

106TH CONGRESS  
1ST SESSION

# H. R. 1276

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

MARCH 24, 1999

Ms. ROYBAL-ALLARD (for herself, Mr. LUTHER, Mr. SHOWS, Mr. GREEN of Texas, Mr. PASTOR, Mr. BROWN of California, Ms. LEE, Mr. STARK, Mr. DAVIS of Illinois, Mr. FILNER, Mr. DIXON, Mr. OLVER, Mr. GEORGE MILLER of California, Mr. HINCHEY, and Ms. WOOLSEY) 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 1999”.

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

2 Section 127 of the Truth in Lending Act (15 U.S.C.  
3 1637) is amended by adding at the end the following new  
4 subsection:

5 “(h) FEES FOR ON-TIME PAYMENTS PROHIBITED.—

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

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

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

25 “(B) otherwise affecting the imposition of  
26 the actual finance charge applicable with re-

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

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

8           Section 127 of the Truth in Lending Act (15 U.S.C.  
 9 1637) is amended by inserting after subsection (h) (as  
 10 added by section 2 of this Act) the following new sub-  
 11 section:

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

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

1           “(2) INCREASE NOT EFFECTIVE FOR CANCELED  
2       ACCOUNTS.—If an accountholder referred to in para-  
3       graph (1) cancels the credit card account before the  
4       beginning of the billing cycle referred to in such  
5       paragraph and surrenders all unexpired credit cards  
6       issued in connection with such account—

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

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

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

1 “(A) to cancel the account before the effective date of the increase; and

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

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

11 Section 127 of the Truth in Lending Act (15 U.S.C.  
12 1637) is amended by inserting after subsection (i) (as  
13 added by section 3 of this Act) the following new sub-  
14 section:

15 “(j) FEES AND INTEREST RATES ON CREDIT AD-  
16 VANCES THROUGH THE USE OF 3d PARTY CHECKS.—

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

1           “(2) NOTICE REQUIREMENTS.—A creditor  
 2           meets the notice requirements of this paragraph  
 3           with respect to an instrument referred to in para-  
 4           graph (1) if the creditor provides, to an  
 5           acountholder at the same time any such instrument  
 6           is provided, a notice which prominently and specifi-  
 7           cally describes—

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

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

18 **SEC. 5. PROHIBITION ON OVER-THE-LIMIT FEES IN CRED-**  
 19 **ITOR-APPROVED TRANSACTIONS.**

20           Section 127 of the Truth in Lending Act (15 U.S.C.  
 21 1637) is amended by inserting after subsection (j) (as  
 22 added by section 4 of this Act) the following new sub-  
 23 section:

24           “(k) LIMITATION ON IMPOSITION OF OVER-THE-  
 25 LIMIT FEES.—In the case of any credit card account

1 under an open-end consumer credit plan, a creditor may  
2 not impose any fee on the accountholder for any extension  
3 of credit in excess of the amount of credit authorized to  
4 be extended with respect to such account if the extension  
5 of credit is made in connection with a credit transaction  
6 which the creditor approves in advance or at the time of  
7 the transaction.”.

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

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

13 “(l) PROHIBITION ON 2-CYCLE BILLING.—In the  
14 case of any credit card account under an open-end con-  
15 sumer credit plan, if the creditor provides, with regard to  
16 any new extension of credit under such account, a period  
17 during which such extension of credit may be repaid with-  
18 out incurring a finance charge for such extension of credit,  
19 no finance charge may subsequently be imposed for such  
20 period with regard to any unpaid balance (as of the end  
21 of such period) of such extension of credit.”.

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

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

1           (1) by redesignating paragraph (5) as paragraph  
2           (6); and

3           (2) by inserting after paragraph (4) the fol-  
4           lowing new paragraph:

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

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

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

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

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

24                   “(B) FIXED ANNUAL PERCENTAGE  
25                  RATE.—If the annual percentage rate which will



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

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

1           “(D) FORM OF DISCLOSURE.—The discolo-  
2           sure required under this paragraph shall be  
3           made in a clear and conspicuous manner in a  
4           form at least as prominent as the disclosure of  
5           the annual percentage rate of interest which  
6           will apply during the introductory period.”.

7   **SEC. 8. DISCLOSURES RELATING TO THE DATES PAYMENTS**  
8           **ARE DUE.**

9           Section 127(b)(9) of the Truth in Lending Act (15  
10   U.S.C. 1637(b)(9)) is amended by striking “The date by  
11   which or the period (if any) within which, payment must  
12   be made to avoid additional finance charges,” and insert-  
13   ing “In a prominent place on the face of the statement,  
14   the date of the last full business day on which payment  
15   may be received before the imposition of late fees or addi-  
16   tional finance charges (without regard to whether payment  
17   may be received on a subsequent nonbusiness day or dur-  
18   ing a portion of a subsequent business day before any such  
19   fee or charge is imposed) and a conspicuous notice that  
20   the failure to remit payment in sufficient time for the pay-  
21   ment to be processed by such date may result in substan-  
22   tial late fees or additional finance charges,”.

1 **SEC. 9. PROHIBITION ON MINIMUM PAYMENT AMOUNTS**  
2 **THAT RESULT IN NEGATIVE AMORTIZATION.**

3 Section 127 of the Truth in Lending Act (15 U.S.C.  
4 1637) is amended by inserting after subsection (l) (as  
5 added by section 6 of this Act) the following new sub-  
6 section:

7 “(m) PROHIBITION ON MINIMUM PAYMENT  
8 AMOUNTS THAT RESULT IN NEGATIVE AMORTIZATION.—

9 “(1) IN GENERAL.—In the case of any credit  
10 card account under an open-end consumer credit  
11 plan, the minimum amount of any periodic payment  
12 required to be made on any outstanding balance may  
13 not be less than the finance charge applicable with  
14 respect to such outstanding balance for such period.

15 “(2) DISCLOSURES REQUIRED IN CASE OF LOW  
16 AMORTIZATION RATE.—If, in the case of any credit  
17 card account under an open-end consumer credit  
18 plan, the minimum amount of any periodic payment  
19 required to be made on any outstanding balance re-  
20 duces the outstanding balance by less than 2 percent  
21 of such balance, after payment of any finance charge  
22 and fees imposed for such period, the periodic state-  
23 ment required under subsection (b) with respect to  
24 such account shall include a conspicuous notice in a  
25 prominent place on the statement of—

1           “(A) the fact that the outstanding balance  
2           will be reduced by less than 2 percent if the  
3           consumer only pays the minimum amount; and

4           “(B) the period of time which would be re-  
5           quired to pay off the outstanding balance if the  
6           consumer paid only the minimum amount of  
7           each periodic payment required until such  
8           balance is fully repaid.

9           “(3) EXCEPTION UNDER EXIGENT CIR-  
10          CUMSTANCES.—In addition to any other authority of  
11          the Board under this title to prescribe regulations,  
12          the Board may prescribe regulations which permit  
13          exceptions to the application of paragraph (1) with  
14          respect to any consumer who requests a creditor to  
15          agree to a payment deferral plan for a limited period  
16          of time due to loss of employment, illness, or inca-  
17          pacity, or such other exigent circumstances the  
18          Board may describe in such regulations.”.

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