

111TH CONGRESS  
1ST SESSION

# S. 235

To amend the Truth in Lending Act to establish fair and transparent practices relating to the extension of credit under an open end consumer credit plan, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JANUARY 14, 2009

Mr. SCHUMER (for himself and Mr. UDALL of Colorado) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## A BILL

To amend the Truth in Lending Act to establish fair and transparent practices relating to the extension of credit under an open end consumer credit plan, 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 “Credit Cardholders’  
5 Bill of Rights Act of 2009”.

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

7 (a) **RETROACTIVE RATE INCREASES AND UNIVERSAL**  
8 **DEFAULT LIMITED.**—Chapter 2 of the Truth in Lending

1 Act (15 U.S.C. 1631 et seq.) is amended by inserting after  
2 section 127A the following new section:

3 **“§ 127B. Additional requirements for credit card ac-**  
4 **counts under an open end credit plan**

5 “(a) RETROACTIVE RATE INCREASES AND UNI-  
6 VERSAL DEFAULT LIMITED.—

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

12 “(2) EXISTING BALANCE DEFINED.—For pur-  
13 poses of this subsection and subsections (b) and (c),  
14 the term ‘existing balance’ means the amount owed  
15 on a consumer credit card account as of the end of  
16 the 14th day after the creditor provides notice of an  
17 increase in the annual percentage rate in accordance  
18 with subsection (c).

19 “(3) TREATMENT OF EXISTING BALANCES FOL-  
20 LOWING RATE INCREASE.—If a creditor increases  
21 any annual percentage rate of interest applicable to  
22 the credit card account of a consumer under an open  
23 end credit plan and there is an existing balance in  
24 the account to which such increase may not apply,  
25 the creditor shall allow the consumer to repay the

1 existing balance using a method provided by the  
 2 creditor which is at least as beneficial to the con-  
 3 sumer as one of the following methods:

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

8 “(B) The percentage of the existing bal-  
 9 ance that was included in the required min-  
 10 imum periodic payment before the rate increase  
 11 cannot be more than doubled.

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

13 “(A) a creditor increases any annual per-  
 14 centage rate of interest applicable on a credit  
 15 card account of the consumer under an open  
 16 end credit plan; and

17 “(B) the creditor is prohibited by this sec-  
 18 tion from applying the increased rate to an ex-  
 19 isting balance,

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

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

1 “(b) EXCEPTIONS.—

2 “(1) IN GENERAL.—A creditor may increase  
3 any annual percentage rate of interest applicable to  
4 the existing balance on a credit card account of the  
5 consumer under an open end credit plan only under  
6 the following circumstances:

7 “(A) CHANGE IN INDEX.—The increase is  
8 due solely to the operation of an index that is  
9 not under the creditor’s control and is available  
10 to the general public.

11 “(B) EXPIRATION OR LOSS OF PRO-  
12 MOTIONAL RATE.—The increase is due solely  
13 to—

14 “(i) the expiration of a promotional  
15 rate; or

16 “(ii) the loss of a promotional rate for  
17 a reason specified in the account agree-  
18 ment (e.g., late payment).

19 “(C) PAYMENT NOT RECEIVED DURING 30-  
20 DAY GRACE PERIOD AFTER DUE DATE.—The  
21 increase is due solely to the fact that the con-  
22 sumer’s minimum payment has not been re-  
23 ceived within 30 days after the due date for  
24 such minimum payment.

1           “(2) LIMITATION ON INCREASES DUE TO LOSS  
2           OF PROMOTIONAL RATE.—Notwithstanding para-  
3           graph (1)(B)(ii), the annual percentage rate in effect  
4           after the increase permitted under such subsection  
5           due to the loss of a promotional rate may not exceed  
6           the annual percentage rate that would have applied  
7           under the terms of the agreement after the expira-  
8           tion of the promotional rate.”.

9           (c) ADVANCE NOTICE OF RATE INCREASES.—Section  
10          127B of the Truth in Lending Act is amended by inserting  
11          after subsection (b) (as added by subsection (b)) the fol-  
12          lowing new subsection:

13          “(c) ADVANCE NOTICE OF RATE INCREASES.—In the  
14          case of any credit card account under an open end credit  
15          plan, no increase in any annual percentage rate of interest  
16          may take effect unless the creditor provides a written no-  
17          tice to the consumer at least 45 days before the increase  
18          takes effect which fully describes the changes in the an-  
19          nual percentage rate, in a complete and conspicuous man-  
20          ner, and the extent to which such increase would apply  
21          to an existing balance.”.

22          (d) CLERICAL AMENDMENT.—The table of sections  
23          for chapter 2 of the Truth in Lending Act (15 U.S.C.  
24          1631 et seq.) is amended by inserting after the item relat-  
25          ing to section 127A the following new item:

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

1 **SEC. 3. ADDITIONAL PROVISIONS REGARDING ACCOUNT**  
 2 **FEATURES, TERMS, AND PRICING.**

3 (a) **DOUBLE CYCLE BILLING PROHIBITED.**—Section  
 4 127B of the Truth in Lending Act is amended by inserting  
 5 after subsection (c) (as added by section 2(c)) the fol-  
 6 lowing new subsection:

7 “(d) **DOUBLE CYCLE BILLING.**—

8 “(1) **IN GENERAL.**—No finance charge may be  
 9 imposed by a creditor with respect to any balance on  
 10 a credit card account under an open end credit plan  
 11 that is based on balances for days in billing cycles  
 12 preceding the most recent billing cycle.

13 “(2) **EXCEPTIONS.**—Paragraph (1) shall not  
 14 apply so as to prohibit a creditor from—

15 “(A) charging a consumer for deferred in-  
 16 terest even though that interest may have ac-  
 17 crued over multiple billing cycles; or

18 “(B) adjusting finance charges following  
 19 resolution of a billing error dispute.”.

20 (b) **LIMITATIONS RELATING TO ACCOUNT BALANCES**  
 21 **ATTRIBUTABLE ONLY TO ACCRUED INTEREST.**—Section  
 22 127B is amended by inserting after subsection (d) (as  
 23 added by subsection (a)) the following new subsection:

1       “(e) LIMITATIONS RELATING TO ACCOUNT BAL-  
2 ANCES ATTRIBUTABLE ONLY TO ACCRUED INTEREST.—

3           “(1) IN GENERAL.—If the outstanding balance  
4       on a credit card account under an open end credit  
5       plan at the end of a billing period represents an  
6       amount attributable only to interest accrued during  
7       the preceding billing period on an outstanding bal-  
8       ance that was fully repaid during the preceding bill-  
9       ing period—

10           “(A) no fee may be imposed or collected in  
11       connection with such balance attributable only  
12       to interest before such end of the billing period;  
13       and

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

18       Such balance remains a legally binding debt obliga-  
19       tion.

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

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

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

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

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

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

20          “(g) CONSUMER RIGHT TO REJECT CARD BEFORE  
21 NOTICE OF NEW ACCOUNT IS PROVIDED TO CONSUMER  
22 REPORTING AGENCY.—

23                 “(1) IN GENERAL.—A creditor may not furnish  
24                 any information to a consumer reporting agency (as  
25                 defined in section 603) concerning the establishment



1 of a newly opened credit card account under an open  
2 end credit plan until the credit card has been used  
3 or activated by the consumer.

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

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

14 “(h) USE OF TERMS.—The following requirements  
15 shall apply with respect to the terms of any credit card  
16 account under any open end credit plan:

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

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

8           “(3) DUE DATE.—

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

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

1 day shall be credited to the consumer's account  
2 that business day.

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

16 (f) PRO RATA PAYMENT ALLOCATIONS.—Section  
17 127B of the Truth in Lending Act is amended by inserting  
18 after subsection (h) (as added by subsection (e)) the fol-  
19 lowing new subsection:

20 “(i) PRO RATA PAYMENT ALLOCATIONS.—

21 “(1) IN GENERAL.—Except as permitted under  
22 paragraph (2), if the outstanding balance on a credit  
23 card account under an open end credit plan accrues  
24 interest at two or more different annual percentage  
25 rates, the total amount of each periodic payment

1       made on such account shall be allocated by the cred-  
2       itor between or among the outstanding balances at  
3       each such annual percentage rate in the same pro-  
4       portion as each such balance bears to the total out-  
5       standing balance on the account.

6               “(2) ALLOCATION TO HIGHER RATE.—Notwith-  
7       standing paragraph (1), a creditor may elect, in any  
8       case described in such paragraph, to allocate more  
9       than a pro rata share of any payment to a portion  
10      of the outstanding balance that bears a higher an-  
11      nual percentage rate than another portion of such  
12      outstanding balance.

13              “(3) SPECIAL RULES FOR ACCOUNTS WITH  
14      PROMOTIONAL RATE BALANCES OR DEFERRED IN-  
15      TEREST BALANCES.—

16              “(A) IN GENERAL.—Notwithstanding para-  
17      graph (1) or (2), in the case of a credit card  
18      account under an open end credit plan the cur-  
19      rent terms of which allow the consumer to re-  
20      ceive the benefit of a promotional rate or de-  
21      ferred interest plan, amounts paid in excess of  
22      the required minimum payment shall be allo-  
23      cated to the promotional rate balance or the de-  
24      ferred interest balance only if other balances  
25      have been fully paid.

1           “(B) EXCEPTION FOR DEFERRED INTER-  
2           EST BALANCES.—Notwithstanding subpara-  
3           graph (A), a creditor may allocate the entire  
4           amount paid by the consumer in excess of the  
5           required minimum periodic payment to a bal-  
6           ance on which interest is deferred during the 2  
7           billing cycles immediately preceding the expira-  
8           tion of the period during which interest is de-  
9           ferred.

10           “(4) PROHIBITION ON RESTRICTED GRACE PE-  
11           RIODS UNDER CERTAIN CIRCUMSTANCES.—If, with  
12           respect to any credit card account under an open  
13           end credit, a creditor offers a time period in which  
14           to repay credit extended without incurring finance  
15           charges to cardholders who pay the balance in full,  
16           the creditor may not deny a consumer who takes ad-  
17           vantage of a promotional rate balance or deferred in-  
18           terest rate balance offer with respect to such an ac-  
19           count any such time period for repaying credit with-  
20           out incurring finance charges.”.

21           (g) TIMELY PROVISION OF PERIODIC STATE-  
22           MENTS.—Section 127B of the Truth in Lending Act is  
23           amended by inserting after subsection (i) (as added by  
24           subsection (f)) the following new subsection:

1       “(j) **TIMELY PROVISION OF PERIODIC STATE-**  
 2 **MENTS.**—Each periodic statement with respect to a credit  
 3 card account under an open end credit plan shall be sent  
 4 by the creditor to the consumer not less than 25 calendar  
 5 days before the due date identified in such statement for  
 6 the next payment on the outstanding balance on such ac-  
 7 count, and section 163(a) shall be applied with respect to  
 8 any such account by substituting ‘25’ for ‘fourteen’.”.

9 **SEC. 4. CONSUMER CHOICE WITH RESPECT TO OVER-THE-**  
 10 **LIMIT TRANSACTIONS.**

11       Section 127B of the Truth in Lending Act is amend-  
 12 ed by inserting after subsection (j) (as added by section  
 13 3(g)) the following new subsections:

14       “(k) **OPT-OUT OF CREDITOR AUTHORIZATION OF**  
 15 **OVER-THE-LIMIT TRANSACTIONS IF FEES ARE IM-**  
 16 **POSED.**—

17       “(1) **IN GENERAL.**—In the case of any credit  
 18 card account under an open end credit plan under  
 19 which an over-the-limit fee may be imposed by the  
 20 creditor for any extension of credit in excess of the  
 21 amount of credit authorized to be extended under  
 22 such account, the consumer may elect to prohibit the  
 23 creditor, with respect to such account, from com-  
 24 pleting any transaction involving the extension of  
 25 credit, with respect to such account, in excess of the

1 amount of credit authorized by notifying the creditor  
2 of such election in accordance with paragraph (2).

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

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

7 “(B) by submitting to the creditor a signed  
8 notice of election, by mail or electronic commu-  
9 nication, on a form issued by the creditor for  
10 purposes of this subparagraph.

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

17 “(4) NOTIFICATION SYSTEM.—Each creditor  
18 that maintains credit card accounts under an open  
19 end credit plan shall establish and maintain a notifi-  
20 cation system, including a toll-free telephone num-  
21 ber, Internet address, and worldwide website, which  
22 permits any consumer whose credit card account is  
23 maintained by the creditor to notify the creditor of  
24 an election under this subsection in accordance with  
25 paragraph (2).

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

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

13           “(B) in any such periodic statement which  
14 includes a notice of the imposition of an over-  
15 the-limit fee during the period covered by the  
16 statement.

17           “(6) NO FEES IF CONSUMER HAS MADE AN  
18 ELECTION.—If a consumer has made an election  
19 under paragraph (1), no over-the-limit fee may be  
20 imposed on the account for any reason that has  
21 caused the outstanding balance in the account to ex-  
22 ceed the credit limit.

23           “(7) REGULATIONS.—

24           “(A) IN GENERAL.—The Board shall issue  
25 regulations allowing for the completion of over-



1 the-limit transactions that for operational rea-  
2 sons exceed the credit limit by a de minimis  
3 amount, even where the cardholder has made  
4 an election under paragraph (1).

5 “(B) SUBJECT TO NO FEE LIMITATION.—  
6 The regulations prescribed under subparagraph  
7 (A) shall not allow for the imposition of any fee  
8 or any rate increase based on the permitted  
9 over-the-limit transactions.

10 “(l) OVER-THE-LIMIT FEE RESTRICTIONS.—With re-  
11 spect to a credit card account under an open end credit  
12 plan, an over-the-limit fee may be imposed only once dur-  
13 ing a billing cycle if, on the last day of such billing cycle,  
14 the credit limit on the account is exceeded, and an over-  
15 the-limit fee, with respect to such excess credit, may be  
16 imposed only once in each of the 2 subsequent billing cy-  
17 cles, unless the consumer has obtained an additional ex-  
18 tension of credit in excess of such credit limit during any  
19 such subsequent cycle or the consumer reduces the out-  
20 standing balance below the credit limit as of the end of  
21 such billing cycle.

22 “(m) OVER-THE-LIMIT FEES PROHIBITED IN CON-  
23 JUNCTION WITH CERTAIN CREDIT HOLDS.—Notwith-  
24 standing subsection (l), an over-the-limit fee may not be  
25 imposed if the credit limit was exceeded due to a hold un-

1 less the actual amount of the transaction for which the  
 2 hold was placed would have resulted in the consumer ex-  
 3 ceeding the credit limit.”.

4 **SEC. 5. STRENGTHEN CREDIT CARD INFORMATION COL-**  
 5 **LECTION.**

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

8 (1) in paragraph (1)—

9 (A) by striking “COLLECTION RE-  
 10 QUIRED.—The Board shall” and inserting  
 11 “COLLECTION REQUIRED.—

12 “(A) IN GENERAL.—The Board shall”.

13 (B) by adding at the end the following new  
 14 subparagraph:

15 “(B) INFORMATION TO BE INCLUDED.—  
 16 The information under subparagraph (A) shall  
 17 include, for the relevant semiannual period, the  
 18 following information with respect each creditor  
 19 in connection with any consumer credit card ac-  
 20 count:

21 “(i) A list of each type of transaction  
 22 or event during the semiannual period for  
 23 which one or more creditors has imposed a  
 24 separate interest rate upon a consumer  
 25 credit card account holder, including pur-

1 chases, cash advances, and balance trans-  
2 fers.

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

5 “(I) each distinct interest rate  
6 charged by the card issuer to a con-  
7 sumer credit card account holder dur-  
8 ing the semiannual period; and

9 “(II) the number of cardholders  
10 to whom each such interest rate was  
11 applied during the last calendar  
12 month of the semiannual period, and  
13 the total amount of interest charged  
14 to such account holders at each such  
15 rate during such month.

16 “(iii) A list of each type of fee that  
17 one or more of the creditors has imposed  
18 upon a consumer credit card account hold-  
19 er during the semiannual period, including  
20 any fee imposed for obtaining a cash ad-  
21 vance, making a late payment, exceeding  
22 the credit limit on an account, making a  
23 balance transfer, or exchanging United  
24 States dollars for foreign currency.

1           “(iv) For each type of fee identified  
2           under clause (iii), the number of account  
3           holders upon whom the fee was imposed  
4           during each calendar month of the semi-  
5           annual period, and the total amount of  
6           fees imposed upon cardholders during such  
7           month.

8           “(v) The total number of consumer  
9           credit card account holders that incurred  
10          any finance charge or any other fee during  
11          the semiannual period.

12          “(vi) The total number of consumer  
13          credit card accounts maintained by each  
14          creditor as of the end of the semiannual  
15          period.

16          “(vii) The total number and value of  
17          cash advances made during the semiannual  
18          period under a consumer credit card ac-  
19          count.

20          “(viii) The total number and value of  
21          purchases involving or constituting con-  
22          sumer credit card transactions during the  
23          semiannual period.

24          “(ix) The total number and amount of  
25          repayments on outstanding balances on

1 consumer credit card accounts in each  
2 month of the semiannual period.

3 “(x) The percentage of all consumer  
4 credit card account holders (with respect  
5 to any creditor) who—

6 “(I) incurred a finance charge in  
7 each month of the semiannual period  
8 on any portion of an outstanding bal-  
9 ance on which a finance charge had  
10 not previously been incurred; and

11 “(II) incurred any such finance  
12 charge at any time during the semi-  
13 annual period.

14 “(xi) The total number and amount of  
15 balances accruing finance charges during  
16 the semiannual period.

17 “(xii) The total number and amount  
18 of the outstanding balances on consumer  
19 credit card accounts as of the end of such  
20 semiannual period.

21 “(xiii) Total credit limits in effect on  
22 consumer credit card accounts as of the  
23 end of such semiannual period and the  
24 amount by which such credit limits exceed

1 the credit limits in effect as of the begin-  
2 ning of such period.

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

6 (2) by adding at the end the following new  
7 paragraph:

8 “(5) REPORT TO CONGRESS.—The Board shall,  
9 on an annual basis, transmit to Congress and make  
10 public a report containing estimates by the Board of  
11 the approximate, relative percentage of income de-  
12 rived by the credit card operations of depository in-  
13 stitutions from—

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

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

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

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

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

23 and

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

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

3 Section 127B of the Truth in Lending Act is amend-  
 4 ed by inserting after subsection (m) (as added by section  
 5 4) the following new subsection:

6 “(n) STANDARDS APPLICABLE TO INITIAL ISSUANCE  
 7 OF SUBPRIME OR ‘FEE HARVESTER’ CARDS.—

8 “(1) IN GENERAL.—In the case of any credit  
 9 card account under an open end credit plan the  
 10 terms of which require the payment of fees (other  
 11 than late fees or over-the-limit fees) by the consumer  
 12 in the first year the account is opened in an amount  
 13 in excess of 25 percent of the total amount of credit  
 14 authorized under the account, no payment of any  
 15 fees (other than late fees or over-the-limit fees) may  
 16 be made from the credit made available by the card.

17 “(2) RULE OF CONSTRUCTION.—No provision  
 18 of this subsection may be construed as authorizing  
 19 any imposition or payment of advance fees otherwise  
 20 prohibited by any provision of law.”.

21 **SEC. 7. EXTENSIONS OF CREDIT TO UNDERAGE CON-**  
 22 **SUMERS.**

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

1           “(8) EXTENSIONS OF CREDIT TO UNDERAGE  
2 CONSUMERS.—

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

8           “(B) RULE OF CONSTRUCTION.—For the  
9 purposes of determining the age of an appli-  
10 cant, the submission of a signed application by  
11 a consumer stating that the consumer is over  
12 18 shall be considered sufficient proof of age.”.

13 **SEC. 8. EFFECTIVE DATE.**

14       (a) IN GENERAL.—The amendments made by this  
15 Act shall apply to all credit card accounts under open end  
16 credit plans as of the end of the 3-month period beginning  
17 on the date of the enactment of this Act.

18       (b) REGULATIONS.—The Board of Governors of the  
19 Federal Reserve System, in consultation with the Comp-  
20 troller of the Currency, the Director of the Office of Thrift  
21 Supervision, the Federal Deposit Insurance Corporation,  
22 the National Credit Union Administration Board, and the  
23 Federal Trade Commission, shall prescribe regulations, in  
24 final form, implementing the amendments made by this



- 1 Act before the end of the 3-month period referred to in
- 2 subsection (a).

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