

111TH CONGRESS
1ST SESSION

H. R. 627

To amend the Truth in Lending Act to establish fair and transparent practices relating to the extension of credit under an open end consumer credit plan, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 22, 2009

Mrs. MALONEY (for herself, Mr. FRANK of Massachusetts, Mr. JONES, Mr. KANJORSKI, Ms. WATERS, Mr. GUTIERREZ, Mr. ACKERMAN, Mr. CAPUANO, Mr. ELLISON, Mr. DAVIS of Tennessee, Mr. CLEAVER, Mr. GEORGE MILLER of California, Mr. OBEY, Mr. DEFazio, Mr. HINOJOSA, Mr. MCGOVERN, Mr. YARMUTH, Mr. OLVER, Ms. EDWARDS of Maryland, Mr. COURTNEY, Ms. DELAURO, Mr. KENNEDY, Mrs. LOWEY, Mr. BRADY of Pennsylvania, Mr. CHANDLER, Mr. LOEBSACK, Mr. PASCRELL, Mr. BISHOP of New York, Mr. FILNER, Mr. CARNAHAN, Mr. WEINER, Mr. MARKEY of Massachusetts, Mr. GRIJALVA, Mr. CUMMINGS, Ms. SCHAKOWSKY, Mr. GENE GREEN of Texas, Mr. MORAN of Virginia, Ms. SUTTON, Mr. HINCHEY, Ms. BORDALLO, Ms. LEE of California, Mr. WELCH, and Mr. HIGGINS) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Truth in Lending Act to establish fair and transparent practices relating to the extension of credit under an open end consumer credit plan, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Credit Cardholders’
3 Bill of Rights Act of 2009”.

4 **SEC. 2. CREDIT CARDS ON TERMS CONSUMERS CAN REPAY.**

5 (a) **RETROACTIVE RATE INCREASES AND UNIVERSAL**
6 **DEFAULT LIMITED.**—Chapter 2 of the Truth in Lending
7 Act (15 U.S.C. 1631 et seq.) is amended by inserting after
8 section 127A the following new section:

9 **“§ 127B. Additional requirements for credit card ac-**
10 **counts under an open end consumer**
11 **credit plan**

12 “(a) **RETROACTIVE RATE INCREASES AND UNI-**
13 **VERSAL DEFAULT LIMITED.**—

14 “(1) **IN GENERAL.**—Except as provided in sub-
15 section (b), no creditor may increase any annual per-
16 centage rate of interest applicable to the existing
17 balance on a credit card account of the consumer
18 under an open end consumer credit plan.

19 “(2) **EXISTING BALANCE DEFINED.**—For pur-
20 poses of this subsection and subsections (b) and (c),
21 the term ‘existing balance’ means the amount owed
22 on a consumer credit card account as of the end of
23 the 14th day after the creditor provides notice of an
24 increase in the annual percentage rate in accordance
25 with subsection (c).

1 “(3) TREATMENT OF EXISTING BALANCES FOL-
2 LOWING RATE INCREASE.—If a creditor increases
3 any annual percentage rate of interest applicable to
4 the credit card account of a consumer under an open
5 end consumer credit plan and there is an existing
6 balance in the account to which such increase may
7 not apply, the creditor shall allow the consumer to
8 repay the existing balance using a method provided
9 by the creditor which is at least as beneficial to the
10 consumer as 1 of the following methods:

11 “(A) An amortization period for the exist-
12 ing balance of at least 5 years starting from the
13 date on which the increased annual percentage
14 rate went into effect.

15 “(B) The percentage of the existing bal-
16 ance that was included in the required min-
17 imum periodic payment before the rate increase
18 cannot be more than doubled.

19 “(4) LIMITATION ON CERTAIN FEES.—If—

20 “(A) a creditor increases any annual per-
21 centage rate of interest applicable on a credit
22 card account of the consumer under an open
23 end consumer credit plan; and

1 “(B) the creditor is prohibited by this sec-
2 tion from applying the increased rate to an ex-
3 isting balance,
4 the creditor may not assess any fee or charge based
5 solely on the existing balance.”.

6 (b) EXCEPTIONS TO THE AMENDMENT MADE BY
7 SUBSECTION (a).—Section 127B of the Truth in Lending
8 Act is amended by inserting after subsection (a) (as added
9 by subsection (a)) the following new subsection:

10 “(b) EXCEPTIONS.—

11 “(1) IN GENERAL.—A creditor may increase
12 any annual percentage rate of interest applicable to
13 the existing balance on a credit card account of the
14 consumer under an open end consumer credit plan
15 only under the following circumstances:

16 “(A) CHANGE IN INDEX.—The increase is
17 due solely to the operation of an index that is
18 not under the creditor’s control and is available
19 to the general public.

20 “(B) EXPIRATION OR LOSS OF PRO-
21 MOTIONAL RATE.—The increase is due solely
22 to—

23 “(i) the expiration of a promotional
24 rate; or

1 “(ii) the loss of a promotional rate for
2 a reason specified in the account agree-
3 ment (e.g., late payment).

4 “(C) PAYMENT NOT RECEIVED DURING 30-
5 DAY GRACE PERIOD AFTER DUE DATE.—The
6 increase is due solely to the fact that the con-
7 sumer’s minimum payment has not been re-
8 ceived within 30 days after the due date for
9 such minimum payment.

10 “(2) LIMITATION ON INCREASES DUE TO LOSS
11 OF PROMOTIONAL RATE.—Notwithstanding para-
12 graph (1)(B)(ii), the annual percentage rate in effect
13 after the increase permitted under such subsection
14 due to the loss of a promotional rate may not exceed
15 the annual percentage rate that would have applied
16 under the terms of the agreement after the expira-
17 tion of the promotional rate.”.

18 (c) ADVANCE NOTICE OF RATE INCREASES.—Section
19 127B of the Truth in Lending Act is amended by inserting
20 after subsection (b) (as added by subsection (b)) the fol-
21 lowing new subsection:

22 “(c) ADVANCE NOTICE OF RATE INCREASES.—In the
23 case of any credit card account under an open end con-
24 sumer credit plan, no increase in any annual percentage
25 rate of interest may take effect unless the creditor pro-

1 vides a written notice to the consumer at least 45 days
 2 before the increase takes effect which fully describes the
 3 changes in the annual percentage rate, in a complete and
 4 conspicuous manner, and the extent to which such in-
 5 crease would apply to an existing balance.”.

6 (d) CLERICAL AMENDMENT.—The table of sections
 7 for chapter 2 of the Truth in Lending Act (15 U.S.C.
 8 1631 et seq.) is amended by inserting after the item relat-
 9 ing to section 127A the following new item:

“127B. Additional requirements for credit card accounts under an open end con-
 sumer credit plan.”.

10 **SEC. 3. ADDITIONAL PROVISIONS REGARDING ACCOUNT**
 11 **FEATURES, TERMS, AND PRICING.**

12 (a) DOUBLE CYCLE BILLING PROHIBITED.—Section
 13 127B of the Truth in Lending Act is amended by inserting
 14 after subsection (c) (as added by section 2(c)) the fol-
 15 lowing new subsection:

16 “(d) DOUBLE CYCLE BILLING.—

17 “(1) IN GENERAL.—No finance charge may be
 18 imposed by a creditor with respect to any balance on
 19 a credit card account under an open end consumer
 20 credit plan that is based on balances for days in bill-
 21 ing cycles preceding the most recent billing cycle.

22 “(2) EXCEPTIONS.—Paragraph (1) shall not
 23 apply so as to prohibit a creditor from—

1 “(A) charging a consumer for deferred in-
2 terest even though that interest may have ac-
3 crued over multiple billing cycles; or

4 “(B) adjusting finance charges following
5 resolution of a billing error dispute.”.

6 (b) LIMITATIONS RELATING TO ACCOUNT BALANCES
7 ATTRIBUTABLE ONLY TO ACCRUED INTEREST.—Section
8 127B is amended by inserting after subsection (d) (as
9 added by subsection (a)) the following new subsection:

10 “(e) LIMITATIONS RELATING TO ACCOUNT BAL-
11 ANCES ATTRIBUTABLE ONLY TO ACCRUED INTEREST.—

12 “(1) IN GENERAL.—If the outstanding balance
13 on a credit card account under an open end con-
14 sumer credit plan at the end of a billing period rep-
15 resents an amount attributable only to interest ac-
16 crued during the preceding billing period on an out-
17 standing balance that was fully repaid during the
18 preceding billing period—

19 “(A) no fee may be imposed or collected in
20 connection with such balance attributable only
21 to interest before such end of the billing period;
22 and

23 “(B) any failure to make timely repay-
24 ments of the balance attributable only to inter-

1 est before such end of the billing period shall
2 not constitute a default on the account.

3 Such balance remains a legally binding debt obliga-
4 tion.

5 “(2) RULE OF CONSTRUCTION.—Paragraph (1)
6 shall not be construed as affecting—

7 “(A) the consumer’s obligation to pay any
8 accrued interest on a credit card account under
9 an open end consumer credit plan; or

10 “(B) the accrual of interest on the out-
11 standing balance on any such account in ac-
12 cordance with the terms of the account and this
13 title.”.

14 (c) ACCESS TO PAYOFF BALANCE INFORMATION.—
15 Section 127B of the Truth in Lending Act is amended
16 by inserting after subsection (e) (as added by subsection
17 (b)) the following new subsection:

18 “(f) PAYOFF BALANCE INFORMATION.—Each peri-
19 odic statement provided by a creditor to a consumer with
20 respect to a credit card account under an open end con-
21 sumer credit plan shall contain the telephone number,
22 Internet address, and website at which the consumer may
23 request the payoff balance on the account.”.

24 (d) CONSUMER RIGHT TO REJECT CARD BEFORE
25 NOTICE IS PROVIDED OF OPEN ACCOUNT.—Section 127B

1 of the Truth in Lending Act is amended by inserting after
2 subsection (g) (as added by subsection (c)) the following
3 new subsection:

4 “(g) CONSUMER RIGHT TO REJECT CARD BEFORE
5 NOTICE OF NEW ACCOUNT IS PROVIDED TO CONSUMER
6 REPORTING AGENCY.—

7 “(1) IN GENERAL.—A creditor may not furnish
8 any information to a consumer reporting agency (as
9 defined in section 603) concerning the establishment
10 of a newly opened credit card account under an open
11 end consumer credit plan until the credit card has
12 been used or activated by the consumer.

13 “(2) RULE OF CONSTRUCTION.—Paragraph (1)
14 shall not be construed as prohibiting a creditor from
15 furnishing information about any application for a
16 credit card account under an open end consumer
17 credit plan or any inquiry about any such account
18 to a consumer reporting agency (as so defined).”.

19 (e) USE OF TERMS CLARIFIED.—Section 127B of the
20 Truth in Lending Act is amended by inserting after sub-
21 section (g) (as added by subsection (d)) the following new
22 subsection:

23 “(h) USE OF TERMS.—The following requirements
24 shall apply with respect to the terms of any credit card
25 account under any open end consumer credit plan:

1 “(1) ‘FIXED’ RATE.—The term ‘fixed’, when
2 appearing in conjunction with a reference to the an-
3 nual percentage rate or interest rate applicable with
4 respect to such account, may only be used to refer
5 to an annual percentage rate or interest rate that
6 will not change or vary for any reason over the pe-
7 riod clearly and conspicuously specified in the terms
8 of the account.

9 “(2) PRIME RATE.—The term ‘prime rate’,
10 when appearing in any agreement or contract for
11 any such account, may only be used to refer to the
12 bank prime rate published in the Federal Reserve
13 Statistical Release on selected interest rates (daily or
14 weekly), and commonly referred to as the H.15 re-
15 lease (or any successor publication).

16 “(3) DUE DATE.—

17 “(A) IN GENERAL.—Each periodic state-
18 ment for any such account shall contain a date
19 by which the next periodic payment on the ac-
20 count must be made to avoid a late fee or be
21 considered a late payment, and any payment re-
22 ceived by 5 p.m., local time at the location spec-
23 ified by the creditor for the receipt of payment,
24 on such date shall be treated as a timely pay-
25 ment for all purposes.

1 “(B) CERTAIN ELECTRONIC FUND TRANS-
2 FERS.—Any payment with respect to any such
3 account made by a consumer online to the
4 website of the credit card issuer or by telephone
5 directly to the credit card issuer before 5 p.m.,
6 local time at the location specified by the cred-
7 itor for the receipt of payment, on any business
8 day shall be credited to the consumer’s account
9 that business day.

10 “(C) PRESUMPTION OF TIMELY PAY-
11 MENT.—Any evidence provided by a consumer
12 in the form of a receipt from the United States
13 Postal Service or other common carrier indi-
14 cating that a payment on a credit card account
15 was sent to the issuer not less than 7 days be-
16 fore the due date contained in the periodic
17 statement under subparagraph (A) for such
18 payment shall create a presumption that such
19 payment was made by the due date, which may
20 be rebutted by the creditor for fraud or dishon-
21 esty on the part of the consumer with respect
22 to the mailing date.”.

23 (f) PRO RATA PAYMENT ALLOCATIONS.—Section
24 127B of the Truth in Lending Act is amended by inserting

1 after subsection (h) (as added by subsection (e)) the fol-
2 lowing new subsection:

3 “(i) PRO RATA PAYMENT ALLOCATIONS.—

4 “(1) IN GENERAL.—Except as permitted under
5 paragraph (2), if the outstanding balance on a credit
6 card account under an open end consumer credit
7 plan accrues interest at 2 or more different annual
8 percentage rates, the total amount of each periodic
9 payment made on such account shall be allocated by
10 the creditor between or among the outstanding bal-
11 ances at each such annual percentage rate in the
12 same proportion as each such balance bears to the
13 total outstanding balance on the account.

14 “(2) ALLOCATION TO HIGHER RATE.—Notwith-
15 standing paragraph (1), a creditor may elect, in any
16 case described in such paragraph, to allocate more
17 than a pro rata share of any payment to a portion
18 of the outstanding balance that bears a higher an-
19 nual percentage rate than another portion of such
20 outstanding balance.

21 “(3) SPECIAL RULES FOR ACCOUNTS WITH
22 PROMOTIONAL RATE BALANCES OR DEFERRED IN-
23 TEREST BALANCES.—

24 “(A) IN GENERAL.—Notwithstanding para-
25 graph (1) or (2), in the case of a credit card

1 account under an open end consumer credit
2 plan the current terms of which allow the con-
3 sumer to receive the benefit of a promotional
4 rate or deferred interest plan, amounts paid in
5 excess of the required minimum payment shall
6 be allocated to the promotional rate balance or
7 the deferred interest balance only if other bal-
8 ances have been fully paid.

9 “(B) EXCEPTION FOR DEFERRED INTER-
10 EST BALANCES.—Notwithstanding subpara-
11 graph (A), a creditor may allocate the entire
12 amount paid by the consumer in excess of the
13 required minimum periodic payment to a bal-
14 ance on which interest is deferred during the 2
15 billing cycles immediately preceding the expira-
16 tion of the period during which interest is de-
17 ferred.

18 “(4) PROHIBITION ON RESTRICTED GRACE PE-
19 RIODS UNDER CERTAIN CIRCUMSTANCES.—If, with
20 respect to any credit card account under an open
21 end consumer credit, a creditor offers a time period
22 in which to repay credit extended without incurring
23 finance charges to cardholders who pay the balance
24 in full, the creditor may not deny a consumer who
25 takes advantage of a promotional rate balance or de-

1 ferred interest rate balance offer with respect to
 2 such an account any such time period for repaying
 3 credit without incurring finance charges.”.

4 (g) **TIMELY PROVISION OF PERIODIC STATE-**
 5 **MENTS.**—Section 127B of the Truth in Lending Act is
 6 amended by inserting after subsection (i) (as added by
 7 subsection (f)) the following new subsection:

8 “(j) **TIMELY PROVISION OF PERIODIC STATE-**
 9 **MENTS.**—Each periodic statement with respect to a credit
 10 card account under an open end consumer credit plan
 11 shall be sent by the creditor to the consumer not less than
 12 25 calendar days before the due date identified in such
 13 statement for the next payment on the outstanding bal-
 14 ance on such account, and section 163(a) shall be applied
 15 with respect to any such account by substituting ‘25’ for
 16 ‘fourteen’.”.

17 **SEC. 4. CONSUMER CHOICE WITH RESPECT TO OVER-THE-**
 18 **LIMIT TRANSACTIONS.**

19 Section 127B of the Truth in Lending Act is amend-
 20 ed by inserting after subsection (j) (as added by section
 21 3(g)) the following new subsections:

22 “(k) **OPT-OUT OF CREDITOR AUTHORIZATION OF**
 23 **OVER-THE-LIMIT TRANSACTIONS IF FEES ARE IM-**
 24 **POSED.**—

1 “(1) IN GENERAL.—In the case of any credit
2 card account under an open end consumer credit
3 plan under which an over-the-limit-fee may be im-
4 posed by the creditor for any extension of credit in
5 excess of the amount of credit authorized to be ex-
6 tended under such account, the consumer may elect
7 to prohibit the creditor, with respect to such ac-
8 count, from completing any transaction involving the
9 extension of credit, with respect to such account, in
10 excess of the amount of credit authorized by noti-
11 fying the creditor of such election in accordance with
12 paragraph (2).

13 “(2) NOTIFICATION BY CONSUMER.—A con-
14 sumer shall notify a creditor under paragraph (1)—

15 “(A) through the notification system main-
16 tained by the creditor under paragraph (4); or

17 “(B) by submitting to the creditor a signed
18 notice of election, by mail or electronic commu-
19 nication, on a form issued by the creditor for
20 purposes of this subparagraph.

21 “(3) EFFECTIVENESS OF ELECTION.—An elec-
22 tion by a consumer under paragraph (1) shall be ef-
23 fective beginning 3 business days after the creditor
24 receives notice from the consumer in accordance

1 with paragraph (2) and shall remain effective until
2 the consumer revokes the election.

3 “(4) NOTIFICATION SYSTEM.—Each creditor
4 that maintains credit card accounts under an open
5 end consumer credit plan shall establish and main-
6 tain a notification system, including a toll-free tele-
7 phone number, Internet address, and website, which
8 permits any consumer whose credit card account is
9 maintained by the creditor to notify the creditor of
10 an election under this subsection in accordance with
11 paragraph (2).

12 “(5) ANNUAL NOTICE TO CONSUMERS OF
13 AVAILABILITY OF ELECTION.—In the case of any
14 credit card account under an open end consumer
15 credit plan, the creditor shall include a notice, in
16 clear and conspicuous language, of the availability of
17 an election by the consumer under this paragraph as
18 a means of avoiding over-the limit fees and a higher
19 amount of indebtedness, and the method for pro-
20 viding such notice—

21 “(A) in the periodic statement required
22 under subsection (b) with respect to such ac-
23 count at least once each calendar year; and

24 “(B) in any such periodic statement which
25 includes a notice of the imposition of an over-

1 the-limit fee during the period covered by the
2 statement.

3 “(6) NO FEES IF CONSUMER HAS MADE AN
4 ELECTION.—If a consumer has made an election
5 under paragraph (1), no over-the-limit fee may be
6 imposed on the account for any reason that has
7 caused the outstanding balance in the account to ex-
8 ceed the credit limit.

9 “(7) REGULATIONS.—

10 “(A) IN GENERAL.—The Board shall issue
11 regulations allowing for the completion of over-
12 the-limit transactions that for operational rea-
13 sons exceed the credit limit by a de minimis
14 amount, even where the cardholder has made
15 an election under paragraph (1).

16 “(B) SUBJECT TO NO FEE LIMITATION.—
17 The regulations prescribed under subparagraph
18 (A) shall not allow for the imposition of any fee
19 or any rate increase based on the permitted
20 over-the-limit transactions.

21 “(I) OVER-THE-LIMIT FEE RESTRICTIONS.—With re-
22 spect to a credit card account under an open end consumer
23 credit plan, an over-the-limit fee may be imposed only once
24 during a billing cycle if, on the last day of such billing
25 cycle, the credit limit on the account is exceeded, and an

1 over-the-limit fee, with respect to such excess credit, may
 2 be imposed only once in each of the 2 subsequent billing
 3 cycles, unless the consumer has obtained an additional ex-
 4 tension of credit in excess of such credit limit during any
 5 such subsequent cycle or the consumer reduces the out-
 6 standing balance below the credit limit as of the end of
 7 such billing cycle.

8 “(m) OVER-THE-LIMIT FEES PROHIBITED IN CON-
 9 JUNCTION WITH CERTAIN CREDIT HOLDS.—Notwith-
 10 standing subsection (l), an over-the-limit fee may not be
 11 imposed if the credit limit was exceeded due to a hold un-
 12 less the actual amount of the transaction for which the
 13 hold was placed would have resulted in the consumer ex-
 14 ceeding the credit limit.”

15 **SEC. 5. STRENGTHEN CREDIT CARD INFORMATION COL-**
 16 **LECTION.**

17 Section 136(b) of the Truth in Lending Act (15
 18 U.S.C. 1646(b)) is amended—

19 (1) in paragraph (1)—

20 (A) by striking “COLLECTION RE-
 21 QUIRED.—The Board shall” and inserting

22 “COLLECTION REQUIRED.—

23 “(A) IN GENERAL.—The Board shall”.

24 (B) by adding at the end the following new
 25 subparagraph:

1 “(B) INFORMATION TO BE INCLUDED.—
2 The information under subparagraph (A) shall
3 include, for the relevant semiannual period, the
4 following information with respect each creditor
5 in connection with any consumer credit card ac-
6 count:

7 “(i) A list of each type of transaction
8 or event during the semiannual period for
9 which 1 or more creditors has imposed a
10 separate interest rate upon a consumer
11 credit card accountholder, including pur-
12 chases, cash advances, and balance trans-
13 fers.

14 “(ii) For each type of transaction or
15 event identified under clause (i)—

16 “(I) each distinct interest rate
17 charged by the card issuer to a con-
18 sumer credit card accountholder dur-
19 ing the semiannual period; and

20 “(II) the number of cardholders
21 to whom each such interest rate was
22 applied during the last calendar
23 month of the semiannual period, and
24 the total amount of interest charged

1 to such accountholders at each such
2 rate during such month.

3 “(iii) A list of each type of fee that 1
4 or more of the creditors has imposed upon
5 a consumer credit card accountholder dur-
6 ing the semiannual period, including any
7 fee imposed for obtaining a cash advance,
8 making a late payment, exceeding the cred-
9 it limit on an account, making a balance
10 transfer, or exchanging United States dol-
11 lars for foreign currency.

12 “(iv) For each type of fee identified
13 under clause (iii), the number of
14 accountholders upon whom the fee was im-
15 posed during each calendar month of the
16 semiannual period, and the total amount of
17 fees imposed upon cardholders during such
18 month.

19 “(v) The total number of consumer
20 credit card accountholders that incurred
21 any finance charge or any other fee during
22 the semiannual period.

23 “(vi) The total number of consumer
24 credit card accounts maintained by each

1 creditor as of the end of the semiannual
2 period.

3 “(vii) The total number and value of
4 cash advances made during the semiannual
5 period under a consumer credit card ac-
6 count.

7 “(viii) The total number and value of
8 purchases involving or constituting con-
9 sumer credit card transactions during the
10 semiannual period.

11 “(ix) The total number and amount of
12 repayments on outstanding balances on
13 consumer credit card accounts in each
14 month of the semiannual period.

15 “(x) The percentage of all consumer
16 credit card accountholders (with respect to
17 any creditor) who—

18 “(I) incurred a finance charge in
19 each month of the semiannual period
20 on any portion of an outstanding bal-
21 ance on which a finance charge had
22 not previously been incurred; and

23 “(II) incurred any such finance
24 charge at any time during the semi-
25 annual period.

1 “(xi) The total number and amount of
2 balances accruing finance charges during
3 the semiannual period.

4 “(xii) The total number and amount
5 of the outstanding balances on consumer
6 credit card accounts as of the end of such
7 semiannual period.

8 “(xiii) Total credit limits in effect on
9 consumer credit card accounts as of the
10 end of such semiannual period and the
11 amount by which such credit limits exceed
12 the credit limits in effect as of the begin-
13 ning of such period.

14 “(xiv) Any other information related
15 to interest rates, fees, or other charges
16 that the Board deems of interest.”; and

17 (2) by adding at the end the following new
18 paragraph:

19 “(5) REPORT TO CONGRESS.—The Board shall,
20 on an annual basis, transmit to Congress and make
21 public a report containing estimates by the Board of
22 the approximate, relative percentage of income de-
23 rived by the credit card operations of depository in-
24 stitutions from—

1 “(A) the imposition of interest rates on
2 cardholders, including separate estimates for—

3 “(i) interest with an annual percent-
4 age rate of less than 25 percent; and

5 “(ii) interest with an annual percent-
6 age rate equal to or greater than 25 per-
7 cent;

8 “(B) the imposition of fees on cardholders;

9 “(C) the imposition of fees on merchants;

10 and

11 “(D) any other material source of income,
12 while specifying the nature of that income.”.

13 **SEC. 6. STANDARDS APPLICABLE TO INITIAL ISSUANCE OF**
14 **SUBPRIME OR “FEE HARVESTER” CARDS.**

15 Section 127B of the Truth in Lending Act is amend-
16 ed by inserting after subsection (m) (as added by section
17 4) the following new subsection:

18 “(n) STANDARDS APPLICABLE TO INITIAL ISSUANCE
19 OF SUBPRIME OR ‘FEE HARVESTER’ CARDS.—

20 “(1) IN GENERAL.—In the case of any credit
21 card account under an open end consumer credit
22 plan the terms of which require the payment of fees
23 (other than late fees or over-the-limit fees) by the
24 consumer in the first year the account is opened in
25 an amount in excess of 25 percent of the total

1 amount of credit authorized under the account, no
2 payment of any fees (other than late fees or over-
3 the-limit fees) may be made from the credit made
4 available by the card.

5 “(2) RULE OF CONSTRUCTION.—No provision
6 of this subsection may be construed as authorizing
7 any imposition or payment of advance fees otherwise
8 prohibited by any provision of law.”.

9 **SEC. 7. EXTENSIONS OF CREDIT TO UNDERAGE CON-**
10 **SUMERS.**

11 Section 127(c) of the Truth in Lending Act (15
12 U.S.C. 1637(c)) is amended by adding at the end the fol-
13 lowing new paragraph:

14 “(8) EXTENSIONS OF CREDIT TO UNDERAGE
15 CONSUMERS.—

16 “(A) IN GENERAL.—No credit card may be
17 knowingly issued to, or open end credit plan es-
18 tablished on behalf of, a consumer who has not
19 attained the age of 18, unless the consumer is
20 emancipated under applicable State law.

21 “(B) RULE OF CONSTRUCTION.—For the
22 purposes of determining the age of an appli-
23 cant, the submission of a signed application by
24 a consumer stating that the consumer is over
25 18 shall be considered sufficient proof of age.”.

1 **SEC. 8. EFFECTIVE DATE.**

2 (a) IN GENERAL.—The amendments made by this
3 Act shall apply to all credit card accounts under open end
4 consumer credit plans as of the end of the 3-month period
5 beginning on the date of the enactment of this Act.

6 (b) REGULATIONS.—The Board of Governors of the
7 Federal Reserve System, in consultation with the Com-
8 troller of the Currency, the Director of the Office of Thrift
9 Supervision, the Federal Deposit Insurance Corporation,
10 the National Credit Union Administration Board, and the
11 Federal Trade Commission, shall prescribe regulations, in
12 final form, implementing the amendments made by this
13 Act before the end of the 3-month period referred to in
14 subsection (a).

○