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NEWS RELEASE

Credit Advisors Foundation

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UNFAIR CREDIT PRACTICES WILL END WITH NEW GOVERNMENT REGULATION

Predatory lending is common in the financial industry. High interest rates, threatening collection calls, and payment penalties are just a few common predatory practices of credit card and loan companies. Previously, these practices were largely ignored, but now, as many people are facing foreclosure and bankruptcy due to the slowing economy, these predatory practices have received national attention. Recently, federal regulators approved a rule that will put an end to some of the more unfriendly consumer practices.

On December 18, 2008 the Office of Theft Supervision, the Federal Reserve Board, and the National Credit Union Administration all approved a new ruling to help curb unfair credit practices. The new rule will go into effect on July, 1 2010. This rule covers many practices of the credit card industry; a few changes are outlined below:

- Payments can only be considered late if consumers are provided a reasonable period of time, such as 21 days, to pay.
- When a consumer has one account with two different interest rates, payments made by consumers must either be applied to the highest interest rate or split in proportion to all balances.
- Financial institutions will not be allowed to increase the annual percentage rate; unless the increase is disclosed when the account is created.
- The practice of two-cycle billing will be prohibited. Two-cycle billing is when a credit card company will charge interest for one billing period based upon the average balance over two billing periods.
- Credit issuers are not allowed to charge fees equaling 25 percent of the initial credit limit in the first year the account is open.

“Every day, our educators counsel people who are frustrated with these unfair practices,” said Lisa Cameron, Director of Education at Credit Advisors a national credit counseling agency located in Omaha, Nebr. “We are excited to see the government finally working to curb these practices, but it is not enough. Many other improvements need to be made to the credit industry before unfair consumer lending practices are completely eliminated.”

Cameron said it is crucial for consumers to do their homework before entering any credit or loan agreement. Read the fine print and research an organization before signing any agreement. This will make the consumer aware of all the terms they will be agreeing to and keep them from becoming a victim of predatory lenders. Consumers cannot rely on the government to protect them from predatory lending practices, they have to learn to become educated and protect themselves.

For more information on this topic and other credit related issues in today’s economy please contact Lisa Cameron at 402-514-3340.

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Credit Advisors Foundation is a national, non-profit credit and housing counseling organization with offices in Omaha, Nebraska, and Tacoma, Washington. The organization provides financial education to the community via publications, speakers, and counseling. For more information visit creditadvisors.org