

107TH CONGRESS
1ST SESSION

H. R. 1052

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 15, 2001

Mr. LAFALCE (for himself, Mrs. MALONEY of New York, Mr. GUTIERREZ, Ms. LEE, Mrs. JONES of Ohio, Mr. CAPUANO, Mr. CLAY, Mr. HINCHY, Mr. BONIOR, Mr. GEORGE MILLER of California, Ms. DELAUBRO, Mr. DELAHUNT, and Ms. SCHAKOWSKY) introduced the following bill; which was referred to the Committee on 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 2001”.

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 min-
17 imum 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 min-
4 imum payment amount.”.

5 SEC. 3. INTERNET-BASED CREDIT CARD SOLICITATIONS.

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

7 (1) by redesignating paragraphs (3), (4), and
8 (5) as paragraphs (4), (5), and (6), respectively; and
9 (2) by inserting after paragraph (2) the fol-
10 lowing new paragraph:

11 “(3) INTERNET-BASED APPLICATIONS AND SO-
12 LICITATIONS.—

13 “(A) IN GENERAL.—In any Internet-based
14 solicitation to open a credit card account for
15 any person under an open end consumer credit
16 plan, the person making the solicitation shall
17 clearly and conspicuously disclose the
18 following—

19 “(i) the information described in sub-
20 paragraphs (A) and (B) of paragraph (1);
21 and

22 “(ii) the disclosures in paragraph (6).

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

1 “(i) be readily accessible to consumers
2 in close proximity to the solicitation to
3 open a credit card account; and

4 “(ii) be updated regularly to reflect
5 the current policies, terms, and fee
6 amounts applicable to the credit card ac-
7 count.

8 “(C) DEFINITIONS.—For purposes of this
9 paragraph, the following definitions shall apply:

10 “(i) INTERNET.—The term ‘Internet’
11 means the international computer network
12 of both Federal and nonfederal interoper-
13 able packet switched data networks.

14 “(ii) INTERACTIVE COMPUTER SERV-
15 ICE.—The term ‘interactive computer serv-
16 ice’ means any information service, system,
17 or access software provider that provides
18 or enables computer access by multiple
19 users to a computer server, including spe-
20 cifically a service or system that provides
21 access to the Internet and such systems
22 operated or services offered by libraries or
23 educational institutions.”.

24 **SEC. 4. DISCLOSURES RELATED TO “TEASER RATES”.**

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

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

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

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 solicita-
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. 5. 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. 6. 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 4 of this Act) as paragraph
18 (8); and

19 (2) by inserting after paragraph (6) (as added
20 by section 4 of this Act) the following new para-
21 graph:

22 “(7) APPLICATIONS FROM UNDERAGE CON-
23 SUMERS.—

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. 7. 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 5 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 min-
8 imum 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. 8. 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 7 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—

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. 9. 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 8 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. 10. 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 9 of this Act)
5 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. 11. REQUIREMENTS RELATING TO LATE PAYMENT**
16 **DEADLINES AND PENALTIES.**

17 Section 127 (15 U.S.C. 1637) is amended by insert-
18 ing after subsection (l) (as added by section 10 of this
19 Act) the following new subsection:

20 “(m) **REQUIREMENTS RELATING TO LATE PAYMENT**
21 **DEADLINES AND PENALTIES.**—

22 “(1) **LATE PAYMENT DEADLINE AND POSTMARK**
23 **DATE REQUIRED TO BE DISCLOSED.**—In the case of
24 a credit card account under an open-end credit plan
25 under which a late fee or charge may be imposed
26 due to the failure of the obligor to make payment on

1 or before the due date for such payment, the peri-
2 odic statement required under subsection (b) with
3 respect to such account shall include, in a con-
4 spicuous location on the billing statement, the fol-
5 lowing:

6 “(A) The date the payment is due or, if
7 different, the date on which a late payment fee
8 will be charged, together with the amount of
9 the fee or charge to be imposed if payment is
10 made after such date.

11 “(B) The date by which the payment must
12 be postmarked, if paid by mail, in order to
13 avoid the imposition of a late payment fee with
14 respect to such payment.

15 “(C) A statement that no late fee may be
16 imposed in connection with a payment made by
17 mail which was postmarked on or before such
18 postmark date.

19 “(2) DISCLOSURE OF INCREASE IN INTEREST
20 RATES FOR LATE PAYMENTS.—If 1 or more late
21 payments under a credit card account described in
22 paragraph (1) may result in an increase in the an-
23 nual percentage rate applicable to any outstanding
24 balance on such account, the statement required
25 under subsection (b) with respect to such account

1 shall include conspicuous notice of such fact, to-
2 gether with the applicable penalty annual percentage
3 rate, in close proximity to the disclosure required in
4 paragraph (1) of the date payment is due under
5 such account.

6 “(3) REQUIREMENTS RELATING TO POSTMARK
7 DATE.—

8 “(A) IN GENERAL.—The date included in
9 a periodic statement pursuant to paragraph
10 (1)(B) with regard to the postmark on a pay-
11 ment shall allow, in accordance with regulations
12 prescribed by the Board under subparagraph
13 (B), a reasonable time for the consumer to
14 make the payment and a reasonable time for
15 the delivery of the payment by the date referred
16 to in paragraph (1).

17 “(B) BOARD REGULATIONS.—The Board
18 shall prescribe guidelines for determining rea-
19 sonable period for making a payment and deliv-
20 ery of a payment for purposes of subparagraph
21 (A), after consultations with the Postmaster
22 General and representatives of consumer and
23 trade organizations.

24 “(4) PAYMENT AT LOCAL BRANCHES.—If the
25 creditor, in the case of a credit card account referred

1 to in paragraph (1), is a financial institution which
2 maintains branches or offices at which payments on
3 any such account are accepted from the obligor in
4 person, the date on which the obligor makes a pay-
5 ment on the account at such branch or office shall
6 be considered as the date on which the payment is
7 made for purposes of determining whether a late fee
8 or charge may be imposed due to the failure of the
9 obligor to make payment on or before the due date
10 for such payment, to the extent such payment is
11 made before the close of business of the branch or
12 office on the business immediately preceding the due
13 date for such payment.”

14 **SEC. 12. PROHIBITION ON TWO-CYCLE BILLING.**

15 Section 127 (15 U.S.C. 1637) is amended by insert-
16 ing after subsection (m) (as added by section 11 of this
17 Act) the following new subsection:

18 “(n) PROHIBITION ON TWO-CYCLE BILLING.—In the
19 case of any credit card account under an open-end con-
20 sumer credit plan, if the creditor provides, with regard to
21 any new extension of credit under such account, a period
22 during which such extension of credit may be repaid with-
23 out incurring a finance charge for such extension of credit,
24 no finance charge may subsequently be imposed for such

1 period with regard to any unpaid balance (as of the end
2 of such period) for such extension of credit.”

3 **SEC. 13. UNSOLICITED DUAL-PURPOSE CARDS.**

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

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

7 (2) by adding at the end the following new sub-
8 section:

9 “(b) CERTAIN CARDS INCLUDED.—For purposes of
10 this section, the term ‘credit card’ includes any dual pur-
11 pose or multifunction card, including a stored-value card,
12 debit card, check card, check guarantee card, or purchase-
13 price discount card, that is connected with an open end
14 credit plan and can be used, either on issuance or upon
15 later activation, to obtain credit directly or indirectly.”.

16 **SEC. 14. CIVIL LIABILITY.**

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

19 (1) by striking “or” after “(9)” in the second
20 sentence;

21 (2) by inserting after “(10)” in the second sen-
22 tence the following: “, or (11)”;
and

23 (3) by striking the third sentence.

1 SEC. 15. REGULATIONS.

2 Before the end of the 6-month period beginning on
3 the date of the enactment of this Act, the Board of Gov-
4 ernors of the Federal Reserve System shall issue regula-
5 tions in final form to implement the amendments made
6 by this Act. The Board of Governors of the Federal Re-
7 serve System shall also issue such staff commentary or
8 publish such model disclosure statements and forms as the
9 Board considers necessary to carry out the intent of the
10 amendments made by this Act, to implement any initiative
11 to prevent the circumvention of the amendments made by
12 this Act, and to facilitate compliance with the require-
13 ments in the amendments.

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