIRSTMERIT BANK, N.A.	R - MASTERCARD PLATINUM	7.24	V	1	25	0	2,3,4,9	(888) 554-4362
FIRST CITIZENS BANK AND TRUST COMPANY, INC.	R - VISA	7.25	V	1	25	0	2,4,5,6,10	(888) 612-4444
SIMMONS FIRST NATIONAL BANK OF PINE BLUFF	N - VISA	7.25	V	1	25	0	4	(800) 272-2102
FAIRFIELD FEDERAL SAVINGS AND LOAN ASSOCIATION OF LANCASTER	OH - FAIRFIELD FEDERAL VISA GOLD	7.25	V	1	25	0	10	(800) 650-0987
MORTON COMMUNITY BANK	N - VISA GOLD	7.25	V	1	25	0	N.R.	(309) 266-5337
FIRST COMMAND BANK	N - VISA PLATINUM	7.25	V	1	30	0	2,4,6	(888) 763-7600
SUNFLOWER								

Consumer Credit Card Agreements Search

This tool allows you to:

- Look for a particular card issuer's consumer credit card agreements.
- Search the full text of all submitted consumer credit card agreements.

Your search will return pdf and text files that contain general terms and conditions for the credit card issuer's agreement(s), along with pricing and fee information. These files are not specific or individual account agreements. If you want to get a copy of your personal account agreement, you should contact your bank--under the Board's credit card rules, your credit card issuer must make your credit card agreement(s) available upon request.

Search Agreements

Complete either or both to search

Issuer Name: All

Text: foreign currency

Help and tips

Search

Disclaimer:

The consumer credit card agreements in this Database are shown as submitted to the Federal Reserve Board by the respective credit card issuers. The Board is not responsible for the content of the agreements, including any discrepancies between an agreement as presented in this database and the agreement as offered to the public by the card issuer, or for any omissions or other errors in the agreement as submitted to the Board by the issuer. Any questions about the agreements in the database should be directed to the respective card issuer.

Last Update Date: May 24, 2010

Learn more about...

- Options
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WHAT YOU NEED TO KNOW:

New Credit Card Rules Effective Aug. 22

Credit Cards

BOARD O

Consumer Credit Card Agreements Search--Results

Issuer Name: All

Text: foreign currency

Complete either or both to search

New Search

Banking Regulators ?

FDIC--Federal Deposit Insurance Corporation
FRS--Federal Reserve System
NCUA--National Credit Union Administration
OCC--Office of the Comptroller of the Currency
OTS--Office of Thrift Supervision
NA--Not a federally regulated institution

Your search found 938 consumer agreement(s) from 320 issuers ?

Issuer Name ?	Card Description	Regulator ?	Agreement
Affinity Plus Federal Credit Union (Saint Paul,MN)	Visa Platinum Rewards Disclosure 11.90 Percent (06/30/2010)	NCUA	69 KB PDF | TEXT
Affinity Plus Federal Credit Union (Saint Paul,MN)	Visa Platinum Rewards Disclosure 13.9 Percent (06/30/2010)	NCUA	69 KB PDF | TEXT
Affinity Plus Federal Credit Union (Saint Paul,MN)	Visa Platinum Rewards Disclosure 15.9 Percent (06/30/2010)	NCUA	69 KB PDF | TEXT
Affinity Plus Federal Credit Union (Saint Paul,MN)	Visa Platinum Rewards Disclosure 17.9 Percent (06/30/2010)	NCUA	69 KB PDF | TEXT
Alabama Telco Credit Union (Birmingham,AL)	Agreement 1 (06/30/2010)	NCUA	116 KB PDF | TEXT
Alaska USA Federal Credit Union (Anchorage,AK)	10.5% (06/30/2010)	NCUA	257 KB PDF | TEXT
Alaska USA Federal Credit Union (Anchorage,AK)	12.5% (06/30/2010)	NCUA	257 KB PDF | TEXT
Alaska USA Federal Credit Union (Anchorage,AK)	14.5 Secured (06/30/2010)	NCUA	260 KB PDF | TEXT
Alaska USA Federal Credit Union	14.5% (06/30/2010)	NCUA	258 KB PDF | TEXT

New monthly statement

XXX Bank Credit Card Account Statement
Account Number XXXX XXXX XXXX XXXX
February 21, 2012 to March 22, 2012

Summary of Account Activity

Previous Balance	$535.07
Payments	-$450.00
Other Credits	-$15.45
Purchases	+$559.57
Balance Transfers	+$715.00
Cash Advances	+$313.00
Past Due Amount	+$0.00
Fees Charged	**+$69.45**
Interest Charged	**+$10.89**
New Balance	$1,784.53
Credit limit	$2,000.00
Available credit	$215.47
Statement closing date	3/22/2012
Days in billing cycle	30

QUESTIONS?

Call Customer Service	1-XXX-XXX-XXXX
Lost or Stolen Credit Card	1-XXX-XXX-XXXX

Payment Information

New Balance	$1,784.53
Minimum Payment Due	$53.00
Payment Due Date	4/20/12

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a $35 late fee and your APRs may be increased up to the Penalty APR of 28.99%.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

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)*

If you would like information about credit counseling services, call 1-800-XXX-XXXX.

Please send billing inquiries and correspondence to:
PO Box XXXX, Anytown, Anystate XXXXX

Notice of Changes to Your Interest Rates

You have triggered the Penalty APR of 28.99%. This change will impact your account as follows:

Transactions made on or after 4/9/12: As of 5/10/12, the Penalty APR will apply to these transactions. We may keep the APR at this level indefinitely.

Transactions made before 4/9/12: Current rates will continue to apply to these transactions. However, if you become more than 60 days late on your account, the Penalty APR will apply to those transactions as well.

Important Changes to Your Account Terms

The following is a summary of changes that are being made to your account terms. For more detailed information, please

New monthly statement

XXX Bank Credit Card Account Statement
Account Number XXXX XXXX XXXX XXXX
February 21, 2012 to March 22, 2012

Summary of Account Activity

Previous Balance	$535.07
Payments	-$450.00
Other Credits	-$13.45
Purchases	+$529.57
Balance Transfers	+$785.00
Cash Advances	+$318.00
Past Due Amount	+$0.00
Fees Charged	**+$69.45**
Interest Charged	**+$10.89**
New Balance	$1,784.53
Credit limit	$2,000.00
Available credit	$215.47
Statement closing date	3/22/2012
Days in billing cycle	30

QUESTIONS?

Call Customer Service	1-XXX-XXX-XXXX
Lost or Stolen Credit Card	1-XXX-XXX-XXXX

Payment Information

New Balance	$1,784.53
Minimum Payment Due	$53.00
Payment Due Date	4/20/12

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a $35 late fee and your APRs may be increased up to the Penalty APR of 28.99%.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

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)*

If you would like information about credit counseling services, call 1-800-XXX-XXXX.

Please send billing inquiries and correspondence to:
PO Box XXXX, Anytown, Anystate XXXXX

Notice of Changes to Your Interest Rates

You have triggered the Penalty APR of 28.99%. This change will impact your account as follows:

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Important Changes to Your Account Terms

The following is a summary of changes that are being made to your account terms. For more detailed information, please

Payments: how long to pay off

Bill will show current balance with minimum payments & pay in 3 years

- Example, $3,000 balance at 14.4%
- Minimum payment is $60

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	**18 years**	**$6,537**
$104	**3 years**	**$3,713 (Savings = $2,824)**

Credit Card Repayment Calculator

Print | Español

Welcome to the Federal Reserve's Credit Card Repayment Calculator. Based on the information you provide, the calculator will give you an estimate of how long it will take you to pay off your credit card balance. The calculator assumes:

- you make no more charges; and
- you make only the minimum payment each month.

A second calculation can help you develop a plan for paying off your balance sooner.

Please use your most recent credit card bill. You may get a more accurate estimate from your credit card issuer's website.

How long will it take me to pay off my credit card balance if I make only the minimum payment?

My total balance: $ 3000

My highest annual percentage rate (APR) with a balance: % 14.4

CALCULATE NOW

Last Update: April 21, 2009

How long will it take me to pay off my credit card balance if I make only the minimum payment?

My total balance: $ 3000

My highest annual percentage rate (APR) with a balance: % 14.40

(Please scroll down to see your results)

You have entered a balance of $3,000 at 14.40%. We estimate that:

$60	**Estimated initial minimum payment**
18 years	**Amount of time to pay off your balance, if you make no more charges and make only the minimum payment on time each month**
$3,537	**Interest charges you will pay in that amount of time**

This is an estimate based on the information you provided and assumptions made about your account. The actual time and cost to pay off your balance by only making the minimum payment will depend on the terms of your account and future account activity.

How do I pay off my credit card balance sooner?

The following estimates are based on your balance of $3,000 at 14.40%.

I want to pay off my credit card balance in a specific number of years:

Enter number of years: 3 GET MONTHLY PAYMENT

$104	**Amount you need to pay each month to pay off your balance in the time above, if you make no more charges and pay on time each month**
$713	**Interest charges you will pay in that amount of time**

or

I want to pay a specific amount each month:

Enter monthly payment: $ 60 GET TIMEFRAME

6 years	**Amount of time to pay off your balance if you make no more charges and make the above payment on time each month**
$1,609	**Interest charges you will pay in that amount of time**

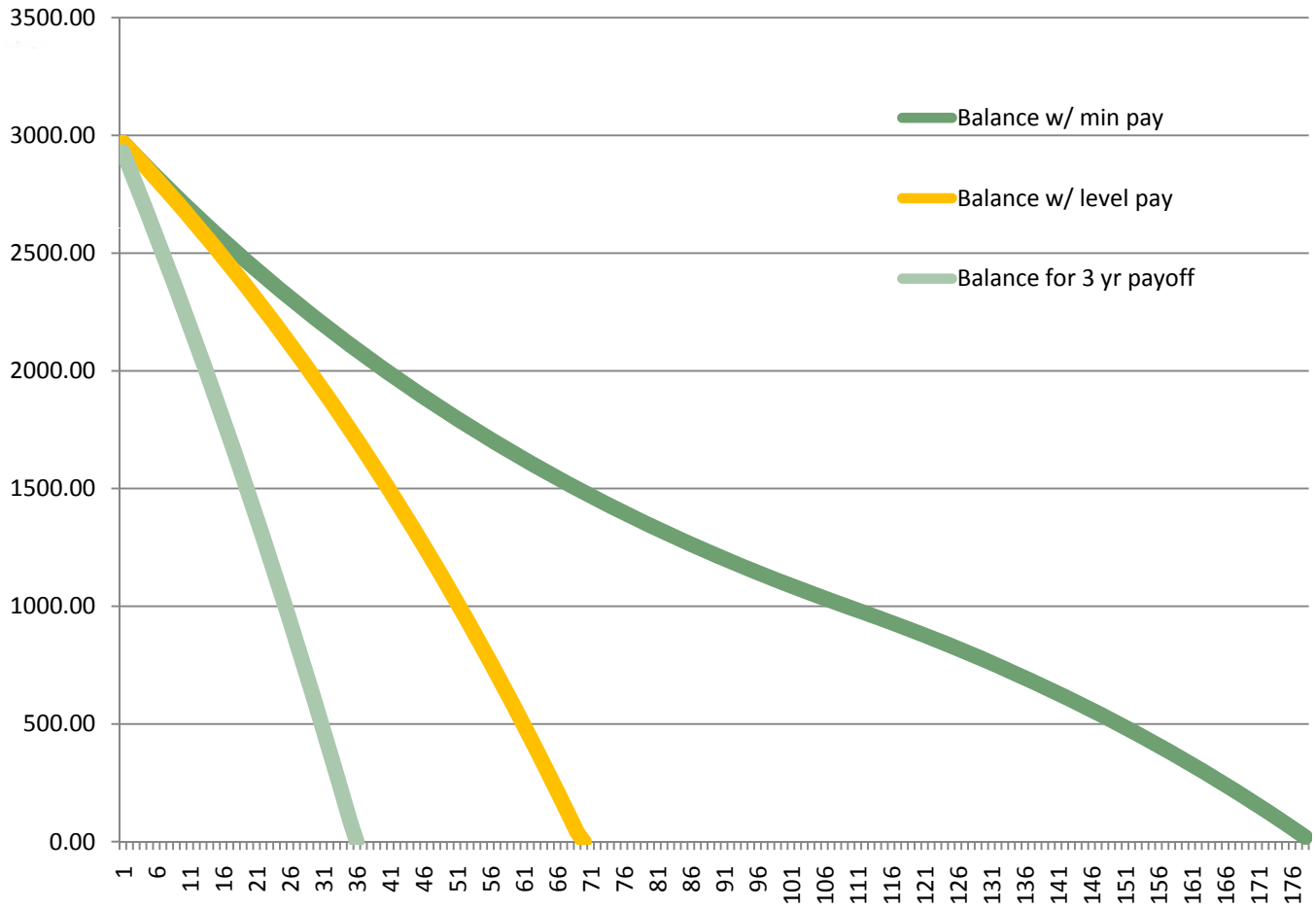
Minimum math

Month	Payment	Interest	Principal	Balance
Start				$3000
1	60.00	36.00	24.00	2976.00
2	59.52	35.71	23.81	2952.19
12	54.93	32.96	21.97	2724.34
24	49.88	29.93	19.95	2474.01
36	45.30	27.18	18.12	2246.68
60	37.35	22.41	14.94	1852.77

Amortizing math

Month	Payment	Interest	Principal	Balance
Start				$3000
1	60.00	36.00	24.00	2976.00
2	60.00	35.71	24.29	2951.71
12	60.00	32.63	27.37	2692.21
24	60.00	28.42	31.58	2337.05
36	60.00	23.56	36.44	1927.24
60	60.00	11.49	48.51	908.71

Payment profiles



Payment decision

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	**18 years**	**$6,537**
$104	**3 years**	**$3,713 (Savings = $2,824)**

Make minimum payment and save/invest the rest?

Make level payment and save/invest the rest?

Make '3-year' payment then start saving?

Summary of fees and interest

31289105205648AWD	3/11	3/12	Store #16	$7.34
04518478415615ASD	3/11	3/16	Store #17	$10.56
0547810544898718AF	3/15	3/17	Store #18	$24.50
056489413216848OP	3/16	3/17	Store #19	$8.76
054894561564ASDW	3/17	3/18	Store #20	$14.23
5648974891AD98156	3/19	3/20	Store #21	$23.76
			Fees	
9525156489SFD4545Q	2/23	2/23	Late Fee	$35.00
56415615647OJSNDS	2/26	2/26	Cash Advance Fee	$5.00
84151564SADS8745H	2/27	2/27	Balance Transfer Fee	$23.55
256489156189451516L	2/28	2/28	Cash Advance Fee	$5.90
			TOTAL FEES FOR THIS PERIOD	**$69.45**
			Interest Charged	
			Interest Charge on Purchases	$6.31
			Interest Charge on Cash Advances	$4.58
			TOTAL INTEREST FOR THIS PERIOD	**$10.89**

2012 Totals Year-to-Date	
Total fees charged in 2012	$90.14
Total interest charged in 2012	$18.27

Interest Charge Calculation

Your **Annual Percentage Rate (APR)** is the annual interest rate on your account.

Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99% (v)	$512.14	$6.31
Cash Advances	21.99% (v)	$253.50	$4.58
Balance Transfers	0.00%	$637.50	$0.00

(v) = Variable Rate

Overdrafts

- Opt-in for
  - ATM withdrawals
  - Point-of-sale debits

Overdrafts

- May be automatic for
  - Checks
  - Scheduled payments

Other overdraft options

- Link to savings account
- Open overdraft line of credit
- Link to credit card
- Don’t overdraw

Cost comparison

Good management	$0
Link to savings account	$5 transfer fee
Line of credit	$15 annual fee + 12% APR
Link to cash advance on credit card	$3 cash advance fee + 18% APR
Overdraft services (opt in)	$20 - $30
Bounced check	$40 to $60 (bank + merchant fee)

Some concerns

- Clearing sequence
- Number of fees per month/year
- "Unavoidable" overdrafts
- Real time transactions

WHAT YOU NEED TO KNOW:

New Overdraft Rules for Debit and ATM cards

New Federal Reserve rules give debit and ATM card users additional options regarding overdrafts. In the coming months, banks, credit unions, and other financial institutions must offer you the ability to make decisions about overdrafts for transactions made with your debit or ATM cards.

Expect your bank to send you an explanation about how it treats overdrafts; here is an example (38 KB PDF). Here are some key things you need to consider when reading the notice:

The basic facts

An overdraft occurs when you make a purchase or ATM transaction but don't have enough money in your account to pay for it. For a fee, your bank will cover you when you become overdrawn. This fee can apply each time you overdraw your account.

Generally, banks can cover your overdrafts in one of two different ways:

- **Standard overdraft practices.** Your bank will cover your transaction for a flat fee of about $20-30 **each** time you overdraw your account. For example, if you make a purchase with your debit card for $150 but only have $100 in your account, your account will be overdrawn by $50 and your bank will charge you a fee. If you then make an ATM withdrawal for $50, your account will be overdrawn by $100 and you will be charged another fee. In this example, if the fee your bank charges for its standard overdraft practices is $30, you will pay a total of $60 in fees.
- **Overdraft protection plans.** Your bank may offer a line of credit or a link to your savings account to cover transactions when you overdraw your account. Banks typically charge a fee each time you overdraw your account, but these overdraft protection plans may be less expensive than their standard overdraft practices.

The new rules

- **You choose.** In the past, some banks automatically enrolled you in their standard overdraft

Useful terms...

everyday debit card transactions
purchases made with your debit card on a day-to-day basis (excludes all checks and automatic bill payments)

opt in
giving your bank permission to include you in a particular service

opt out
declining a particular service offered by your bank

overdraft
an overdraft occurs when you write a check, make an ATM transaction, use your debit card to make a purchase, or make an automatic bill payment or other electronic payment for an amount greater than the balance in your checking account

Download 110 KB PDF

Español

Gift cards

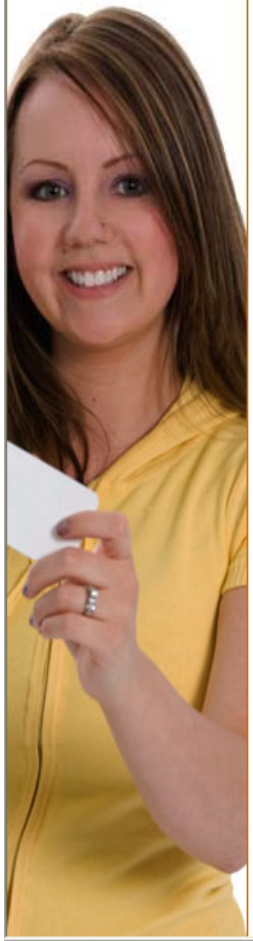
- 12 month limit on dormancy, inactivity, and service fees
- 5-year minimum expiration date

Gift cards

- Excludes reloadable account substitute cards
- Excludes award or promotional cards
  - "card with purchase"

WHAT YOU NEED TO KNOW:

New Rules for Gift Cards



New Federal Reserve rules provide important protections when you purchase or use gift cards. Here are some key changes that apply to gift cards sold on or after August 22, 2010:

Covered by the new rules

- **Store gift cards**, which can be used only at a particular store or group of stores, such as a book store or clothing retailer.
- **Gift cards with a MasterCard, Visa, American Express, or Discover brand logo**. These cards generally can be used wherever the brand is accepted. (Not all cards with a brand logo are covered; see "Other prepaid cards" below for exceptions.)

New protections

- **Limits on expiration dates.** The money on your gift card will be good for at least five years from the date the card is purchased. Any money that might be added to the card at a later date must also be good for at least five years.
- **Replacement cards.** If your gift card has an expiration date you still may be able to use unspent money that is left on the card after the card expires. For example, the card may expire in five years but the money may not expire for seven. If your card expires and there is unspent money, you can request a replacement card at no charge. Check your card to see if expiration dates apply.
- **Fees disclosed.** All fees must be clearly disclosed on the gift card or its packaging.
- **Limits on fees.** Gift card fees typically are subtracted from the money on the card. Under the new rules, many gift card fees are limited. Generally, fees can be charged if
  - you haven't used your card for at least one year, and
  - you are only charged one fee per month.

Download 444 KB PDF

Español

Other resources...

Bank Accounts and Services
Credit Cards
Identity Theft
Leasing
Mortgages
Personal Finance
Federal Agency Contacts

More of this series...

WHAT YOU NEED TO KNOW:

New Credit Card Rules Effective Aug. 22
New Credit Card Rules Effective Feb. 22
New Overdraft Rules for Debit and ATM Cards

Risk-based pricing

- Change in credit markets from
  - Yes or No

Risk-based pricing

- Change in credit markets from
  - Yes or No

    to
  - Yes, but at what price?

New disclosures for consumers

- Effective 1/1/11
- "terms that are materially less favorable than the most favorable terms available to a substantial proportion of consumers"
  - Translation: you get a rate or fees that are higher than others

How will this work?

Apply for a loan

How will this work?

Apply for a loan → **Lender gets credit reports & scores**

How will this work?

Apply for a loan → **Lender gets credit reports & scores** → **Pricing decision based on credit report**

How will this work?

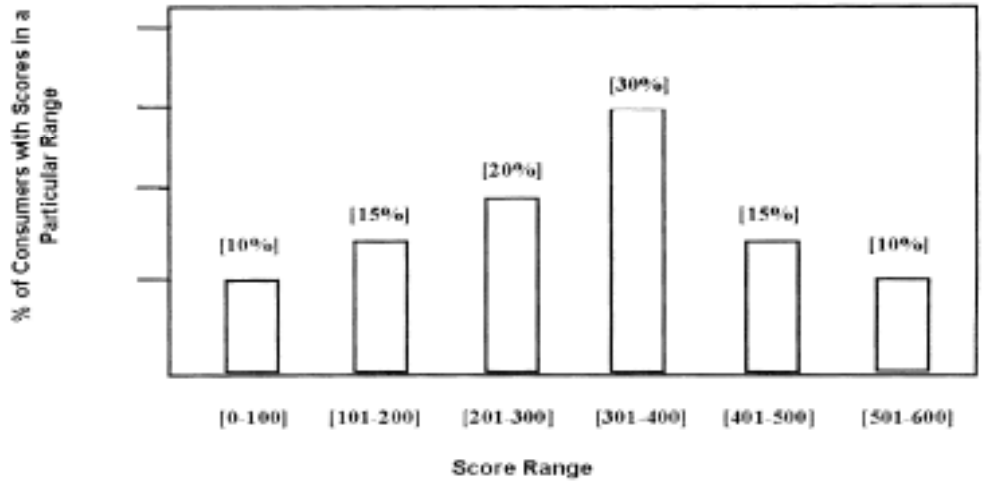
Apply for a loan → **Lender gets credit reports & scores** → **Pricing decision based on credit report** → **Price is "materially less favorable" than 40% of consumers**

How will this work?

Apply for a loan → Lender gets credit reports & scores → Pricing decision based on credit report → Price is "materially less favorable" than 40% of consumers → Send consumer the notice

[Name of Entity Providing the Notice]
Your Credit Score and the Price You Pay for Credit

Your Credit Score	
Your credit score	**[Insert credit score]** Source: **[Insert source]** Date: **[Insert date score was created]**

Understanding Your Credit Score	
What you should know about credit scores	Your credit score is a number that reflects the information in your credit report. Your credit report is a record of your credit history. It includes information about whether you pay your bills on time and how much you owe to creditors. Your credit score can change, depending on how your credit history changes.
How we use your credit score	Your credit score can affect whether you can get a loan and how much you will have to pay for that loan.
The range of scores	Scores range from a low of **[Insert bottom number in the range]** to a high of **[Insert top number in the range]**. Generally, the higher your score, the more likely you are to be offered better credit terms.
How your score compares to the scores of other consumers	 **[or]** [Your credit score ranks higher than [X] percent of U.S. consumers.]

[Name of Entity Providing the Notice]
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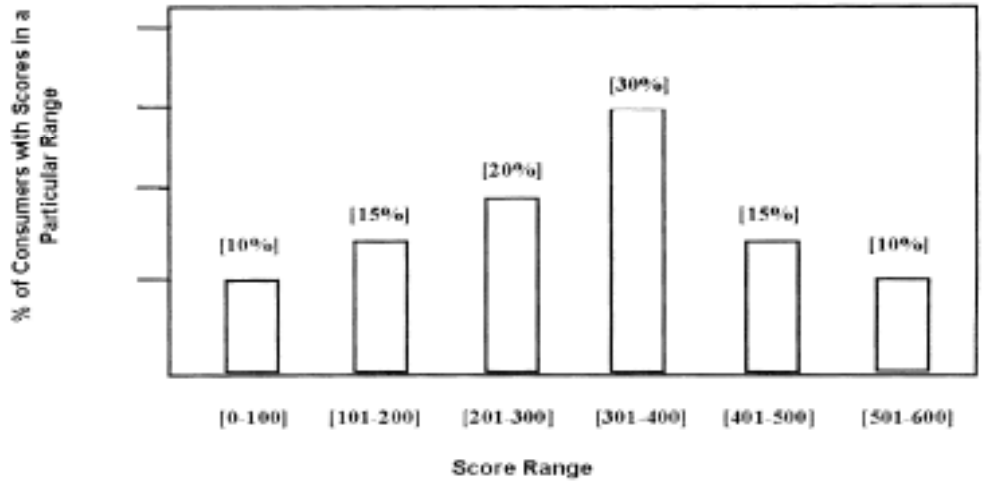
How your score compares to the scores of other consumers	 **[or]** [Your credit score ranks higher than [X] percent of U.S. consumers.]

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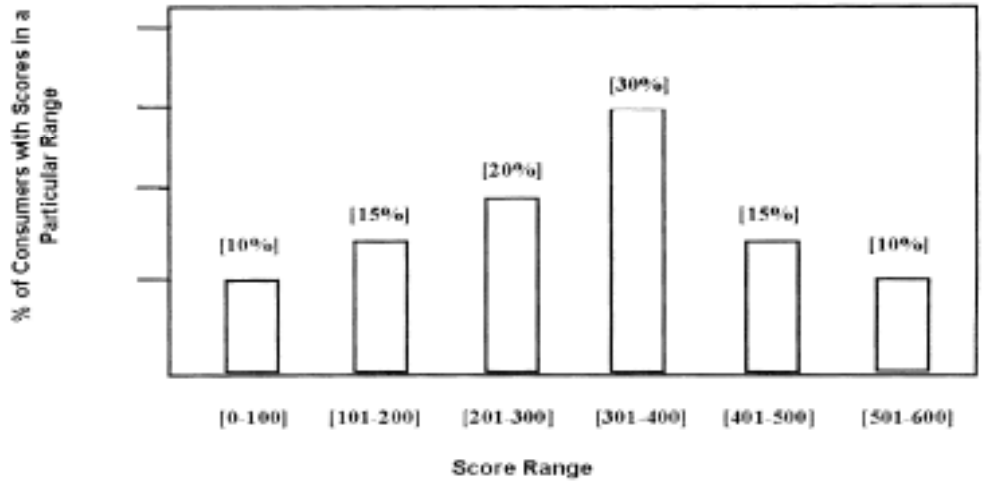
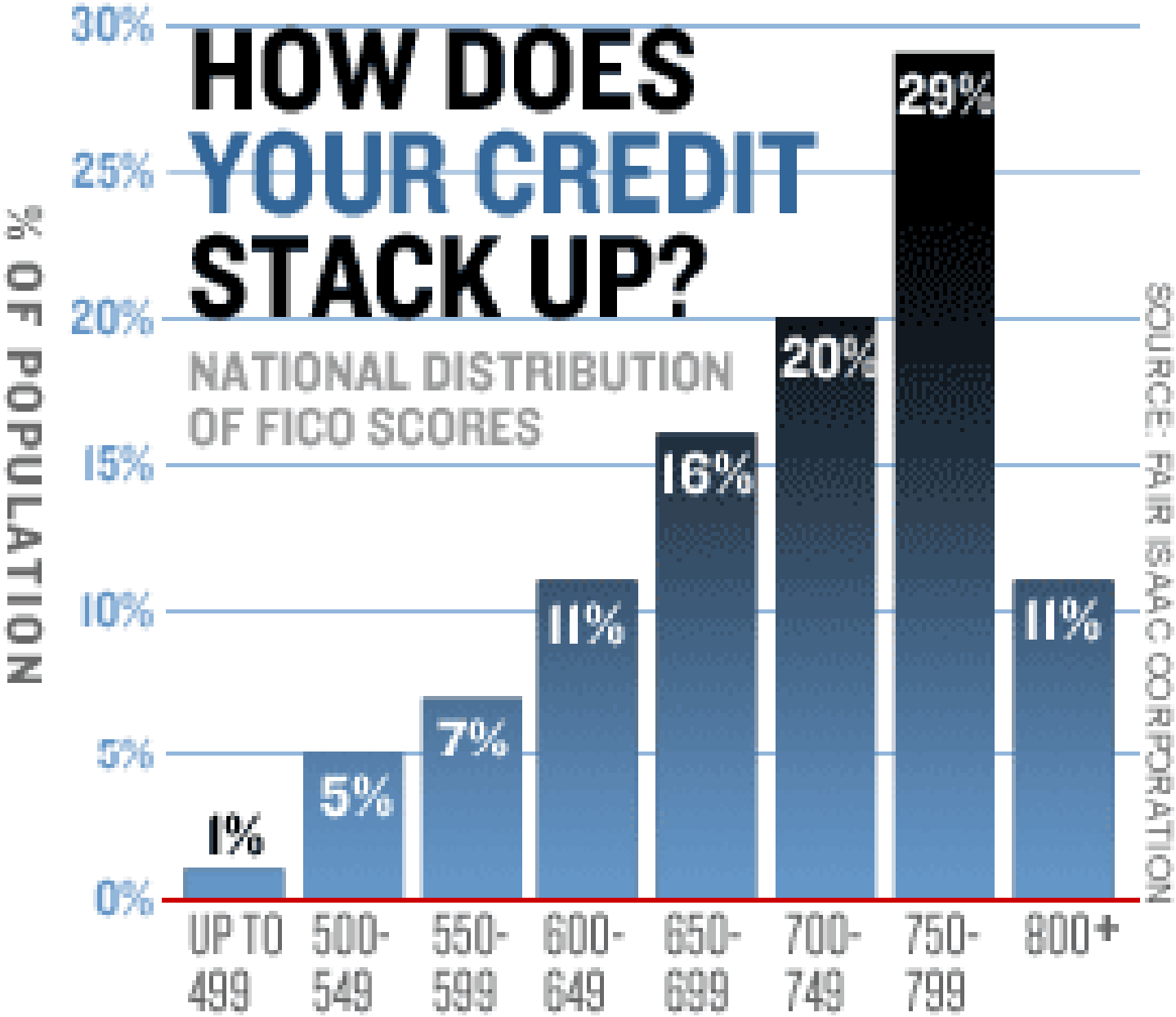
How your score compares to the scores of other consumers	 **[or]** [Your credit score ranks higher than [X] percent of U.S. consumers.]

HOW DOES YOUR CREDIT STACK UP?

NATIONAL DISTRIBUTION OF FICO SCORES



Understanding Your Credit Score (continued)	
Key factors that adversely affected your credit score	**[Insert first factor]** **[Insert second factor]** **[Insert third factor]** **[Insert fourth factor]** **[Insert fifth factor, if applicable]**

Checking Your Credit Report	
What if there are mistakes in your credit report?	You have a right to dispute any inaccurate information in your credit report. If you find mistakes on your credit report, contact the consumer reporting agency. It is a good idea to check your credit report to make sure the information it contains is accurate.
How can you obtain a copy of your credit report?	Under federal law, you have the right to obtain a free copy of your credit report from each of the nationwide consumer reporting agencies once a year. To order your free annual credit report— *By telephone:* Call toll-free: 1-877-322-8228 *On the web:* Visit www.annualcreditreport.com *By mail:* Mail your completed Annual Credit Report Request Form (which you can obtain from the Federal Trade Commission's web site at http://www.ftc.gov/ bcp/conline/include/requestformfinal.pdf) to: Annual Credit Report Request Service P.O. Box 105281 Atlanta, GA 30348-5281
How can you get more information?	For more information about credit reports and your rights under federal law, visit the Federal Reserve Board's web site at www.federalreserve.gov, or the Federal Trade Commission's web site at www.ftc.gov.

Understanding Your Credit Score (continued)	
Key factors that adversely affected your credit score	**[Insert first factor]** **[Insert second factor]** **[Insert third factor]** **[Insert fourth factor]** **[Insert fifth factor, if applicable]**

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How can you obtain a copy of your credit report?	Under federal law, you have the right to obtain a free copy of your credit report from each of the nationwide consumer reporting agencies once a year. To order your free annual credit report— *By telephone:* Call toll-free: 1-877-322-8228 *On the web:* Visit www.annualcreditreport.com *By mail:* Mail your completed Annual Credit Report Request Form (which you can obtain from the Federal Trade Commission's web site at http://www.ftc.gov/ bcp/conline/include/requestformfinal.pdf) to: Annual Credit Report Request Service P.O. Box 105281 Atlanta, GA 30348-5281
How can you get more information?	For more information about credit reports and your rights under federal law, visit the Federal Reserve Board's web site at www.federalreserve.gov, or the Federal Trade Commission's web site at www.ftc.gov.

CONSUMER'S GUIDE

Credit Reports and Credit Scores

Your credit history is important to a lot of people: mortgage lenders, banks, utility companies, prospective employers, and more. So it's especially important that you understand your credit report, credit score, and the companies that compile that information, credit bureaus. This site--maintained by the Federal Reserve Board--provides answers to some of the most common, and most important, questions about credit.

Your Credit Report | Your Credit Score | Credit Report Errors

Your Credit Report

Q: What is a credit report?

A: A credit report is a record of your credit history that includes information about:

- **Your identity.** Your name, address, full or partial Social Security number, date of birth, and possibly employment information.
- **Your existing credit.** Information about credit that you have, such as your credit card accounts, mortgages, car loans, and student loans. It may also include the terms of your credit, how much you owe your creditors, and your history of making payments.
- **Your public record.** Information about any court judgments against you, any tax liens against your property, or whether you have filed for bankruptcy.
- **Inquiries about you.** A list of companies or persons who recently requested a copy of your report.

Q: Why is a credit report important?

A: Your credit report is important because lenders, insurers, employers, and others may obtain your credit report from credit bureaus to assess how you manage financial responsibilities. For

Other Consumer's Guides

Credit Cards

As a consumer, it pays to be smart when choosing and using a credit card.

Other resources...

- Credit Repair
- Dealing with Debt
- Employment Background Checks and Credit Reports
- Federal Reserve Consumer Help
- Identity Theft

5 Tips for...

Improving Your Credit Score
ESPAÑOL

Getting the Most From Your Credit Card
ESPAÑOL

WHAT YOU NEED TO KNOW:

Questions?

jeanne.m.hogarth@frb.gov

Thank You!