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NEWS RELEASE

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NOT ALL CONSUMERS TO BENEFIT FROM CREDIT CARD REFORM BILL

Consumers' voices have been heard. Today, May 22, 2009, President Obama is planning on signing the credit card reform bill. The bill was passed by the Senate on May 19, 2009. The House passed their version of the credit card reform bill on April 30, 2009.

This bill will benefit consumers by: reducing creditors' ability to raise interest rates, eliminating the ability to retroactively increase interest rates, requiring a 45-day notice of any interest changes, eliminating universal default, and halting deceptive marketing tactics. The bill limits when creditors can raise interest rates but does not place a cap on interest rates.

Consumers who only pay their minimum monthly payment will not be helped by this bill. They will continue to make payments but see little reduction in their principle balance. With an average interest rate of 14.5 percent, only paying the minimum payment of 2.5 percent each month will require over 20 years to repay the debt. Sending double the minimum payment each month brings the repayment length down to just over eight years. The new bill allows consumers to clearly understand the terms under which are they borrowing, so they are able to effectively plan for paying their debt in full.

"Since this will not take effect for 12 months, the big questions is what can consumers do right now to prepare themselves, so they can benefit from the coming changes," said Michaela Harper, Program Director at Credit Advisors Foundation. She has these suggestions:

- Continue paying down your debt. Many consumers are already trying to do this. In March 2009 outstanding consumer debt fell by \$11.1 billion.
- Know who you owe and at what cost. Make a chart of all your debt. List all your creditors, the balance, the credit limit, and the interest rate. This will help you determine how to strategically pay off your debt. While making the minimum payment on your debt, start paying a little extra on the debt with the highest interest rate.
- If your interest rate has increased due to missed or late payments, make six months worth of minimum payments. Then call the creditor to request a reduction in your interest rate.

Being aware of all debts and being proactive will provide consumers with the tools necessary to increase the rate at which their debt reduces once abusive practices, such as universal default, are forced to end. By strategically paying more than the minimum payment and requesting lower interest rates, consumers will be able to pay down their debt faster. This will help them now, and when the credit bill goes into effect.

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