

105TH CONGRESS  
1ST SESSION

# H. R. 1975

To amend the Truth in Lending Act to protect consumers from certain unreasonable practices of creditors which result in higher fees or rates of interest for credit cardholders, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 19, 1997

Mr. KENNEDY of Massachusetts introduced the following bill; which was referred to the Committee on Banking and Financial Services

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## A BILL

To amend the Truth in Lending Act to protect consumers from certain unreasonable practices of creditors which result in higher fees or rates of interest for credit cardholders, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Credit Card Consumer  
5       Protection Act of 1997”.

6       **SEC. 2. FEES FOR ON-TIME PAYMENTS PROHIBITED.**

7       Section 127 of the Truth in Lending Act (15 U.S.C.  
8       1637) is amended by inserting the following new sub-

1 section after subsection (h) (as added by section 2 of this  
2 Act):

3 “(i) FEES FOR ON-TIME PAYMENTS PROHIBITED.—

4 “(1) IN GENERAL.—In the case of any credit  
5 card account under an open-end consumer credit  
6 plan, no minimum finance charge for any period (in-  
7 cluding any annual period), and no fee in lieu of a  
8 minimum finance charge, may be imposed with re-  
9 gard to such account or credit extended under such  
10 account solely on the basis that any credit extended  
11 has been repaid in full before the end of any grace  
12 period applicable with respect to the extension of  
13 credit.

14 “(2) SCOPE OF APPLICATION.—Paragraph (1)  
15 shall not be construed as—

16 “(A) prohibiting the imposition of any flat  
17 annual fee which may be imposed on the  
18 consumer in advance of any annual period to  
19 cover the cost of maintaining a credit card ac-  
20 count during such annual period without regard  
21 to whether any credit is actually extended under  
22 such account during such period; or

23 “(B) otherwise affecting the imposition of  
24 the actual finance charge applicable with re-  
25 spect to any credit extended under such account

1           during such annual period at the annual per-  
2           centage rate disclosed to the consumer in ac-  
3           cordance with this title for the period of time  
4           any such credit is outstanding.”.

5 **SEC. 3. FREEZE ON INTEREST RATE TERMS AND FEES ON**  
6 **CANCELED CARDS.**

7           Section 127 of the Truth in Lending Act (15 U.S.C.  
8 1637) is amended by inserting the following new sub-  
9 section after subsection (i) (as added by section 3 of this  
10 Act):

11           “(j) **FREEZE ON INTEREST RATE TERMS AND FEES**  
12 **ON CANCELED CARDS.—**

13           “(1) **ADVANCE NOTICE OF INCREASE IN INTER-**  
14 **EST RATE REQUIRED.—**In the case of any credit  
15 card account under an open-end consumer credit  
16 plan, no increase in any annual percentage rate of  
17 interest (other than an increase due solely to a  
18 change in another rate of interest to which such rate  
19 is indexed) applicable to any outstanding balance of  
20 credit under such plan may take effect before the be-  
21 ginning of the billing cycle which begins not less  
22 than 15 days after the accountholder receives notice  
23 of such increase.

24           “(2) **INCREASE NOT EFFECTIVE FOR CANCELED**  
25 **ACCOUNTS.—**If an accountholder referred to in para-

1 graph (1) cancels the credit card account before the  
2 beginning of the billing cycle referred to in such  
3 paragraph and surrenders all unexpired credit cards  
4 issued in connection with such account—

5 “(A) an annual percentage rate of interest  
6 applicable after the cancellation with respect to  
7 the outstanding balance on such account as of  
8 the date of cancellation may not exceed any an-  
9 nual percentage rate of interest applicable with  
10 respect to such balance under the terms and  
11 conditions in effect before the increase referred  
12 to in paragraph (1); and

13 “(B) the repayment of such outstanding  
14 balance after the cancellation shall be subject to  
15 all other terms and conditions applicable with  
16 respect to such account before the increase re-  
17 ferred to in such paragraph.

18 “(3) NOTICE OF RIGHT TO CANCEL.—The no-  
19 tice referred to in paragraph (1) with respect to an  
20 increase in annual percentage rate of interest shall  
21 contain a brief description of the right of the  
22 consumer—

23 “(A) to cancel the account before the effec-  
24 tive date of the increase; and

1           “(B) after such cancellation, to pay any  
2           balance outstanding on such account at the  
3           time of cancellation in accordance with the  
4           terms and conditions in effect before the can-  
5           cellation.”.

6 **SEC. 4. DISCLOSURE OF FEES AND INTEREST RATES ON**  
7                           **CREDIT ADVANCES THROUGH THE USE OF 3d**  
8                           **PARTY CHECKS.**

9           Section 127 of the Truth in Lending Act (15 U.S.C.  
10 1637) is amended by inserting the following new sub-  
11 section after subsection (k) (as added by section 5 of this  
12 Act):

13           “(1) FEES AND INTEREST RATES ON CREDIT AD-  
14 VANCES THROUGH THE USE OF 3d PARTY CHECKS.—

15           “(1) IN GENERAL.—In the case of any credit  
16           card account under an open-end consumer credit  
17           plan, a creditor may not provide the accountholder  
18           with any negotiable or transferable instrument for  
19           use in making an extension of credit to the  
20           accountholder for the purpose of making a transfer  
21           to a 3d party, unless the creditor has fully satisfied  
22           the notice requirements of paragraph (2) with re-  
23           spect to such instrument.

24           “(2) NOTICE REQUIREMENTS.—A creditor  
25           meets the notice requirements of this paragraph

1 with respect to an instrument referred to in para-  
2 graph (1) if the creditor provides, to an  
3 accountholder at the same time any such instrument  
4 is provided, a notice which prominently and specifi-  
5 cally describes—

6 “(A) the amount of any transaction fee  
7 which may be imposed for making an extension  
8 of credit through the use of such instrument,  
9 including the exact percentage rate to be used  
10 in determining such amount if the amount of  
11 the transaction fee is expressed as a percentage  
12 of the amount of the credit extended; and

13 “(B) any annual percentage rate of inter-  
14 est applicable in determining the finance charge  
15 for any such extension of credit.”.

16 **SEC. 5. PROHIBITION ON OVER-THE-LIMIT FEES IN CREDI-**  
17 **TOR-APPROVED TRANSACTIONS.**

18 Section 127 of the Truth in Lending Act (15 U.S.C.  
19 1637) is amended by inserting the following new sub-  
20 section after subsection (l) (as added by section 6 of this  
21 Act):

22 “(m) **LIMITATION ON IMPOSITION OF OVER-THE-**  
23 **LIMIT FEES.**—In the case of any credit card account  
24 under an open-end consumer credit plan, a creditor may  
25 not impose any fee on the accountholder for any extension

1 of credit in excess of the amount of credit authorized to  
2 be extended with respect to such account if the extension  
3 of credit is made in connection with a credit transaction  
4 which the creditor approves in advance or at the time of  
5 the transaction.”.

6 **SEC. 6. PROHIBITION ON 2-CYCLE BILLING.**

7 Section 127 of the Truth in Lending Act (15 U.S.C.  
8 1637) is amended by inserting the following new sub-  
9 section after subsection (m) (as added by section 7 of this  
10 Act):

11 “(n) PROHIBITION ON 2-CYCLE BILLING.—In the  
12 case of any credit card account under an open-end  
13 consumer credit plan, if the creditor provides, with regard  
14 to any new extension of credit under such account, a pe-  
15 riod during which such extension of credit may be repaid  
16 without incurring a finance charge for such extension of  
17 credit, no finance charge may subsequently be imposed for  
18 such period with regard to any unpaid balance (as of the  
19 end of such period) of such extension of credit.”.

20 **SEC. 7. DISCLOSURES RELATED TO “TEASER RATES”.**

21 Section 127(c) of the Truth in Lending Act (15  
22 U.S.C. 1637(c)) is amended—

23 (1) by redesignating paragraph (5) as paragraph  
24 (6); and

1           (2) by inserting after paragraph (4) the follow-  
2           ing new paragraph:

3           “(5) ADDITIONAL NOTICE CONCERNING ‘TEAS-  
4           ER RATES’.—

5           “(A) IN GENERAL.—If any application or  
6           solicitation for a credit card for which a disclo-  
7           sure is required under this subsection offers, for  
8           an introductory period of less than 1 year, an  
9           annual percentage rate of interest which—

10           “(i) is less than the annual percentage  
11           rate of interest which will apply after the  
12           end of such introductory period; or

13           “(ii) in the case of an annual percent-  
14           age rate which varies in accordance with  
15           an index, which is less than the current  
16           annual percentage rate under the index  
17           which will apply after the end of such pe-  
18           riod,

19           the application or solicitation shall contain the  
20           disclosure contained in subparagraph (B) or  
21           (C), as the case may be.

22           “(B) FIXED ANNUAL PERCENTAGE  
23           RATE.—If the annual percentage rate which will  
24           apply after the end of the introductory period  
25           will be a fixed rate, the application or sollicita-



1           tion shall include the following disclosure: “The  
2           annual percentage rate of interest applicable  
3           during the introductory period is not the annual  
4           percentage rate which will apply after the end  
5           of the introductory period. The permanent an-  
6           nual percentage rate will apply after (insert  
7           date) and will be (insert percentage rate).”.

8           “(C) VARIABLE ANNUAL PERCENTAGE  
9           RATE.—If the annual percentage rate which will  
10          apply after the end of the introductory period  
11          will vary in accordance with an index, the appli-  
12          cation or solicitation shall include the following  
13          disclosure: “The annual percentage rate of in-  
14          terest applicable during the introductory period  
15          is not the annual percentage rate which will  
16          apply after the end of the introductory period.  
17          The permanent annual percentage rate will be  
18          determined by an index and will apply after (in-  
19          sert date). If the index which will apply after  
20          such date were applied to your account today,  
21          the annual percentage rate would be (insert  
22          percentage rate).”.

23          “(D) FORM OF DISCLOSURE.—The disclo-  
24          sure required under this paragraph shall be  
25          made in a clear and conspicuous manner in a

1 form at least as prominent as the disclosure of  
2 the annual percentage rate of interest which  
3 will apply during the introductory period.”.

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