

Doron F. Eghbali Banking Law

CARD Protections Extend to Businesses

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Credit Card Accountability, Responsibility and Disclosure Act (CARD Act) provided landmark protections only to consumers. However, some credit card issuers are slowly providing some of these protections to businesses as well.

BANK OF AMERICA

- **Freeze on some Rate Increases:** A freeze on rate increases for existing balances.
- **Elimination of Some Fees:** An elimination of fees charged for an account exceeding credit limit.
- **Advance Notice of Some Rate Changes:** 45 days advance notice to be given on any rate changes on *future* balances.
- **More Time to Pay Bill:** 25 days between statement closing dates and payment due dates.

Note, most of these changes will start in July 2010.

CHASE

- **More Time To Pay Bill:** More time to pay your bill.
- **Relatively Easier to Read Bill:** Improved layout and content of statements;
- **Fixed Statement Dates:** To have a fixed statement date every month.

Note, all of these changes are in effect now.

AMERICAN EXPRESS

- **Late-Payment Warning:** Late payment warnings on statements.
- **Redesign of Statements:** Redesign of monthly statement to better reflect balance, payment due dates and interest dates.

Note, such changes will go into effect by the end of this summer.

CAVEATS

1. Drastic Change of Policy in Absence of Legislation

The possibility that such changes to be temporary and credit card issuers reverse them whenever they feel they are no longer under congressional scrutiny is looming large. To remedy this looming threat, it is advisable Congress enact a more robust version of CARD Act tailored toward needs of small businesses while recognizing credit card issuers should have some leeway to impose some penalties.

2. More Money Tightening for Small Businesses?

One of the unintended ramifications of limiting rate increases for existing balances would be for credit card issuers to increase fees associated with opening up an account or imposing other penalties. The rationale would be since credit card issuers can no longer manage their future risks by increasing interest rates, they need to become more selective in giving credit or imposing other fees and penalties to recoup their lost revenue. This would, in turn, stall recovery of small businesses in need of credit.

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