



Office of Thrift Supervision
Department of the Treasury

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MEMORANDUM FOR: CHIEF EXECUTIVE OFFICERS

FROM: Montrice Godard Yakimov, Managing Director
Compliance and Consumer Protection

Montrice Godard Yakimov

SUBJECT: Credit CARD Act of 2009: Effective Dates

On May 22, 2009, President Obama signed the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit CARD Act) into law. The Credit CARD Act expands the prohibition against five practices that the OTS and other agencies recently found to be unfair.¹ It also codifies several amendments to Truth in Lending rules issued by the Federal Reserve Board and restricts additional practices. A summary of the Credit CARD Act is attached.

OTS is taking this opportunity to alert stakeholders of the effective dates of the new legislation. Specifically, most aspects of the Credit CARD Act will become effective on February 22, 2010, nine months after it was signed into law.² However, two provisions will become effective on August 20, 2009, 90 days after the legislation was enacted. These provisions contain the requirement that issuers provide 21 days for consumers to pay their credit card bills, and the requirement that issuers provide 45 days notice of changes in terms.

For additional information, please contact April Breslaw, Director, Consumer Regulations, (202) 906-6989.

Attachment: CARD Act Summary

¹ The agencies required that consumers receive a reasonable amount of time to make their credit card payments, prohibited payment allocation methods that unfairly maximize interest charges and, in the subprime credit card market, limited fees that reduce the credit available to consumers. In addition, the agencies prohibited issuers from raising the interest rate on an existing credit card balance when a consumer is paying credit card bills on time. See Unfair and Deceptive Practices Rules, 74 Fed. Reg. 5498, published Jan. 29, 2009 (available at: <http://edocket.access.gpo.gov/2009/pdf/E8-31186.pdf>).

² The agencies' rules on unfair credit card practices are scheduled to go into effect on July 1, 2010.

**Key Provisions of
Credit Card Accountability Responsibility and Disclosure Act of 2009**
(Provisions will be effective on February 22, 2010, unless otherwise noted.)

Provides Enhanced Disclosure of Card Terms and Conditions

- Requires issuers to provide cardholders with 45 days notice of annual percentage rate, and other significant changes *(Effective August 20, 2009)*;
- Requires issuers to disclose changes in card terms that take effect upon renewal;
- Requires issuers to disclose the period of time and total interest that will be paid if a consumer repays a card balance by making only the minimum monthly payment;
- Requires full disclosure in billing statements of payment due dates and late payment penalties; and
- Prohibits the use of the term “fixed rate” unless the APR or interest rate will not vary for any reason over the period specified.

Requires Fairness in the Timing and Application of Card Payments

- Requires credit card statements to be mailed 21 days before the bill is due rather than the current 14 days to treat a payment as late or deny a grace period otherwise offered *(Effective August 20, 2009)*;
- Prohibits issuers from setting early morning deadlines for credit card payments;
- Requires that credit card payment due dates be the same day each month;
- Requires that payment at local branches be credited on the same-day; and
- Except for deferred interest balances, requires payments in excess of the minimum to be applied first to the credit card balance with the highest rate of interest.

Fosters Responsible Lending

- Requires issuers to consider a consumer’s ability to pay when issuing credit cards or increasing credit limits.

Restricts Certain Fees and Interest Charges

- Prohibits issuers from charging a fee to pay a credit card debt by mail, telephone, or electronic transfer, except for live services to make expedited payments;
- Prohibits issuers from charging over-limit fees unless cardholder has agreed to allow the issuer to complete over-limit transactions and restricts the manner in which over-limit fees may be assessed;
- Requires penalty fees to be reasonable and proportional to the omission or violation *(Effective August 22, 2010)*;
- Prohibits applying excessive fees to the credit available on low-credit, high-fee credit cards; and
- Prohibits interest charges on debt paid on time (prohibits “double-cycle billing” and requires that when grace periods are offered, they must extend to partial payments).

Prevents Unfair Increases in Interest Rates and Changes in Terms

- Prohibits APR, fee, or finance charge increases during the first year an account is opened and subsequently on outstanding balances subject to limited exceptions that do not permit “universal default” or “any time/any reason” repricing;
- Requires a credit card issuer who increases a cardholder’s interest rate to periodically review and decrease the rate if indicated by the review (*Effective August 22, 2010*); and
- Requires promotional rates to generally last at least 6 months.

Strengthens Oversight of Credit Card Industry Practices

- Requires Federal Trade Commission to issue rules that prevent deceptive marketing of free credit reports; and
- Requires credit card issuers to post credit card agreements on the Internet and provide those agreements to the Federal Reserve Board to post on its website.

Enacts Safeguards for Young People Who Obtain Credit Cards

- Requires issuers extending credit to consumers under the age of 21 to obtain the signature of an individual 21 years or older who will take responsibility for the debt or proof that the applicant has an independent means of repaying any credit extended;
- Limits prescreened offers of credit to young consumers;
- Prohibits increasing a credit limit unless both the cardholder and other jointly liable individual agrees to the increase; and
- Increases protections for students against inducements to obtain a credit card, and increases transparency of affinity arrangements between credit card companies and universities.

Enhanced Penalties

- Increases existing penalties for companies that violate the Truth in Lending Act for credit card customers.

Gift Card Protections (*Effective August 22, 2010*)

- Requires certain gift cards to have at least a five-year life span; and
- Eliminates the practice of declining values and hidden fees for gift cards not used within a reasonable period of time.