

Higher Rates and Fewer Perks for WA Consumers?

Local News

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OLYMPIA, Wash. - New federal rules for credit card companies take effect starting this week, and for cardholders, it's likely to mean a letter from the company, politely informing them that they'll be receiving fewer perks or paying higher interest rates. The rules are meant to protect consumers by requiring 45 days notice before any changes to the agreement, and mailing out the credit card statement at least 21 days before the bill is due.

Washington Attorney General Rob McKenna says it will give some breathing room to people who struggle to pay, but he predicts credit card companies will be tougher on everyone.

"It's a wake-up call to all of us that the free lunch may be over fairly soon. The days of no-annual-fee credit cards with generous rewards for people who pay their balance off every month, and therefore don't actually make any money for the lenders, may be coming to a close or, at least, be significantly reduced."

Fees and interest rates are likely to go up, says McKenna, as the credit industry scrambles to stay profitable, and avoid a meltdown like the mortgage business.

"The credit card companies and the banks were pushing credit cards to more and more people of limited means, people with riskier credit. Everybody's been subsidizing that lending, to the extent that people haven't been paying their credit card debts back. So, it's a lot like what happened in the mortgage market."

McKenna says it's a good time to sit down with credit card statements and contracts; read them carefully, and decide which ones you don't need. The Attorney General's office handles hundreds of inquiries about credit card agreements, although it is unclear what role states will play in enforcing these new federal rules. The AG's Consumer Protection Division is at 800-551-4636.