**[Credit Cards. 7 Things You NEED to Know](http://www.pbs.org/wgbh/pages/frontline/creditcards/view/) (Video Link)**

**1. Cardholders Have New Protections**

The Credit CARD Act of 2009 curtails many of the most abusive practices. New rules must take effect by February 2010:

• no retroactive rate hikes;

• statements must be mailed 21 days before payment due date;

• payment dates can't suddenly be shifted;

• statements must say how long it will take to pay off balances and the total interest costs if paying just the monthly minimum;

• 45 days notice required for changes in terms and conditions.

For debit cards -- now more popular than credit cards -- the Federal Reserve issued new rules (effective summer 2010) on [overdraft fees](http://www.pbs.org/wgbh/pages/frontline/creditcards/themes/landscape.html). So,too, have some large banks:

• card issuers can't charge fees for debit card overdrafts at stores and ATMs unless the cardholder has agreed;

• some large banks [(see list)](http://www.pbs.org/wgbh/pages/frontline/creditcards/themes/landscape.html#revised) are limiting the number of debit card overdraft fees that can be charged in a day, and changing other policies.

**2. Fee Traps Are Still Out There**

The new rules and policies *do not cover*—

• the tricks in [late fees](http://www.nytimes.com/2009/11/22/your-money/22haggler.html%22%20%5Ct%20%22links);

• fees involving [prepaid debit cards](http://www.nytimes.com/2009/10/06/your-money/06prepay.html%22%20%5Ct%20%22links);

• inactivity fees, foreign exchange fees, gift cards, etc. Read the [full list](http://www.pbs.org/wgbh/pages/frontline/creditcards/themes/tricks.html).

In addition, there's [no ceiling on interest rates](http://www.pbs.org/wgbh/pages/frontline/creditcards/themes/caprates.html) nor on penalty/service fees for [debit](http://www.nytimes.com/2009/09/09/your-money/credit-and-debit-cards/09debit.html%22%20%5Ct%20%22links), credit and prepaid cards. And small business credit cards aren't covered by the new regulations; their credit limits are being slashed.

Warning to consumers: [Stay vigilant.](http://www.nytimes.com/2009/09/09/your-money/credit-and-debit-cards/09debitside.html%22%20%5Ct%20%22links) The banks [are scrambling to get](http://www.nytimes.com/2009/11/10/your-money/credit-and-debit-cards/10rates.html%22%20%5Ct%20%22links) ahead of the new regulations coming in 2010.

 Watch out for higher interest rates, old annual fees returning and other tactics.

**3. Credit Unions -- A Better Borrowing Option?**

Here's a [Q&A](http://www.pbs.org/wgbh/pages/frontline/creditcards/themes/creditunion.html) on how they work and pros and cons in turning to them for credit/debit cards. One "pro"-- a 18 percent interest rate cap at credit unions that are federally chartered.

You might want to check out the credit unions [near you](http://www.creditunion.coop/cu_locator/quickfind.php%22%20%5Ct%20%22links), and read some [helpful tips](http://bucks.blogs.nytimes.com/2009/11/10/better-cards-from-credit-unions/%22%20%5Ct%20%22links) about them from *New York Times* reporter Ron Lieber.

**4. Be Careful About Those "Free" Credit Scores**

It sounds like a good idea, but you could be signing up to get a [monthly bill](http://www.nytimes.com/2009/11/03/your-money/credit-scores/03scores.html%22%20%5Ct%20%22links).

**5. Interchange Fees Are Part of "The Card Game," Too**

Merchants say they're hurting because of the 1.8 percent they must pay on every credit/debit card transaction in order to have payments cleared by the bank. The issue is [pitting retailers against banks](http://www.nytimes.com/2009/07/16/business/16fees.html%22%20%5Ct%20%22links) and [interchange fees](http://www.pbs.org/wgbh/pages/frontline/creditcards/themes/interchange.html) could be facing tougher regulation.

However, if these fees on merchants do get regulated, it'll likely impact consumers' costs when they use plastic. That's what happened in [Australia.](http://www.nytimes.com/2009/11/25/your-money/credit-and-debit-cards/25card.html)

**[6. Compare Cards/Best Terms](http://www.nytimes.com/2009/11/25/your-money/credit-and-debit-cards/25card.html)**

[The *New York Times'* Ron Lieber offers](http://www.nytimes.com/2009/11/25/your-money/credit-and-debit-cards/25card.html) [advice](http://www.nytimes.com/2009/08/22/your-money/credit-and-debit-cards/22money.html%22%20%5Ct%20%22links) if you're interested in changing credit cards in these tough times. And a good site for comparing benefits, particularly for reward cards, is [fatwallet.com.](http://www.fatwallet.com/forums/finance/%22%20%5Ct%20%22links)

**7. More Changes Are Coming and There Will Be Winners and Losers**

Pending [federal legislation](http://www.pbs.org/wgbh/pages/frontline/creditcards/themes/pending.html) could put far more regulation on consumer credit. The hottest debate is over a new [consumer protection agency.](http://www.pbs.org/wgbh/pages/frontline/creditcards/themes/newagency.html)

Meanwhile, the [landscape for the consumer](http://www.pbs.org/wgbh/pages/frontline/creditcards/themes/ahead.html) has fundamentally changed -- it's simply harder to get a loan of any kind and consumers are being called on [to be more responsible](http://www.pbs.org/wgbh/pages/frontline/creditcards/themes/responsibility.html) in making financial decisions.

As for the banks, experts like [Shailesh Mehta,](http://www.pbs.org/wgbh/pages/frontline/creditcards/interviews/mehta.html) who as CEO of Providian helped turn the card business into a multibillion-dollar bonanza, believes banks will always figure out how to comply with the new rules and yet still outsmart the regulators.

Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

The Card Game

15 points

1. How did Providian change the credit card business? Why did they want consumers to “carry their balance”?
2. Explain some gimmicks Providian used to entice consumers to carry their cards.
3. What is a credit disclosure summary?
4. Why did the credit card industry become the “Wild West”? Dodd answers this question.
5. How were credit cards related to the financial crisis of 2007?
6. How does lobbying relate to the inability to pass credit card legislation? Do you believe Dodd’s statement that campaign contributions do not influence him?
7. What loopholes exist in the financial legislation passed by Dodd (the Dodd-Frank Act)?
8. Explain the financial industry lobbyist’s view on the legislation:
9. What is the difference between a debit card and credit card and why have consumers shifted to debit cards?
10. What is the true cost of a “free” checking account?
11. What is the average interest rate on a payday loan? Explain the debate around payday loans
12. What does the “*Truth and Lending Act*” require?
13. What is the purpose of a [Consumer Protection Agency](http://www.ftc.gov/about-ftc/bureaus-offices/bureau-consumer-protection) (passed by Dodd-Frank Act in 2010)? Min 45
14. Why does Bill Strunk oppose the legislation?
15. What did you think of this film? Did it have a bias? Is it fair to charge more in late fees, and credit limit fees so that responsible cardholders can pay less?