

Credit Card Act of 2009

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This presentation is not meant to serve as a substitute for reading the Act, seeking legal counsel, etc. The presentation merely serves as an introduction to, and overview of, the Act.

Credit Card Act of 2009

● Outline

- Legislative Background

- Consumer Protection

- Enhanced Disclosures

- Protection of Young Consumers

- Gift Cards

- Miscellaneous



Legislative Background

● Names

- *Credit Card Accountability and Responsibility and Disclosure Act of 2009*
- *Credit Card Act of 2009*
- *CARD*

● History

- Introduced ~ January 22, 2009
 - HR 627
- Signed into Law ~ May 22, 2009
 - Public Law No.: 111-24



Legislative Background cont...

- **Effective Date (s)**

- **9 months of enactment (February 22, 2010)**
- **15 months of enactment (August 22, 2010)**
- **90 days of enactment (August 20, 2009)**

- **Governing Agency**

- **Board of Governors of Federal Reserve**

- **Application**

- **“any credit card account under an open end consumer credit plan”**



Legislative Background cont...

- Amending

- *Truth in Lending Act (“TIL”)*

- 15 U.S.C. 1601 et seq.

- *Fair Credit Reporting Act (“FCRA”)*

- 15 U.S.C. 1681 et seq.

- *Electronic Fund Transfer Act (“EFTA”)*

- 15 U.S.C. 1693 et seq.



Consumer Protection

- General Interest Rate, Fees & Charges Provisions
- Interest Rates
- Fees
- Payments



Consumer Protection ~ General

- General Interest Rate, Fees & Charges Provisions

- Written Notice ~ Changes in Terms (Sec. 101)

- 45 days prior to:

- Annual percentage rate (“APR”) increase OR
 - Other significant changes (defined by Rule)



- Right to Cancel

- Before effective date of change
 - Cannot:
 - be considered “defaulting”
 - trigger payment acceleration
 - Charge penalty

**EFFECTIVE DATE: 90 DAYS
AFTER ENACTMENT**

Consumer Protection~ General cont..

● General cont...

○ APR/ Fees/ Charges Increase

**EFFECTIVE DATE: 9
Months**

- Cannot increase with respect to outstanding balances
UNLESS:

- *Introductory Rate*

- Must clearly disclose rate~ must include:

- time period of current rate

- APR after rate expires

- Actual increase rate must be

- Increased rate does not apply to prior transactions



Consumer Protection~ General cont...

○ APR/ Fees/ Charges Increase cont...

- ***Increase in Variable APR***

- Disclosed in agreement
- Only allowed if rate changes according to an index uncontrolled by creditor

- ***End of Workout/ Hardship Agreement***

- Must be done per agreement
- Agreement must have been clearly disclosed
- APR/Fees/etc. do not exceed prior agreement



Consumer Protection ~ General cont...

○ APR/ Fees/ Charges Increase

- *60 days late*
 - Must give written notice ~ reason
 - APR increase must end no later than 6 months after imposed IF on time payments

● Repayment of Outstanding Balance

○ Prohibits changing repayment terms UNLESS abide by delineated plan

● Includes :

- 5 + year amortization plan
- Including % of outstanding balance in minimum payment

EFFECTIVE DATE: 9 Months

Consumer Protection ~ Interest Rates

- APR Increase (Credit risk, market, etc.)

- If increase due to  :

- Must give consumer reason for increase

- Same factors should be considered in reducing APR

- Account review (January 1, 2009/ every 6 mths)

- Must reduce APR

EFFECTIVE DATE: 15 Months

- Prohibitions:

- Cannot increase APR/fees/charges in 1st year EXCEPT per:

- Introductory rate, variable APR, Modification, 60 days late (from earlier)

- Promotional APR

- No increase in APR b4 6 months

EFFECTIVE DATE: 9 Months

Consumer Protection ~ Fees

● Fees (Sec. 102)

○ Over-the-Limit ~ (only applies where FEE involved)

● OPT-In required

- Express consent
- Details about fee must be given prior to consent
- Consumer can revoke election
 - *Must remind consumer of right to revoke when fee imposed*



● Fee Rules

- Only allowed 1 per billing cycle AND
- Only 1x during 2 subsequent billing cycles UNLESS:
 - Consumer increased credit line OR
 - Reduced outstanding balance to below credit line

EFFECTIVE DATE: 9 Months

Consumer Protection ~ Fees cont..

● Fees cont...

○ Payment

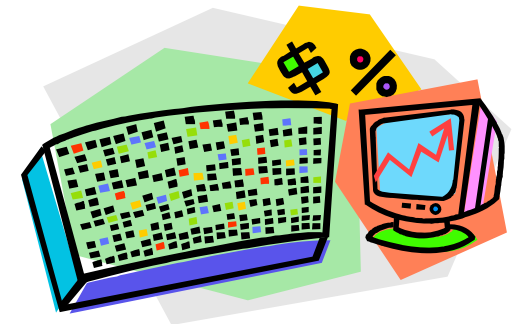
- No fee based on payment method UNLESS involves expedited service
 - (telephone, online, etc)

EFFECTIVE DATE: 9 Months

○ Reasonableness of Penalty Fees/Charges

- Must be ~ (1) reasonable & (2) proportional
- Board to issue standards to include:
 - Cost to creditor resulting from violation
 - Deterrence
 - Conduct of cardholder

EFFECTIVE DATE: 15 Months



Consumer Protection ~ Payments

- Payments (Sec. 104)

- Application of Payments

- Payment due by 5 pm on due date
- Amount received in excess of minimum payment~
 - 1st to balance with highest interest rate
 - THEN order of decreasing interest rate
- Deferred interest arrangement- Amount received in excess of minimum payment~
 - If during last 2 billing cycles of arrangement, to that balance



EFFECTIVE DATE: 9 Months

Consumer Protection ~ Payments cont...

EFFECTIVE DATE: 9 Months

● Payments cont...

○ Fee Harvester Cards (Sec. 105)

- Prohibition Trigger → Consumer fee = >25% of credit limit
 - Consumer cannot pay fee with that card
 - Doesn't take into account late fees, NSF fees, etc.
 - Only looking at 1st year

○ Periodic Statements (Sec. 106)

- Must have procedures/policies to ensure mailing or receipt 21 days prior to due date
- If not, payment cannot be considered late
- Also applies to grace periods (must mail statement 21 days prior to grace period expiration)

EFFECTIVE DATE: 90 DAYS

Consumer Protection ~ Payments cont...

● Payments cont...

○ General

EFFECTIVE DATE: 9 Months

● *Ability to Repay (Sec. 109)*

- Cannot open or increase limit without ascertaining

● *Creditor changes (Sec. 104)~ mailing or office address, procedures etc.*

- If caused payment to be late, no late penalty
- Only applies until 60 days after change

● *Due Dates (Sec. 106)*

- Must be same each month
- If on non-business day, changes to next business day



Enhanced Disclosures

EFFECTIVE DATE: 9 Months

- Payoff Disclosure (Sec. 201)

- Minimum Payment Warning must be given

- *Must include the following:*

- If pay current minimum payment only:
 - # of months to payoff balance AND
 - Total costs (*interest and principal)

- 36 month payoff info:

- Monthly payment to payoff in 36 months
- Total costs (*interest and principal)

- *Interest Rate Calculation

- Use rate in effect when given and until paid off
- Same with indexing rate if variable (throughout)



Enhanced Disclosures cont...

● Payoff Disclosure cont...:

● *Must include cont...*

- Toll free #:
 - Access to credit counseling and debt management
 - US Bankruptcy Trustee listing



Enhanced Disclosures cont...

- Late Penalties (Sec. 202)

- *Periodic Statement Must Include:*

- *Payment date
- Date a late fee will be imposed
- Amount of late fee
- If APR will increase if late, **Also:**
 - That fact AND
 - Penalty APR



*If pay at a branch location, date payment made is date to determine if late

EFFECTIVE DATE: 9 Months

Enhanced Disclosures cont..

● Miscellaneous

○ *Contract Posting (Sec. 204)*

EFFECTIVE DATE: 9 Months

● Creditors must:

- post agreements on internet (for each type of account)
 - Doesn't apply to individually negotiated contracts
- Provide Board with agreements

○ *Credit Reports– Amends FCRA (Sec. 205)*

● “Free Credit Report” ad restrictions

- Must state free reports are available at www.annualcreditreport.com
- TV & Radio ads
 - Must state not the free federal reports
 - TV must include visual and audio disclosure

AnnualCreditReport.com



Protection of Young Consumers

● Restrictions on Credit Cards (Sec. 301)

○ Cannot issue to person under age of 21 (“under-ager”) UNLESS:

- Have a cosigner who is:
 - 21 and
 - Able to repay debt and
 - Jointly liable OR
- Under-ager has means of repaying



○ Cannot increase credit limit of under-ager with a cosigner UNLESS (Sec. 303):

- Written consent from cosigner to:
 - Increase AND
 - Continued joint liability

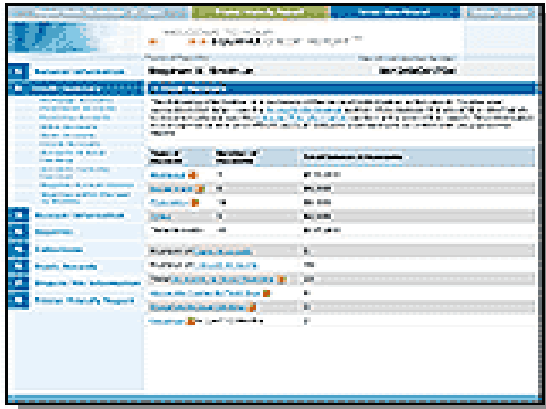
EFFECTIVE DATE: 9 Months

Protection of Young Consumers cont...

● Restrictions on Credit Cards cont...

○ **Amending FCRA (Sec. 302)**

- Credit Reporting Agency may only furnish a credit report of under-ager if:
 - Date of birth is not indicated on report OR
 - Date of birth is less than 21, BUT consumer consents to the release



The screenshot shows a credit report interface with a table of accounts. The table has columns for Name, Address, and Balance. The data is as follows:

Name	Address	Balance
MasterCard	12345 Main St	\$1,234.56
Discover	67890 Elm St	\$567.89
Visa	10111 Maple St	\$987.65
Amex	12121 Oak St	\$432.10
Chase	13131 Pine St	\$765.43
Bank of America	14141 Birch St	\$210.98
Wells Fargo	15151 Cedar St	\$876.54
Citigroup	16161 Spruce St	\$321.09
Capital One	17171 Fir St	\$654.32
Bank of America	18181 Willow St	\$987.65

EFFECTIVE DATE: 9 Months

Protection of Young Consumers cont...

● Credit Cards and Colleges/ Universities

○ *Marketing (Sec. 304)*

- Requires disclosure of marketing agreements by college / university
- Prohibits use of student incentives to apply for card if marketing:
 - On campus,
 - Near campus, OR
 - At an event sponsored by or related to the institution



EFFECTIVE DATE: 9 Months

Protection of Young Consumers cont...

● Credit Cards and Colleges/ Universities

○ *Marketing*

● Congressional Recommendations

- Colleges/ Universities:
 - Requires Credit card marketers to notify them of campus location where marketing
 - Limit marketing locations
 - Make Credit & Debt education sessions a part of new student orientation



Protection of Young Consumers cont...

● Credit Cards and Colleges/ Universities cont...

○ *Credit Card Agreements (Sec. 305)*

● “College Affinity Cards”

- a credit card issued by a credit card issuer in conjunction with an agreement between the issuer and an institution of higher education and organization affiliated with or related to such institution, under which such cards are issued to college students who have an affinity with such institution, organization and--
 - (i) the creditor has agreed to donate a portion of the proceeds of the credit card to the institution, etc.
 - (ii) the creditor has agreed to offer discounted terms to the consumer; or
 - (iii) the credit card bears the name, emblem, mascot, or logo of such institution, etc. or other words, pictures, or symbols readily identified with such institution, etc.

Protection of Young Consumers cont...

● Credit Cards and Colleges/ Universities cont...

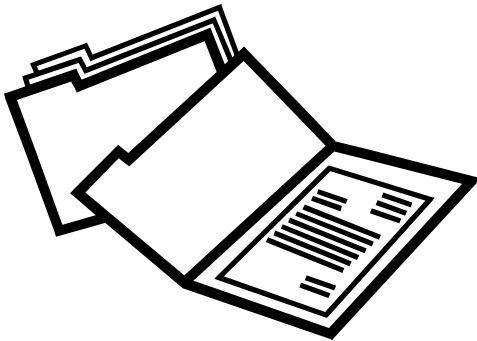
○ *Credit Card Agreements*

● Creditor Annual Report to Board (College Affinity Cards)

• Must include:

• Terms & conditions of all business, marketing , card agreements to include:

- Memorandum of understanding between the creditor and organization
- Amount of payments form creditor to organization
- No. of credit card accounts covered by the arrangement



**MUST BE SUBMITTED WITHIN :
9 Months of Effective Date**

Gift Cards

- **Amending EFTA (Sec. 401)**

- Definitions ~Types of Cards

- **GENERAL-USE PREPAID CARD**— a card or other payment code or device issued by any person that is—
 - (i) redeemable at multiple, unaffiliated merchants or service providers, or automated teller machines;
 - (ii) issued in a requested amount, whether or not that amount may, at the option of the issuer, be increased in value or reloaded if requested by the holder;
 - (iii) purchased or loaded on a prepaid basis; and
 - (iv) honored, upon presentation, by merchants for goods or services, or at automated teller machines.

Gift Cards cont...

○ Definitions- Types of Cards cont...

- ***GIFT CERTIFICATE***– an electronic promise that is--
 - (i) redeemable at a single merchant or an affiliated group of merchants that share the same name, mark, or logo;
 - (ii) issued in a specified amount that may not be increased or reloaded;
 - (iii) purchased on a prepaid basis in exchange for payment; and
 - (iv) honored upon presentation by such single merchant or affiliated group of merchants for goods or services.

Gift Cards cont...

○ Definitions- Types of Cards cont...

- ***STORE GIFT CARD***– an electronic promise, plastic card, or other payment code or device that is--
 - (i) redeemable at a single merchant or an affiliated group of merchants that share the same name, mark, or logo;
 - (ii) issued in a specified amount, whether or not that amount may be increased in value or reloaded at the request of the holder;
 - (iii) purchased on a prepaid basis in exchange for payment; and
 - (iv) honored upon presentation by such single merchant or affiliated group of merchants for goods or services.

Gift Cards cont...

○ Definitions- Types of Fees

● *Dormancy fee, inactivity fee or fee*

- a fee, charge, or penalty for non-use or inactivity of a gift certificate, store gift card, or general-use prepaid card.

● *Service Fee*

- a periodic fee, charge, or penalty for holding or use of a gift certificate, store gift card, or general-use prepaid card



Gift Cards cont...

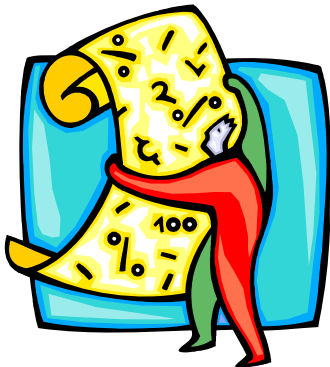
○ Restrictions

EFFECTIVE DATE: 15 Months

● *Fees*

- May not impose a fee on the cards UNLESS:
 - No activity in a 12 month period AND
 - Met disclosure requirements (Clear & conspicuous):
 - The fee may be charged;
 - Amount of fee;
 - How often it may be assessed;
 - That a fee may be assessed for inactivity
- Not more than 1 fee charged per month AND
- Whatever else the Board sets by Rule

*Issuer must notify consumer of fees before purchase~



Gift Cards cont...

○ Restrictions

● *Card Expiration*

- Cannot sell/issue card that expires **UNLESS:**
 - Exp. Date is 5 years or more down the road
 - AND**
 - Terms of expiration are clearly stated



EFFECTIVE DATE: 15 Months

Miscellaneous



- Sec. 501. Study and report on interchange fees.
- Sec. 502. Board review of consumer credit plans and regulations.
- Sec. 504 Procedure for timely settlement of estates of decedent obligors.
- Sec. 505. Report to Congress on reductions of consumer credit card limits based on certain information as to experience or transactions of the consumer.
- Sec. 506. Board review of small business credit plans and recommendations.


Miscellaneous cont...

- Sec. 507. Small business information security task force.
- Sec. 508. Study and report on emergency pin technology.
- Sec. 509. Study and report on the marketing of products with credit offers.
- Sec. 510. Financial and economic literacy.
- Sec. 511. Federal trade commission rulemaking on mortgage lending.
- Sec. 512. Protecting Americans from violent crime.
- Sec. 513. GAO study and report on fluency in the English language and financial literacy.

Resources

- CARD Act:

- <http://www.govtrack.us/congress/bill.xpd?bill=h111-627>



Board of Governors of the Federal Reserve System

The Federal Reserve, the central bank of the United States, provides the nation with a safe, flexible, and stable monetary and financial system.

- <http://www.federalreserve.gov/>



FEDERAL TRADE COMMISSION
PROTECTING AMERICA'S CONSUMERS

- <http://www.ftc.gov>

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