

Credit CARD Act of 2009

Bank and Processor Responsibilities

Types of Restrictions

1. Notice Requirements
2. Prohibitions and restrictions on passing certain of costs onto cardholders or restricts the ability of issuers
3. Disclosure requirements
4. Procedural Rules

Notice Requirements

Effective August 20, 2009

- Ensure reasonable procedures are in place to mail or deliver periodic statements 21 days before payment due date and the expiration of any grace period.
- Requires written notice to cardholder of increase in APR or any significant changes, *no later than 45 days* prior to the change taking effect.
- Cardholder has right to cancel after receiving notice – processor must be able to support old interest rate/fees/etc. if cardholder rejects “significant change” increase

Effective February 22, 2010

- Require payments in excess of the minimum payment to be applied first to the balance with the highest interest rate.
- Requires payment due dates to be the same day every month (or the next business day, if the date falls on a holiday or a weekend).
- If the payment due date is a day on which the creditor does not receive or accept payments by mail (including weekends and holidays), the creditor may not treat a payment received on the next business day as late for any purpose.

Application/Solicitation Requirements - July 1, 2010

- Changes to Application/Solicitation Disclosures
 - New format and content requirements for summary table of account terms
 - Font size
 - 16 for APR for purchases
 - Minimum of 10 for specific areas of applications and cardholder agreements
 - Use of boldface type for certain key terms
 - Placement of information and use of cross references
 - Use of the term “penalty APR” instead of “default rate”
 - Summary table to include specific actions that trigger penalty APRs, the rate that will apply and the circumstances under which the penalty rate will expire or, if true, the fact that the penalty rate could apply indefinitely.
 - Summary table to include fees for late payment, exceeding credit limit, returned payments, cash advances and balance transfers.
 - Disclosure of required credit insurance, debt suspension or debt cancellation fees and foreign transaction fees.
 - Variable APR information must be state as a single phrase indicating the APR varies “with the market”, along with a reference to the type of index, such as “Prime”.
 - Requires use of heading “How to Avoid Paying Interest on Purchases” on all purchases and the phrase “Paying Interest” if a grace period is not offered on all purchases.
 - Requires notice on higher rate credit card that cardholder has right to reject the plan when fees have been charged, but card has not yet been used.
 - The name of the balance computation method must be placed outside of the disclosure table

Account Opening Disclosures (Cardholder Agreement) - July 1, 2010

Substantially similar to application disclosure, but account opening disclosure is more detailed - can choose to use this one for both disclosures.

- Requires disclosure on whether there is a grace period for all account features
- Requires summary table of interest, minimum charges, transactions fees, annual fees and penalty fees such as a late payment fee.
- Permits card issuers to disclose other less critical charges orally or in writing before consumer agrees to or becomes obligated to pay a charge.
- Disclosure of expedited payment and expedited delivery fees.
- At account opening, an institution must disclose the annual percentage rates that will apply to each category of transactions on the account. Must not increase the annual percentage rate for a category of transactions except as noted in the exceptions below.
 - The institution must provide the consumer with one of the following methods of repaying a protected balance or a method that is no less beneficial to the consumer than one of the following methods.
 - An amortization period of no less than 5 years, starting from the date on which the increased rate becomes effective for the category of transactions, or
 - A required minimum periodic payment that includes a percentage of the protected balance that is no more than twice the percentage required before the date on which the increased rate became effective for the category of transactions.

Periodic Statement Requirements – July 1, 2010

- Required to disclose the payment due date on the front side of the periodic statement. Creditors are also required to disclose, in close proximity to the due date, the amount of the late-payment fee and the penalty APR that could be triggered by a late payment.
- Must contain "Minimum Payment Warning" language
- Must contain repayment information including:
 - Number of months that it would take to pay the entire amount of the balance, if only minimum monthly payments are made;
 - The total cost to the consumer if only the required minimum monthly payments are made;
 - The monthly payment amount that would be required for the consumer to eliminate the outstanding balance in 36 months; and
 - A toll-free telephone number at which the consumer may receive information about accessing credit counseling and debt management services.
- Required to group all fees together and to separately itemize interest charges by transaction type, without regard to whether the charges are considered "finance charges", "other charges" or neither.
- Disclose separately the total fees and the total interest imposed for the cycle and year to date.
- Disclosures must be provided in table form.