

[COMMITTEE PRINT]

[Showing the text of H.R. 627, as amended and ordered reported by the Subcommittee on Financial Institutions and Consumer Credit]

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Credit Cardholders’
3 Bill of Rights Act of 2009”.

4 **SEC. 2. CREDIT CARDS ON TERMS CONSUMERS CAN REPAY.**

5 (a) **RETROACTIVE RATE INCREASES AND UNIVERSAL**
6 **DEFAULT LIMITED.**—Chapter 2 of the Truth in Lending
7 Act (15 U.S.C. 1631 et seq.) is amended by inserting after
8 section 127A the following new section:

9 **“§ 127B. Additional requirements for credit card ac-**
10 **counts under an open end consumer**
11 **credit plan**

12 **“(a) RETROACTIVE RATE INCREASES AND UNI-**
13 **VERSAL DEFAULT LIMITED.**—

14 **“(1) IN GENERAL.**—Except as provided in sub-
15 section (b), no creditor may increase any annual per-
16 centage rate of interest applicable to the existing
17 balance on a credit card account of the consumer
18 under an open end consumer credit plan.

19 **“(2) EXISTING BALANCE DEFINED.**—For pur-
20 poses of this subsection and subsections (b) and (c),

1 the term ‘existing balance’ means the amount owed
2 on a consumer credit card account as of the end of
3 the 14th day after the creditor provides notice of an
4 increase in the annual percentage rate in accordance
5 with subsection (c).

6 “(3) TREATMENT OF EXISTING BALANCES FOL-
7 LOWING RATE INCREASE.—If a creditor increases
8 any annual percentage rate of interest applicable to
9 the credit card account of a consumer under an open
10 end consumer credit plan and there is an existing
11 balance in the account to which such increase may
12 not apply, the creditor shall allow the consumer to
13 repay the existing balance using a method provided
14 by the creditor which is at least as beneficial to the
15 consumer as 1 of the following methods:

16 “(A) An amortization period for the exist-
17 ing balance of at least 5 years starting from the
18 date on which the increased annual percentage
19 rate went into effect.

20 “(B) The percentage of the existing bal-
21 ance that was included in the required min-
22 imum periodic payment before the rate increase
23 cannot be more than doubled.

24 “(4) LIMITATION ON CERTAIN FEES.—If—

1 “(A) a creditor increases any annual per-
2 centage rate of interest applicable on a credit
3 card account of the consumer under an open
4 end consumer credit plan; and

5 “(B) the creditor is prohibited by this sec-
6 tion from applying the increased rate to an ex-
7 isting balance,

8 the creditor may not assess any fee or charge based
9 solely on the existing balance.”.

10 (b) EXCEPTIONS TO THE AMENDMENT MADE BY
11 SUBSECTION (a).—Section 127B of the Truth in Lending
12 Act is amended by inserting after subsection (a) (as added
13 by subsection (a)) the following new subsection:

14 “(b) EXCEPTIONS.—

15 “(1) IN GENERAL.—A creditor may increase
16 any annual percentage rate of interest applicable to
17 the existing balance on a credit card account of the
18 consumer under an open end consumer credit plan
19 only under the following circumstances:

20 “(A) CHANGE IN INDEX.—The increase is
21 due solely to the operation of an index that is
22 not under the creditor’s control and is available
23 to the general public.

1 “(B) EXPIRATION OF PROMOTIONAL
2 RATE.—The increase is due solely to the expira-
3 tion of a promotional rate.

4 “(C) FAILURE TO COMPLY WITH WORKOUT
5 PLAN.—The increase is due solely to the fact
6 the consumer failed to comply with a negotiated
7 workout plan with the creditor

8 “(D) PAYMENT NOT RECEIVED DURING 30-
9 DAY GRACE PERIOD AFTER DUE DATE.—The
10 increase is due solely to the fact that any con-
11 sumer’s minimum payment has not been re-
12 ceived within 30 days after the due date for
13 such minimum payment.

14 “(2) LIMITATION ON INCREASES DUE TO FAIL-
15 URE TO COMPLY WITH WORKOUT PLAN.—Notwith-
16 standing paragraph (1)(C), the annual percentage
17 rate in effect with respect to each category of trans-
18 actions for a credit card account under an open end
19 consumer credit plan after the increase permitted
20 under such subsection due to the failure of a con-
21 sumer to comply with a workout plan may not ex-
22 ceed the annual percentage applicable to such cat-
23 egory of transactions on the day before the effective
24 date of the workout plan.

1 “(3) STANDARDS REQUIRED.—The Board shall
2 prescribe, by regulation, standards—

3 “(A) for entering into any workout plan
4 applicable to any credit card account under an
5 open end consumer credit plan; and

6 “(B) governing any such workout plan.”.

7 (c) ADVANCE NOTICE OF RATE INCREASES AND SIG-
8 NIFICANT CONTRACT CHANGES.—Section 127B of the
9 Truth in Lending Act is amended by inserting after sub-
10 section (b) (as added by subsection (b)) the following new
11 subsections:

12 “(c) ADVANCE NOTICE OF RATE INCREASES.—

13 “(1) IN GENERAL.—In the case of any credit
14 card account under an open end consumer credit
15 plan, no increase in any annual percentage rate of
16 interest (other than an increase described in sub-
17 section (b)(1)(A)) may take effect unless the creditor
18 provides a written notice to the consumer at least 45
19 days before the increase takes effect which fully de-
20 scribes the changes in the annual percentage rate, in
21 a complete and conspicuous manner, and the extent
22 to which such increase would apply to an existing
23 balance.

24 “(2) LIMITATION ON RATE INCREASE NOTICES
25 WITHIN FIRST YEAR.—Except in the case of an in-

1 crease described in subparagraph (B), (C), or (D) of
2 subsection (b)(1), no written notice under paragraph
3 (1) of an increase in any annual percentage rate of
4 interest on any credit card account under an open
5 end consumer credit plan (for which notice is re-
6 quired under such paragraph) shall be effective be-
7 fore the end of the 1-year period beginning when the
8 account is opened

9 “(d) **ADVANCE NOTICE OF SIGNIFICANT CONTRACT**
10 **CHANGES.**—In the case of any credit card account under
11 an open end consumer credit plan, no significant change
12 to the contract (such as any fee) may take effect unless
13 the creditor provides a written notice of at least 45 days
14 before the change takes effect which fully describes the
15 changes in the contract, in a complete and conspicuous
16 manner.”.

17 (d) **CLERICAL AMENDMENT.**—The table of sections
18 for chapter 2 of the Truth in Lending Act (15 U.S.C.
19 1631 et seq.) is amended by inserting after the item relat-
20 ing to section 127A the following new item:

“127B. Additional requirements for credit card accounts under an open end con-
sumer credit plan.”.

21 **SEC. 3. ADDITIONAL PROVISIONS REGARDING ACCOUNT**
22 **FEATURES, TERMS, AND PRICING.**

23 (a) **DOUBLE CYCLE BILLING PROHIBITED.**—Section
24 127B of the Truth in Lending Act is amended by inserting

1 after subsection (d) (as added by section 2(c)) the fol-
2 lowing new subsection:

3 “(e) DOUBLE CYCLE BILLING.—

4 “(1) IN GENERAL.—No finance charge may be
5 imposed by a creditor with respect to any balance on
6 a credit card account under an open end consumer
7 credit plan that is based on balances for days in bill-
8 ing cycles preceding the most recent billing cycle as
9 a result of the loss of any grace period.

10 “(2) EXCEPTIONS.—Paragraph (1) shall not
11 apply so as to prohibit a creditor from—

12 “(A) adjusting finance charges following
13 the return of a payment for insufficient funds;
14 or

15 “(B) adjusting finance charges following
16 resolution of a billing error dispute.

17 “(3) GRACE PERIOD.—For purposes of this
18 subsection, the term ‘grace period’ means, with re-
19 spect to any credit card account under an open end
20 consumer credit plan, the time period, if any, pro-
21 vided by the creditor within which any credit ex-
22 tended under such credit plan for purchases of goods
23 or services may be repaid by the consumer without
24 incurring a finance charge.”.

1 (b) LIMITATIONS RELATING TO ACCOUNT BALANCES
2 ATTRIBUTABLE ONLY TO ACCRUED INTEREST.—Section
3 127B is amended by inserting after subsection (e) (as
4 added by subsection (a)) the following new subsection:

5 “(f) LIMITATIONS RELATING TO ACCOUNT BAL-
6 ANCES ATTRIBUTABLE ONLY TO ACCRUED INTEREST.—

7 “(1) IN GENERAL.—If the outstanding balance
8 on a credit card account under an open end con-
9 sumer credit plan at the end of a billing period rep-
10 represents an amount attributable only to interest ac-
11 crued during the preceding billing period on an out-
12 standing balance that was fully repaid during the
13 preceding billing period—

14 “(A) no fee may be imposed or collected in
15 connection with such balance attributable only
16 to interest before such end of the billing period;
17 and

18 “(B) any failure to make timely repay-
19 ments of the balance attributable only to inter-
20 est before such end of the billing period shall
21 not constitute a default on the account.

22 Such balance remains a legally binding debt obliga-
23 tion.

24 “(2) RULE OF CONSTRUCTION.—Paragraph (1)
25 shall not be construed as affecting—

1 “(A) the consumer’s obligation to pay any
2 accrued interest on a credit card account under
3 an open end consumer credit plan; or

4 “(B) the accrual of interest on the out-
5 standing balance on any such account in ac-
6 cordance with the terms of the account and this
7 title.”.

8 (c) ACCESS TO PAYOFF BALANCE INFORMATION.—
9 Section 127B of the Truth in Lending Act is amended
10 by inserting after subsection (f) (as added by subsection
11 (b)) the following new subsection:

12 “(g) PAYOFF BALANCE INFORMATION.—Each peri-
13 odic statement provided by a creditor to a consumer with
14 respect to a credit card account under an open end con-
15 sumer credit plan shall contain the telephone number,
16 Internet address, and website at which the consumer may
17 request the payoff balance on the account.”.

18 (d) CONSUMER RIGHT TO REJECT CARD BEFORE
19 NOTICE IS PROVIDED OF OPEN ACCOUNT.—Section 127B
20 of the Truth in Lending Act is amended by inserting after
21 subsection (g) (as added by subsection (c)) the following
22 new subsection:

23 “(h) CONSUMER RIGHT TO REJECT CARD BEFORE
24 NOTICE OF NEW ACCOUNT IS PROVIDED TO CONSUMER
25 REPORTING AGENCY.—

1 “(1) IN GENERAL.—A creditor may not furnish
2 any information to a consumer reporting agency (as
3 defined in section 603) concerning the establishment
4 of a newly opened credit card account under an open
5 end consumer credit plan until the credit card has
6 been used or activated by the consumer.

7 “(2) RULE OF CONSTRUCTION.—Paragraph (1)
8 shall not be construed as prohibiting a creditor from
9 furnishing information about any application for a
10 credit card account under an open end consumer
11 credit plan or any inquiry about any such account
12 to a consumer reporting agency (as so defined).”.

13 (e) USE OF TERMS CLARIFIED.—Section 127B of the
14 Truth in Lending Act is amended by inserting after sub-
15 section (h) (as added by subsection (d)) the following new
16 subsection:

17 “(i) USE OF TERMS.—The following requirements
18 shall apply with respect to the terms of any credit card
19 account under any open end consumer credit plan:

20 “(1) ‘FIXED’ RATE.—The term ‘fixed’, when
21 appearing in conjunction with a reference to the an-
22 nual percentage rate or interest rate applicable with
23 respect to such account, may only be used to refer
24 to an annual percentage rate or interest rate that
25 will not change or vary for any reason over the pe-

1 riod clearly and conspicuously specified in the terms
2 of the account.

3 “(2) PRIME RATE.—The term ‘prime rate’,
4 when appearing in any agreement or contract for
5 any such account, may only be used to refer to the
6 bank prime rate published in the Federal Reserve
7 Statistical Release on selected interest rates (daily or
8 weekly), and commonly referred to as the H.15 re-
9 lease (or any successor publication).

10 “(3) DUE DATE.—

11 “(A) IN GENERAL.—Each periodic state-
12 ment for any such account shall contain a date
13 by which the next periodic payment on the ac-
14 count must be made to avoid a late fee or be
15 considered a late payment, and any payment re-
16 ceived by 5 p.m., local time at the location spec-
17 ified by the creditor for the receipt of payment,
18 on such date shall be treated as a timely pay-
19 ment for all purposes.

20 “(B) CERTAIN ELECTRONIC FUND TRANS-
21 FERS.—Any payment with respect to any such
22 account made by a consumer online to the
23 website of the credit card issuer or by telephone
24 directly to the credit card issuer before 5 p.m.,
25 local time at the location specified by the cred-

1 itor for the receipt of payment, on any business
2 day shall be credited to the consumer's account
3 that business day.

4 “(C) PRESUMPTION OF TIMELY PAY-
5 MENT.—Any evidence provided by a consumer
6 in the form of a receipt from the United States
7 Postal Service or other common carrier indi-
8 cating that a payment on a credit card account
9 was sent to the issuer not less than 7 days be-
10 fore the due date contained in the periodic
11 statement under subparagraph (A) for such
12 payment shall create a presumption that such
13 payment was made by the due date, which may
14 be rebutted by the creditor for fraud or dishon-
15 esty on the part of the consumer with respect
16 to the mailing date.”.

17 (f) PAYMENT ALLOCATIONS.—Section 127B of the
18 Truth in Lending Act is amended by inserting after sub-
19 section (i) (as added by subsection (e)) the following new
20 subsection:

21 “(j) PAYMENT ALLOCATIONS.—

22 “(1) IN GENERAL.—If 2 or more different an-
23 nual percentage rates apply to different portions of
24 an outstanding balance on a credit card account
25 under an open end consumer credit plan, the amount

1 of any periodic payment in excess of the required
2 minimum payment shall be applied using 1 of the
3 following methods:

4 “(A) HIGH-TO-LOW METHOD.—The excess
5 amount is allocated first to the balance with the
6 highest annual percentage rate and any remain-
7 ing portion is allocated to any other balance in
8 descending order, based on the applicable an-
9 nual percentage rate each portion of such bal-
10 ance bears, from the highest such rate to the
11 lowest.

12 “(B) PRO RATA METHOD.—The excess
13 amount is allocated among each of the portions
14 of such balance which bear different rates of in-
15 terest in the same proportion as each such por-
16 tion of the outstanding balance bears to the
17 total outstanding balance.

18 “(2) CLARIFICATION RELATING TO CERTAIN
19 DEFERRED INTEREST ARRANGEMENTS.—A creditor
20 may allocate the entire amount paid by the con-
21 sumer in excess of the required minimum periodic
22 payment to a balance on which interest is deferred
23 during the 2 billing cycles immediately preceding the
24 expiration of the period during which interest is de-
25 ferred.

1 “(3) PROHIBITION ON RESTRICTED GRACE PE-
2 RIODS UNDER CERTAIN CIRCUMSTANCES.—If, with
3 respect to any credit card account under an open
4 end consumer credit, a creditor offers a time period
5 in which to repay credit extended without incurring
6 finance charges to cardholders who pay the balance
7 in full, the creditor may not deny a consumer who
8 takes advantage of a promotional rate balance or de-
9 ferred interest rate balance offer with respect to
10 such an account any such time period for repaying
11 credit without incurring finance charges.”.

12 (g) TIMELY PROVISION OF PERIODIC STATE-
13 MENTS.—Section 127B of the Truth in Lending Act is
14 amended by inserting after subsection (j) (as added by
15 subsection (f)) the following new subsection:

16 “(k) TIMELY PROVISION OF PERIODIC STATE-
17 MENTS.—Each periodic statement with respect to a credit
18 card account under an open end consumer credit plan
19 shall be sent by the creditor to the consumer not less than
20 21 calendar days before the due date identified in such
21 statement for the next payment on the outstanding bal-
22 ance on such account, and section 163(a) shall be applied
23 with respect to any such account by substituting ‘21’ for
24 ‘fourteen’.”.

1 (h) DUE DATES.—Section 127B of the Truth in
2 Lending Act is amended by inserting after subsection (k)
3 (as added by subsection (g)) the following new subsection:

4 “(l) DUE DATES.—If the date established by a cred-
5 itor as the date on which a periodic payment on a credit
6 card account under an open end consumer credit plan is
7 due is a day on which mail is either not delivered to such
8 creditor or is not accepted by the creditor for processing
9 on such day, the creditor may not treat the receipt by the
10 creditor of any such periodic payment by mail as of the
11 next business day of the creditor as late for any purpose.”.

12 **SEC. 4. CONSUMER CHOICE WITH RESPECT TO OVER-THE-**
13 **LIMIT TRANSACTIONS.**

14 Section 127B of the Truth in Lending Act is amend-
15 ed by inserting after subsection (l) (as added by section
16 3(h)) the following new subsections:

17 “(m) OPT-OUT OF CREDITOR AUTHORIZATION OF
18 OVER-THE-LIMIT TRANSACTIONS IF FEES ARE IM-
19 POSED.—

20 “(1) IN GENERAL.—In the case of any credit
21 card account under an open end consumer credit
22 plan under which an over-the-limit-fee may be im-
23 posed by the creditor for any extension of credit in
24 excess of the amount of credit authorized to be ex-
25 tended under such account, the consumer may elect

1 to prohibit the creditor, with respect to such ac-
2 count, from completing any transaction involving the
3 extension of credit, with respect to such account, in
4 excess of the amount of credit authorized by noti-
5 fying the creditor of such election in accordance with
6 paragraph (2).

7 “(2) NOTIFICATION BY CONSUMER.—A con-
8 sumer shall notify a creditor under paragraph (1)—

9 “(A) through the notification system main-
10 tained by the creditor under paragraph (4); or

11 “(B) by submitting to the creditor a signed
12 notice of election, by mail or electronic commu-
13 nication, on a form issued by the creditor for
14 purposes of this subparagraph.

15 “(3) EFFECTIVENESS OF ELECTION.—An elec-
16 tion by a consumer under paragraph (1) shall be ef-
17 fective beginning 3 business days after the creditor
18 receives notice from the consumer in accordance
19 with paragraph (2) and shall remain effective until
20 the consumer revokes the election.

21 “(4) NOTIFICATION SYSTEM.—Each creditor
22 that maintains credit card accounts under an open
23 end consumer credit plan shall establish and main-
24 tain a notification system, including a toll-free tele-
25 phone number, Internet address, and website, which

1 permits any consumer whose credit card account is
2 maintained by the creditor to notify the creditor of
3 an election under this subsection in accordance with
4 paragraph (2).

5 “(5) ANNUAL NOTICE TO CONSUMERS OF
6 AVAILABILITY OF ELECTION.—In the case of any
7 credit card account under an open end consumer
8 credit plan, the creditor shall include a notice, in
9 clear and conspicuous language, of the availability of
10 an election by the consumer under this paragraph as
11 a means of avoiding over-the limit fees and a higher
12 amount of indebtedness, and the method for pro-
13 viding such notice—

14 “(A) in the periodic statement required
15 under subsection (b) with respect to such ac-
16 count at least once each calendar year; and

17 “(B) in any such periodic statement which
18 includes a notice of the imposition of an over-
19 the-limit fee during the period covered by the
20 statement.

21 “(6) NO FEES IF CONSUMER HAS MADE AN
22 ELECTION.—If a consumer has made an election
23 under paragraph (1), no over-the-limit fee may be
24 imposed on the account for any reason that has

1 caused the outstanding balance in the account to ex-
2 ceed the credit limit.

3 “(7) REGULATIONS.—

4 “(A) IN GENERAL.—The Board shall issue
5 regulations allowing for the completion of over-
6 the-limit transactions that for operational rea-
7 sons exceed the credit limit by a de minimis
8 amount, even where the cardholder has made
9 an election under paragraph (1).

10 “(B) SUBJECT TO NO FEE LIMITATION.—

11 The regulations prescribed under subparagraph
12 (A) shall not allow for the imposition of any fee
13 or any rate increase based on the permitted
14 over-the-limit transactions.

15 “(n) OVER-THE-LIMIT FEE RESTRICTIONS.—With

16 respect to a credit card account under an open end con-
17 sumer credit plan, an over-the-limit fee may be imposed
18 only once during a billing cycle if, on the last day of such
19 billing cycle, the credit limit on the account is exceeded,
20 and an over-the-limit fee, with respect to such excess cred-
21 it, may be imposed only once in each of the 2 subsequent
22 billing cycles, unless the consumer has obtained an addi-
23 tional extension of credit in excess of such credit limit dur-
24 ing any such subsequent cycle or the consumer reduces

1 the outstanding balance below the credit limit as of the
2 end of such billing cycle.

3 “(o) OVER-THE-LIMIT FEES PROHIBITED IN CON-
4 JUNCTION WITH CERTAIN CREDIT HOLDS.—Notwith-
5 standing subsection (l), an over-the-limit fee may not be
6 imposed if the credit limit was exceeded due to a hold un-
7 less the actual amount of the transaction for which the
8 hold was placed would have resulted in the consumer ex-
9 ceeding the credit limit.”.

10 **SEC. 5. STRENGTHEN CREDIT CARD INFORMATION COL-
11 LECTION.**

12 Section 136(b) of the Truth in Lending Act (15
13 U.S.C. 1646(b)) is amended—

14 (1) in paragraph (1)—

15 (A) by striking “COLLECTION RE-
16 QUIRED.—The Board shall” and inserting
17 “COLLECTION REQUIRED.—

18 “(A) IN GENERAL.—The Board shall”.

19 (B) by adding at the end the following new
20 subparagraph:

21 “(B) INFORMATION TO BE INCLUDED.—
22 The information under subparagraph (A) shall
23 include, for the relevant semiannual period, the
24 following information with respect each creditor

1 in connection with any consumer credit card ac-
2 count:

3 “(i) A list of each type of transaction
4 or event during the semiannual period for
5 which 1 or more creditors has imposed a
6 separate interest rate upon a consumer
7 credit card accountholder, including pur-
8 chases, cash advances, and balance trans-
9 fers.

10 “(ii) For each type of transaction or
11 event identified under clause (i)—

12 “(I) each distinct interest rate
13 charged by the card issuer to a con-
14 sumer credit card accountholder dur-
15 ing the semiannual period; and

16 “(II) the number of cardholders
17 to whom each such interest rate was
18 applied during the last calendar
19 month of the semiannual period, and
20 the total amount of interest charged
21 to such accountholders at each such
22 rate during such month.

23 “(iii) A list of each type of fee that 1
24 or more of the creditors has imposed upon
25 a consumer credit card accountholder dur-

1 ing the semiannual period, including any
2 fee imposed for obtaining a cash advance,
3 making a late payment, exceeding the cred-
4 it limit on an account, making a balance
5 transfer, or exchanging United States dol-
6 lars for foreign currency.

7 “(iv) For each type of fee identified
8 under clause (iii), the number of
9 accountholders upon whom the fee was im-
10 posed during each calendar month of the
11 semiannual period, and the total amount of
12 fees imposed upon cardholders during such
13 month.

14 “(v) The total number of consumer
15 credit card accountholders that incurred
16 any finance charge or any other fee during
17 the semiannual period.

18 “(vi) The total number of consumer
19 credit card accounts maintained by each
20 creditor as of the end of the semiannual
21 period.

22 “(vii) The total number and value of
23 cash advances made during the semiannual
24 period under a consumer credit card ac-
25 count.

1 “(viii) The total number and value of
2 purchases involving or constituting con-
3 sumer credit card transactions during the
4 semiannual period.

5 “(ix) The total number and amount of
6 repayments on outstanding balances on
7 consumer credit card accounts in each
8 month of the semiannual period.

9 “(x) The percentage of all consumer
10 credit card accountholders (with respect to
11 any creditor) who—

12 “(I) incurred a finance charge in
13 each month of the semiannual period
14 on any portion of an outstanding bal-
15 ance on which a finance charge had
16 not previously been incurred; and

17 “(II) incurred any such finance
18 charge at any time during the semi-
19 annual period.

20 “(xi) The total number and amount of
21 balances accruing finance charges during
22 the semiannual period.

23 “(xii) The total number and amount
24 of the outstanding balances on consumer

1 credit card accounts as of the end of such
2 semiannual period.

3 “(xiii) Total credit limits in effect on
4 consumer credit card accounts as of the
5 end of such semiannual period and the
6 amount by which such credit limits exceed
7 the credit limits in effect as of the begin-
8 ning of such period.

9 “(xiv) Any other information related
10 to interest rates, fees, or other charges
11 that the Board deems of interest.”; and

12 (2) by adding at the end the following new
13 paragraph:

14 “(5) REPORT TO CONGRESS.—The Board shall,
15 on an annual basis, transmit to Congress and make
16 public a report containing estimates by the Board of
17 the approximate, relative percentage of income de-
18 rived by the credit card operations of depository in-
19 stitutions from—

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

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

1 “(ii) interest with an annual percent-
2 age rate equal to or greater than 25 per-
3 cent;

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

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

6 and

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

9 **SEC. 6. STANDARDS APPLICABLE TO INITIAL ISSUANCE OF**
10 **SUBPRIME OR “FEE HARVESTER” CARDS.**

11 Section 127B of the Truth in Lending Act is amend-
12 ed by inserting after subsection (o) (as added by section
13 4) the following new subsection:

14 “(p) STANDARDS APPLICABLE TO INITIAL ISSUANCE
15 OF SUBPRIME OR ‘FEE HARVESTER’ CARDS.—

16 “(1) IN GENERAL.—In the case of any credit
17 card account under an open end consumer credit
18 plan the terms of which require the payment of any
19 fee (other than any late fee, any over-the-limit fee,
20 or any fee for a payment returned for insufficient
21 funds) by the consumer in the first year the account
22 is opened in an amount in excess of 25 percent of
23 the total amount of credit authorized under the ac-
24 count when the account is opened, no payment of
25 any fee (other than any late fee, any over-the-limit

1 fee, or any fee for a payment returned for insuffi-
2 cient funds) may be made from the credit made
3 available by the card.

4 “(2) RULE OF CONSTRUCTION.—No provision
5 of this subsection may be construed as authorizing
6 any imposition or payment of advance fees otherwise
7 prohibited by any provision of law.”.

8 **SEC. 7. EXTENSIONS OF CREDIT TO UNDERAGE CON-**
9 **SUMERS.**

10 Section 127(c) of the Truth in Lending Act (15
11 U.S.C. 1637(c)) is amended by adding at the end the fol-
12 lowing new paragraph:

13 “(8) EXTENSIONS OF CREDIT TO UNDERAGE
14 CONSUMERS.—

15 “(A) IN GENERAL.—No credit card may be
16 knowingly issued to, or open end credit plan es-
17 tablished on behalf of, a consumer who has not
18 attained the age of 18, unless the consumer is
19 emancipated under applicable State law.

20 “(B) RULE OF CONSTRUCTION.—For the
21 purposes of determining the age of an appli-
22 cant, the submission of a signed application by
23 a consumer stating that the consumer is over
24 18 shall be considered sufficient proof of age.”.

1 **SEC. 8. PROHIBIT FEES FOR PAYMENT ON CREDIT CARD**
2 **ACCOUNTS BY ELECTRONIC FUND TRANS-**
3 **FEES.**

4 (a) IN GENERAL.—Section 127 of the Truth in Lend-
5 ing Act (15 U.S.C. 1637) is amended by adding at the
6 end the following new subsection:

7 “(i) PAYMENTS BY EFT.—In the case of a credit
8 card account under an open end consumer credit plan, a
9 creditor may not impose a fee based on the manner in
10 which payment on the account is made, including a fee
11 for making any such payment by electronic fund transfer
12 (as defined in section 903).”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 subsection (a) shall apply to all payments made after the
15 date of the enactment of this Act and any fee imposed
16 after such date in contravention of the amendment shall
17 be promptly credited to the consumer’s account.

18 **SEC. 9. EFFECTIVE DATE.**

19 (a) IN GENERAL.—The amendments made by this
20 Act shall apply to all credit card accounts under open end
21 consumer credit plans after the earlier of—

22 (1) the end of the 12-month period beginning
23 on the date of the enactment of this Act; or

24 (2) June 30, 2010.

25 (b) REGULATIONS.—The Board of Governors of the
26 Federal Reserve System, in consultation with the Comp-

1 troller of the Currency, the Director of the Office of Thrift
2 Supervision, the Federal Deposit Insurance Corporation,
3 the National Credit Union Administration Board, and the
4 Federal Trade Commission, shall prescribe regulations, in
5 final form, implementing the amendments made by this
6 Act before the earlier of—

7 (1) the end of the 5-month period beginning on
8 the date of the enactment of this Act; or

9 (2) June 1, 2010.

