

106TH CONGRESS
1ST SESSION

H. R. 900

To amend the Truth in Lending Act to enhance consumer disclosures regarding credit card terms and charges, to restrict issuance of credit cards to students, to expand protections in connection with unsolicited credit cards and third-party checks and to protect consumers from unreasonable practices that result in unnecessary credit costs or loss of credit, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 2, 1999

Mr. LAFALCE (for himself, Mr. FRANK of Massachusetts, Mrs. MALONEY of New York, Mr. BENTSEN, Ms. LEE, Mr. INSLEE, Ms. SCHAKOWSKY, Mr. GONZALEZ, Mrs. JONES of Ohio, Mr. CAPUANO, Mr. BROWN of California, Mr. OLVER, Mr. GREEN of Texas, Mr. HINCHEY, Mr. SHOWS, Mr. BRADY of Pennsylvania, Mr. FALEOMAVAEGA, and Mrs. MINK of Hawaii) introduced the following bill; which was referred to the Committee on Banking and Financial Services

A BILL

To amend the Truth in Lending Act to enhance consumer disclosures regarding credit card terms and charges, to restrict issuance of credit cards to students, to expand protections in connection with unsolicited credit cards and third-party checks and to protect consumers from unreasonable practices that result in unnecessary credit costs or loss of credit, 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 (a) SHORT TITLE.—This Act may be cited as the
3 “Consumer Credit Card Protection Amendments of
4 1999”.

5 (b) REFERENCE.—Whenever in this Act an amend-
6 ment or repeal is expressed in terms of an amendment
7 to, or repeal of, a section or other provision, the reference
8 shall be considered to be made to a section or other provi-
9 sion of the Consumer Credit Protection Act (15 U.S.C.
10 1601 et seq.).

11 **SEC. 2. DISCLOSURES REGARDING MINIMUM MONTHLY**
12 **PAYMENTS.**

13 (a) IN GENERAL.—Section 127(a)(3) of the Con-
14 sumer Credit Protection Act (15 U.S.C. 1637(a)(3)) is
15 amended by inserting before the period at the end the fol-
16 lowing: “, or the method of determining the required mini-
17 mum payment amount, if a minimum payment is required
18 that is different from the amount of any finance charge,
19 and the charges or penalties, if any, which may be imposed
20 for failure by the obligor to pay the required finance
21 charge or minimum payment amount”.

22 (b) REPAYMENT INFORMATION.—Section 127(b) (15
23 U.S.C. 1637(b)) is amended by adding at the end the fol-
24 lowing:

25 “(11) In a clear and conspicuous manner, re-
26 payment information that would apply to the out-

1 standing balance of the consumer under the credit
2 plan, including—

3 “(A) the required minimum monthly pay-
4 ment on that balance, represented as both a
5 dollar figure and a percentage of that balance;

6 “(B) the number of months (rounded to
7 the nearest month) that it would take to pay
8 the entire amount of that current balance if the
9 consumer pays only the required minimum
10 monthly payments and if no further advances
11 are made;

12 “(C) the total cost to the consumer, includ-
13 ing interest and principal payments, of paying
14 that balance in full if the consumer pays only
15 the required minimum monthly payments and if
16 no further advances are made; and

17 “(D) the following statement: ‘If your cur-
18 rent rate is a temporary introductory rate, your
19 total costs may be higher.’”.

20 (c) MINIMUM PAYMENT AMOUNT.—Section
21 127(c)(1)(A) (15 U.S.C. 1637(c)(1)(A)) is amended by
22 adding at the end the following new clause:

23 “(v) MINIMUM PAYMENT AMOUNT.—
24 The method for determining the required
25 minimum payment amount to be paid for

1 each billing cycle, and the charge or pen-
2 alty, if any, to be imposed for any failure
3 by the obligor to pay the required mini-
4 mum payment amount.”.

5 **SEC. 3. DISCLOSURE OF LATE PAYMENT DEADLINES AND**
6 **PENALTIES.**

7 Section 127(b) (15 U.S.C. 1637(b)) is amended by
8 inserting after paragraph (11) (as added by section 2 of
9 this Act) the following new paragraph:

10 “(12) Where a charge is to be imposed due to
11 the failure of the obligor to make payment on or be-
12 fore a required payment due date, the date that pay-
13 ment is due or, if different, the date on which a late
14 payment fee will be charged, shall be stated promi-
15 nently in a conspicuous location on the billing state-
16 ment, together with the amount of the charge to be
17 imposed if payment is made after such date.”.

18 **SEC. 4. WORLDWIDE WEB-BASED CREDIT CARD SOLICITA-**
19 **TIONS.**

20 Section 127(c) (15 U.S.C. 1637(c)) is amended—

21 (1) by redesignating paragraphs (3), (4), and
22 (5) as paragraphs (4), (5), and (6), respectively; and

23 (2) by inserting after paragraph (2) the follow-
24 ing new paragraph:

1 “(3) WORLDWIDE WEB-BASED APPLICATIONS
2 AND SOLICITATIONS.—

3 “(A) IN GENERAL.—In any worldwide web-
4 based solicitation to open a credit card account
5 for any person under an open end consumer
6 credit plan, the person making the solicitation
7 shall clearly and conspicuously disclose the
8 following—

9 “(i) the information described in sub-
10 paragraphs (A) and (B) of paragraph (1);
11 and

12 “(ii) the disclosures in paragraph (6)
13 of this subsection (as added by section 5 of
14 this Act).

15 “(B) FORM OF DISCLOSURE.—The disclo-
16 sures required by subparagraph (A) shall—

17 “(i) be readily accessible to consumers
18 in close proximity to the solicitation to
19 open a credit card account; and

20 “(ii) be updated regularly to reflect
21 the current policies, terms, and fee
22 amounts applicable to the credit card ac-
23 count.”.

24 **SEC. 5. DISCLOSURES RELATED TO “TEASER RATES”.**

25 Section 127(c) (15 U.S.C. 1637(c)) is amended—

(1) by redesignating paragraph (6) (as so redesignated by section 4 of this Act) as paragraph (7); and

(2) by inserting after paragraph (5) (as so redesignated by section 4 of this Act) the following new paragraph:

“(6) ADDITIONAL NOTICE CONCERNING ‘TEASER RATES’.—

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

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

“(ii) in the case of an annual percentage rate which varies in accordance with an index, which is less than the current annual percentage rate under the index which will apply after the end of such period,

the application or solicitation shall contain the disclosure contained in subparagraph (B) or (C), as appropriate.

1 “(B) FIXED ANNUAL PERCENTAGE
2 RATE.—If the annual percentage rate which will
3 apply after the end of the introductory period
4 will be a fixed rate, the application or sollicita-
5 tion shall include the following disclosure: ‘The
6 annual percentage rate of interest applicable
7 during the introductory period is not the annual
8 percentage rate which will apply after the end
9 of the introductory period. The permanent an-
10 nual percentage rate will apply after [insert ap-
11 plicable date] and will be [insert applicable per-
12 centage rate].’.

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

1 annual percentage rate would be [insert applica-
2 ble percentage rate].’.

3 “(D) CONDITIONS FOR INTRODUCTORY
4 RATES.—If the annual percentage rate of inter-
5 est which will apply during the introductory pe-
6 riod described in subparagraph (A) is revocable
7 or otherwise conditioned upon any action by the
8 obligor, including any failure by the obligor to
9 pay the minimum payment amount or finance
10 charge or to make any payment by the stated
11 monthly payment due date, the application or
12 solicitation shall include the following disclo-
13 sures:

14 “(i) the conditions that the obligor
15 must meet to retain the annual percentage
16 rate of interest during the introductory pe-
17 riod; and

18 “(ii) the annual percentage rate of in-
19 terest that will apply as a result of the fail-
20 ure of the obligor to meet such conditions.

21 “(E) FORM OF DISCLOSURE.—The disclo-
22 sures required under this paragraph shall be
23 made in a clear and conspicuous manner in a
24 form at least as prominent as the disclosure of

1 the annual percentage rate of interest which
2 will apply during the introductory period.”.

3 **SEC. 6. LIMIT ON INACTIVITY FEES.**

4 Section 127 (15 U.S.C. 1637) is amended by adding
5 at the end the following new subsection:

6 “(h) LIMIT ON INACTIVITY FEES.—In the case of any
7 credit card account under an open-end consumer credit
8 plan, a creditor may not impose a fee based on inactivity
9 for the account during any period in which no advances
10 have been made, if the obligor maintains any outstanding
11 balance and is charged a finance charge applicable to such
12 balance.”.

13 **SEC. 7. ISSUANCE OF CREDIT CARDS TO UNDERAGE CON-**
14 **SUMERS.**

15 Section 127(c) (15 U.S.C. 1637(c)) is amended—

16 (1) by redesignating paragraph (7) (as so re-
17 designated by section 5 of this Act) as paragraph
18 (8); and

19 (2) by inserting after paragraph (6) (as added
20 by section 5 of this Act) the following new para-
21 graph:

22 “(7) APPLICATIONS FROM UNDERAGE CONSUM-
23 ERS.—

24 “(A) PROHIBITION ON ISSUANCE.—No
25 credit card may be issued to, or open end credit

1 plan established on behalf of, any consumer
2 who has not attained the age of 21, except in
3 response to a written request or application to
4 the card issuer that meets the requirements of
5 subparagraph (B).

6 “(B) APPLICATION REQUIREMENTS.—An
7 application to open a credit card account by a
8 consumer who has not reached the age of 21 as
9 of the date of submission of the application
10 shall require—

11 “(i) the signature of the parent or
12 guardian of the consumer indicating joint
13 liability for debts incurred by the consumer
14 in connection with the account before the
15 consumer has reached the age of 21; or

16 “(ii) submission by the consumer of
17 financial information indicating an inde-
18 pendent means of repaying any obligation
19 arising from the proposed extension of
20 credit in connection with the account.”.

21 **SEC. 8. PENALTIES FOR ON-TIME PAYMENT PROHIBITED.**

22 Section 127 (15 U.S.C. 1637) is amended by insert-
23 ing after subsection (h) (as added by section 6 of this Act)
24 the following new subsection:

1 “(i) PENALTIES FOR ON-TIME PAYMENT PROHIB-
2 ITED.—

3 “(1) IN GENERAL.—In the case of any credit
4 card account under an open-end consumer credit
5 plan, no creditor may cancel an account, impose a
6 minimum finance charge for any period (including
7 any annual period), impose any fee in lieu of a mini-
8 mum finance charge, or impose any other charge or
9 penalty with regard to such account or credit ex-
10 tended under such account solely on the basis that
11 any credit extended has been repaid in full before
12 the end of any grace period applicable with respect
13 to the extension of credit.

14 “(2) PAYMENT DUE DATES.—For purposes of
15 paragraph (1), a creditor shall be deemed to have
16 imposed a prohibited charge or penalty on an ac-
17 count under an open end consumer credit plan if the
18 creditor regularly transmits to the obligor of such
19 plan a statement for a billing cycle in which credit
20 has been extended under such plan that includes a
21 payment due date as required by subsection (b)(9)
22 of this section—

23 “(A) that is different from and in advance
24 of—

1 “(i) the date by which payment must
2 be made for any credit extended under
3 such credit plan to avoid incurring a fi-
4 nance charge that was disclosed to such
5 obligor pursuant to subsection
6 (c)(1)(A)(iii) of this section; or

7 “(ii) the actual date by which pay-
8 ment would otherwise have to be made to
9 avoid incurring a finance charge if cal-
10 culated on the same basis as the date by
11 which or the period within which any pay-
12 ment must be made to avoid incurring a fi-
13 nance charge that was disclosed to such
14 obligor pursuant to subsection
15 (c)(1)(A)(iii); and

16 “(B) that has the purpose or effect of in-
17 ducing the obligor of such plan to transmit pay-
18 ment to the creditor earlier than what otherwise
19 would be required to avoid incurring a finance
20 charge.

21 “(3) SCOPE OF APPLICATION.—Paragraph (1)
22 shall not be construed as—

23 “(A) prohibiting the imposition of any flat
24 annual fee which may be imposed on the con-
25 sumer in advance of any annual period to cover

1 the cost of maintaining a credit card account
 2 during such annual period without regard to
 3 whether any credit is actually extended under
 4 such account during such period; or

5 “(B) otherwise affecting the imposition of
 6 the actual finance charge applicable with re-
 7 spect to any credit extended under such account
 8 during such annual period at the annual per-
 9 centage rate disclosed to the consumer in ac-
 10 cordance with this title for the period of time
 11 any such credit is outstanding.”.

12 **SEC. 9. FREEZE ON INTEREST RATE TERMS AND FEES ON**
 13 **CANCELED CARDS.**

14 Section 127 (15 U.S.C. 1637) is amended by insert-
 15 ing after subsection (i) (as added by section 8 of this Act)
 16 the following new subsection:

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

19 “(1) **ADVANCE NOTICE OF INCREASE IN INTER-**
 20 **EST RATE REQUIRED.—**In the case of any credit
 21 card account under an open-end consumer credit
 22 plan, no increase in any annual percentage rate of
 23 interest (other than an increase due to the expira-
 24 tion of any introductory percentage rate of interest
 25 or due solely to a change in another rate of interest

1 to which such rate is indexed) applicable to any out-
2 standing balance of credit under such plan may take
3 effect before the beginning of the billing cycle which
4 begins not less than 15 days after the obligor re-
5 ceives notice of such increase.

6 “(2) INCREASE NOT EFFECTIVE FOR CANCELED
7 ACCOUNTS.—If an obligor referred to in paragraph
8 (1) cancels the credit card account before the begin-
9 ning of the billing cycle referred to in such
10 paragraph—

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

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

24 “(3) NOTICE OF RIGHT TO CANCEL.—The no-
25 tice referred to in paragraph (1) with respect to an

1 increase in any annual percentage rate of interest
 2 shall be made in a clear and conspicuous manner
 3 and shall contain a brief statement of the right of
 4 the obligor—

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

7 “(B) after such cancellation, to pay any
 8 balance outstanding on such account at the
 9 time of cancellation in accordance with the
 10 terms and conditions in effect before the can-
 11 cellation.”.

12 **SEC. 10. DISCLOSURE OF INTEREST RATES AND FEES ON**
 13 **CREDIT ADVANCES THROUGH THIRD-PARTY**
 14 **CHECKS.**

15 Section 127 (15 U.S.C. 1637) is amended by insert-
 16 ing after subsection (j) (as added by section 9 of this Act)
 17 the following new subsection:

18 “(k) FEES AND INTEREST RATES ON CREDIT AD-
 19 VANCES THROUGH THE USE OF THIRD-PARTY
 20 CHECKS.—

21 “(1) IN GENERAL.—In the case of any credit
 22 card account under an open-end consumer credit
 23 plan, a creditor may not provide the obligor with any
 24 negotiable or transferable instrument for use in
 25 making an extension of credit to the obligor for the

1 purpose of making a transfer to a third party, unless
2 the creditor has fully satisfied the notice require-
3 ments of paragraph (2) with respect to such instru-
4 ment.

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

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

18 “(B) any annual percentage rate of inter-
19 est applicable in determining the finance charge
20 for any such extension of credit, if different
21 from the finance charge applicable to other ex-
22 tensions of credit under such account.”.

1 **SEC. 11. PROHIBITION ON OVER-THE-LIMIT FEES FOR**
2 **CREDITOR-APPROVED TRANSACTIONS.**

3 Section 127 (15 U.S.C. 1637) is amended by insert-
4 ing after subsection (k) (as added by section 10 of this
5 Act) the following new subsection:

6 “(l) LIMITATION ON IMPOSITION OF OVER-THE-
7 LIMIT FEES.—In the case of any credit card account
8 under an open-end consumer credit plan, a creditor may
9 not impose any fees on the obligor for any extension of
10 credit in excess of the amount of credit authorized to be
11 extended with respect to such account if the extension of
12 credit is made in connection with a credit transaction
13 which the creditor approves in advance or at the time of
14 the transaction.”.

15 **SEC. 12. UNSOLICITED DUAL-PURPOSE CARDS.**

16 Section 132 (15 U.S.C. 1642) is amended—

17 (1) by inserting “(a) IN GENERAL.—” before
18 “No” in the first sentence; and

19 (2) by adding at the end the following new sub-
20 section:

21 “(b) CERTAIN CARDS INCLUDED.—For purposes of
22 this section, the term ‘credit card’ includes any dual pur-
23 pose or multifunction card, including a stored-value card,
24 debit card, check card, check guarantee card, or purchase-
25 price discount card, that is connected with an open end

1 credit plan and can be used, either on issuance or upon
2 later activation, to obtain credit directly or indirectly.”.

3 **SEC. 13. CIVIL LIABILITY.**

4 Section 130(a) (15 U.S.C. 1640(a)) is amended in
5 the undesignated paragraph following paragraph (4)—

6 (1) by striking “or” after “(9)” in the second
7 sentence;

8 (2) by inserting after “(10)” in the second sen-
9 tence the following: “, (11) or (12)”;

10 (3) by striking the third sentence.

11 **SEC. 14. REGULATIONS.**

12 Before the end of the 6-month period beginning on
13 the date of the enactment of this Act, the Board of Gov-
14 ernors of the Federal Reserve System shall issue regula-
15 tions in final form to implement the amendments made
16 by this Act. The Board of Governors of the Federal Re-
17 serve System shall also issue such staff commentary or
18 publish such model disclosure statements and forms as the
19 Board considers necessary to carry out the intent of the
20 amendments made by this Act, to implement any initiative
21 to prevent the circumvention of the amendments made by
22 this Act, and to facilitate compliance with the require-
23 ments in the amendments.

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