

110TH CONGRESS
1ST SESSION

S. 1395

To prevent unfair practices in credit card accounts, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 15, 2007

Mr. LEVIN (for himself and Mrs. McCASKILL) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To prevent unfair practices in credit card accounts, 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 “Stop Unfair Practices
5 in Credit Cards Act of 2007”.

6 SEC. 2. STOP UNFAIR INTEREST RATES AND FEES.

7 Section 163 of the Truth in Lending Act (15 U.S.C.
8 1666b) is amended—

4 “§ 163. Billing period and finance charges

5 "(a) BILLING PERIOD.—

6 “(1) FOURTEEN-DAY MINIMUM.—If an open”;

9 “(2) EXCUSABLE CAUSE.—Subsection (a)”;

10 (3) by adding at the end the following:

11 “(b) NO INTEREST CHARGE ON DEBT THAT IS PAID
12 ON TIME.—If an open end consumer credit plan provides
13 a time period within which an obligor may repay any por-
14 tion of the credit extended without incurring an interest
15 charge, and the obligor repays all or a portion of such
16 credit within the specified time period, the creditor may
17 not impose or collect an interest charge on the portion of
18 the credit that was repaid within the specified time period.

19 “(c) NO INTEREST ON DEBT THAT IS PAID ON TIME
20 AND IN FULL.—In an open end consumer credit plan, if
21 a billing statement requests an obligor to repay within a
22 specified time period all of the credit extended under the
23 plan and related finance charges, and the obligor pays all
24 of the specified amount within the specified time period,
25 the creditor may not impose or collect an additional inter-

1 est charge on the amount that was paid in full and within
2 the specified time period.

3 “(d) LIMITS ON INTEREST RATE INCREASES.—

4 “(1) IN GENERAL.—With respect to a credit
5 card account under an open end consumer credit
6 plan, the creditor shall not increase the periodic rate
7 of interest applicable to extensions of credit while
8 such account remains open, unless—

9 “(A) such increase is pursuant to the expi-
10 ration of an introductory rate which was dis-
11 closed under section 127(c)(6);

12 “(B) such increase is pursuant to the ap-
13 plication of a variable rate which was disclosed
14 under section 127(c)(1)(A)(i)(II);

15 “(C) such increase is pursuant to the ap-
16 plication of a penalty rate which was disclosed
17 under subsections (a)(4) and (c)(1)(A)(i) of sec-
18 tion 127; or

19 “(D) the obligor has provided specific writ-
20 ten consent to such increase at the time such
21 increase was proposed.

22 “(2) LIMIT ON PENALTY INTEREST RATE.—If
23 an obligor fails to repay an extension of credit in ac-
24 cordance with the terms of a credit card account
25 under an open end consumer credit plan, and the

1 creditor determines to apply a penalty rate, as de-
2 scribed in paragraph (1)(C), notwithstanding para-
3 graph (1)(D), such penalty rate may not, while such
4 account is open, exceed 7 percentage points above
5 the interest rate that was in effect with respect to
6 such account on the date immediately preceding the
7 first such penalty increase for such account.

8 “(e) INTEREST RATE INCREASES LIMITED TO FU-
9 TURE CREDIT EXTENSIONS.—With respect to a credit
10 card account under an open end consumer credit plan, if
11 the creditor increases the periodic interest rate applicable
12 to an extension of credit under the account, such increased
13 rate shall apply only to extensions of credit made on and
14 after the date of such increase under the account, and any
15 extension of credit under such account made before the
16 date of such increase shall continue to incur interest at
17 the rate that was in effect on the date prior to the date
18 of the increase.

19 “(f) NO INTEREST CHARGES ON FEES.—With re-
20 spect to a credit card account under an open end consumer
21 credit plan, if the creditor imposes a transaction fee on
22 the obligor, including a cash advance fee, late fee, over-
23 the-limit fee, or balance transfer fee, the creditor may not
24 impose or collect interest with respect to such fee amount.

1 “(g) FIXED CREDIT LIMIT.—With respect to each
2 credit card account under an open end consumer credit
3 plan, the creditor shall offer to the obligor the option of
4 obtaining a fixed credit limit that cannot be exceeded, and
5 with respect to which any request for credit in excess of
6 such fixed limit must be refused, without exception and
7 without imposing an over-the-limit fee or other penalty on
8 such obligor.

9 “(h) OVER-THE-LIMIT FEE RESTRICTIONS.—With
10 respect to a credit card account under an open end con-
11 sumer credit plan, an over-the-limit fee, as described in
12 section 127(c)(1)(B)(iii)—

13 “(1) may be imposed on the account only when
14 an extension of credit obtained by the obligor causes
15 the credit limit on such account to be exceeded, and
16 may not be imposed when such credit limit is ex-
17 ceeded due to a penalty fee, such as a late fee or
18 over-the-limit fee, that was added to the account bal-
19 ance by the creditor; and

20 “(2) may be imposed only once during a billing
21 cycle if, on the last day of such billing cycle, the
22 credit limit on the account is exceeded, and no addi-
23 tional over-the-limit fee shall be imposed in a subse-
24 quent billing cycle with respect to such excess credit,
25 unless the obligor has obtained an additional exten-

1 sion of credit in excess of such credit limit during
2 such subsequent cycle.

3 “(i) OTHER FEES.—

4 “(1) NO FEE TO PAY A BILLING STATEMENT.—
5 With respect to a credit card account under an open
6 end consumer credit plan, the creditor may not im-
7 pose a separate fee to allow the obligor to repay an
8 extension of credit or finance charge, whether such
9 repayment is made by mail, electronic transfer, tele-
10 phone authorization, or other means.

11 “(2) REASONABLE CURRENCY EXCHANGE
12 FEE.—With respect to a credit card account under
13 an open end consumer credit plan, the creditor may
14 impose a fee for exchanging United States currency
15 with foreign currency in an account transaction, only
16 if—

17 “(A) such fee reasonably reflects the actual
18 costs incurred by the creditor to perform such
19 currency exchange;

20 “(B) the creditor discloses publicly its
21 method for calculating such fee; and

22 “(C) the primary Federal regulator of such
23 creditor determines that the method for calcu-
24 lating such fee complies with this paragraph.

1 “(j) ANNUAL AUDIT.—The primary Federal regu-
2 lator of a card issuer shall audit, on at least an annual
3 basis, the credit card operations and procedures used by
4 such issuer to ensure compliance with this section and sec-
5 tion 164, including by reviewing a sample of billing state-
6 ments to determine when they were mailed and received,
7 and by reviewing a sample of credit card accounts to deter-
8 mine when and how payments and finance charges were
9 applied. Such regulator shall promptly require the card
10 issuer to take any corrective action needed to comply with
11 this section.”.

12 **SEC. 3. STOP UNFAIR APPLICATION OF CARD PAYMENTS.**

13 Section 164 of the Truth in Lending Act (15 U.S.C.
14 1666c) is amended—

15 (1) by striking the section heading and all that
16 follows through “Payments” and inserting the fol-
17 lowing:

18 **“§ 164. Prompt and fair crediting of payments**

19 “(a) IN GENERAL.—Payments”; and

20 (2) by adding at the end the following:

21 “(b) APPLICATION OF PAYMENT.—Upon receipt of a
22 payment from a cardholder, the card issuer shall—

23 “(1) apply the payment first to the card bal-
24 ance bearing the highest rate of interest, and then

1 to each successive balance bearing the next highest
2 rate of interest, until the payment is exhausted; and
3 “(2) after complying with paragraph (1), apply
4 the payment in the most effective way to minimize
5 the imposition of any finance charge to the account.
6 “(c) CHANGES BY CARD ISSUER.—If a card issuer
7 makes a material change in the mailing address, office,
8 or procedures for handling cardholder payments, and such
9 change causes a material delay in the crediting of a card-
10 holder payment made during the 60-day period following
11 the date on which such change took effect, the card issuer
12 may not impose any late fee or finance charge for a late
13 payment on the credit card account to which such payment
14 was credited.”.

15 **SEC. 4. STOP DECEPTIVE DISCLOSURE.**

16 Section 127(e) of the Truth in Lending Act (15
17 U.S.C. 1637(e)) is amended by adding at the end the fol-
18 lowing:

19 “(3) INTEREST RATE LINKED TO PRIME
20 RATE.—If a credit card solicitation, application,
21 agreement, or plan specifies use of a variable inter-
22 est rate established by reference to a ‘prime rate’,
23 ‘prime interest rate’, or similar rate or index, the
24 referenced rate shall be disclosed and defined as the
25 bank prime loan rate posted by a majority of the top

1 25 (by assets in domestic offices) United States
2 chartered commercial banks, as published by the
3 Board of Governors of the Federal Reserve System.
4 To avoid an unfair or deceptive act or practice, a
5 card issuer may not use the term ‘prime rate’ to
6 refer to any other type of interest rate.”.

7 **SEC. 5. DEFINITIONS.**

8 Section 103 of the Truth in Lending Act (15 U.S.C.
9 1602) is amended by adding at the end the following:

10 “(cc) PRIMARY FEDERAL REGULATOR.—

11 “(1) IN GENERAL.—The term ‘primary Federal
12 regulator’, when used with respect to a card issuer
13 that is a depository institution, has the same mean-
14 ing as the term ‘appropriate Federal banking agen-
15 cy’, under section 3 of the Federal Deposit Insur-
16 ance Act.

17 “(2) AREAS OF RESPONSIBILITY.—For each
18 card issuer within its regulatory jurisdiction, the pri-
19 mary Federal regulator shall be responsible for over-
20 seeing the credit card operations of the card issuer,
21 ensuring compliance with the requirements of this
22 title, and enforcing the prohibition against unfair or
23 deceptive acts or practices.”.

1 SEC. 6. STRENGTHEN CREDIT CARD INFORMATION COL-

2 L ECTION.

3 Section 136(b) of the Truth in Lending Act (15

4 U.S.C. 1646(b)) is amended—

5 (1) in paragraph (1)—

6 (A) by striking “The Board shall” and in-
7 serting the following:

8 “(A) IN GENERAL.—The Board shall”; and

9 (B) by adding at the end the following:

10 “(B) INFORMATION TO BE INCLUDED.—

11 The information under subparagraph (A) shall
12 include, as of a date designated by the Board—13 (i) a list of each type of transaction
14 or event for which one or more of the card
15 issuers has imposed a separate interest
16 rate upon a cardholder, including pur-
17 chases, cash advances, and balance trans-
18 fers;19 (ii) for each type of transaction or
20 event identified under clause (i)—21 (I) each distinct interest rate
22 charged by the card issuer to a card-
23 holder, as of the designated date; and24 (II) the number of cardholders
25 to whom each such interest rate was
26 applied during the calendar month im-

1 “(vi) any other information related to
2 interest rates, fees, or other charges that
3 the Board deems of interest.”; and

4 (2) by adding at the end the following:

5 “(5) REPORT TO CONGRESS.—The Board shall,
6 on an annual basis, transmit to Congress and make
7 public a report containing an assessment by the
8 Board of the profitability of credit card operations
9 of depository institutions. Such report shall include
10 estimates by the Board of the approximate, relative
11 percentage of income derived by such operations
12 from—

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

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

17 “(ii) interest with an annual percent-
18 age rate equal to or greater than 25 per-
19 cent;

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

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

22 and

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

1 **SEC. 7. CONFORMING AMENDMENT.**

2 Section 8 of the Fair Credit and Charge Card Disclo-
3 sure Act of 1988 (15 U.S.C. 1637 note) is repealed.

4 **SEC. 8. EFFECTIVE DATE.**

5 This Act and the amendments made by this Act shall
6 become effective 180 days after the date of enactment of
7 this Act.

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