



Fed Adopts Rules to Protect Credit Card Customers

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The [Federal Reserve](#) adopted new rules this month aimed at protecting credit card customers from getting hit by high late payment charges and other penalty fees. The [Dallas Morning News](#) ran a good article on the new rules, and here are excerpts:

The rules respond to public and congressional outrage over practices by credit card companies.

They bar credit card companies from charging a penalty fee of more than \$25 for paying a bill late. They prohibit credit card companies from charging penalty fees that are higher than the dollar amount associated with the customer's violation. They also ban so-called "inactivity" fees when customers don't use the account to make new purchases and they prevent multiple penalty fees on a single late payment.

The rules take effect on Aug. 22.

In addition, the rules require companies to reconsider interest rates imposed on customers since the start of last year. Some lenders pushed through rate increases ahead of the first phase of sweeping new credit-card protections, which took effect earlier this year. Those first set of rules were designed to protect customers from sudden hikes in interest rates.

"The new rules require that late payment and other penalty fees be assessed in a way that is fairer and generally less costly for consumers," said Fed Governor Elizabeth Duke, the central bank's point person on the rules. "Card issuers must also reevaluate recent interest rate increases, and, if appropriate, reduce the rate," she added.

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