

§ 227.23

must not treat a payment on a consumer credit card account as late for any purpose unless the consumer has been provided a reasonable amount of time to make the payment.

(b) *Compliance with general rule—(1) Establishing compliance.* A bank must be able to establish that it has complied with paragraph (a) of this section.

(2) *Safe harbor.* A bank complies with paragraph (a) of this section if it has adopted reasonable procedures designed to ensure that periodic statements specifying the payment due date are mailed or delivered to consumers at least 21 days before the payment due date.

(c) *Exception for grace periods.* Paragraph (a) of this section does not apply to any time period provided by the bank within which the consumer may repay any portion of the credit extended without incurring an additional finance charge.

§ 227.23 Unfair acts or practices regarding allocation of payments.

When different annual percentage rates apply to different balances on a consumer credit card account, the bank must allocate any amount paid by the consumer in excess of the required minimum periodic payment among the balances using one of the following methods:

(a) *High-to-low method.* The amount paid by the consumer in excess of the required minimum periodic payment is allocated first to the balance with the highest annual percentage rate and any remaining portion to the other balances in descending order based on the applicable annual percentage rate.

(b) *Pro rata method.* The amount paid by the consumer in excess of the required minimum periodic payment is allocated among the balances in the same proportion as each balance bears to the total balance.

§ 227.24 Unfair acts or practices regarding increases in annual percentage rates.

(a) *General rule.* At account opening, a bank must disclose the annual percentage rates that will apply to each category of transactions on the consumer credit card account. A bank must not increase the annual percent-

12 CFR Ch. II (1–1–10 Edition)

age rate for a category of transactions on any consumer credit card account except as provided in paragraph (b) of this section.

(b) *Exceptions.* The prohibition in paragraph (a) of this section on increasing annual percentage rates does not apply where an annual percentage rate may be increased pursuant to one of the exceptions in this paragraph.

(1) *Account opening disclosure exception.* An annual percentage rate for a category of transactions may be increased to a rate disclosed at account opening upon expiration of a period of time disclosed at account opening.

(2) *Variable rate exception.* An annual percentage rate for a category of transactions that varies according to an index that is not under the bank's control and is available to the general public may be increased due to an increase in the index.

(3) *Advance notice exception.* An annual percentage rate for a category of transactions may be increased pursuant to a notice under 12 CFR 226.9(c) or (g) for transactions that occur more than seven days after provision of the notice. This exception does not permit an increase in any annual percentage rate during the first year after the account is opened.

(4) *Delinquency exception.* An annual percentage rate may be increased due to the bank not receiving the consumer's required minimum periodic payment within 30 days after the due date for that payment.

(5) *Workout arrangement exception.* An annual percentage rate may be increased due to the consumer's failure to comply with the terms of a workout arrangement between the bank and the consumer, provided that the annual percentage rate applicable to a category of transactions following any such increase does not exceed the rate that applied to that category of transactions prior to commencement of the workout arrangement.

(c) *Treatment of protected balances.* For purposes of this paragraph, "protected balance" means the amount owed for a category of transactions to which an increased annual percentage rate cannot be applied after the rate for that category of transactions has