



Prepared by the EdFund Government Relations Unit

Overview of the Credit Card Accountability Responsibility and Disclosure Act of 2009 Public Law 111-24

Status: The Credit Card Accountability Responsibility and Disclosure Act of 2009, also known as the Credit CARD Act of 2009, was approved by the Senate on May 19, 2009 and by the House of Representatives on May 20, 2009. The President signed the bill into law on May 22, 2009.

Implementation: This legislation amends the Truth in Lending Act, section 127 (15 U.S.C. 1637). The Board of Governors of the Federal Reserve System (Federal Reserve Board) may issue rules and publish model forms as it considers necessary to carry out the Act. It is recommended that readers monitor guidance from the Federal Reserve Board (www.federalreserve.gov/) for provisions impacting operational issues. The amendments made by this Act will become effective nine months (February 2010) after the date of enactment, except as otherwise specifically provided for in the Act.

June 29, 2009

This document provides a summary of the Credit CARD Act of 2009 and is intended for informational purposes only. Readers should refer to the detail of the Credit CARD Act of 2009 and the Federal Reserve Board for guidance in determining all relevant issues.

www.federalreserve.gov

Subject	Credit CARD Act of 2009	Effective Date/ Trigger Event	Comments/Discussion
Title I Consumer Protection			
Section 101 – Protection of Credit Cardholders			
Advance Notice of Increase in Interest Rate and Other Significant Changes Required TILA Sec 127	<ul style="list-style-type: none"> • For every credit card account a creditor must provide a written notice of an increase in the annual percentage rate and/or any significant change in the terms including increases in <ul style="list-style-type: none"> ○ Fees ○ Finance charges • No later than 45 days prior to the effective date of the increase and/or change 		
Notice of Right to Cancel TILA Sec 127	<ul style="list-style-type: none"> • Each notice is to <ul style="list-style-type: none"> ○ Be made in a clear and conspicuous manner ○ Contain a brief statement of the consumer's right to cancel the account before the effective date of the changes 		
Rule of Construction TILA Sec 127	<ul style="list-style-type: none"> • Closure or cancellation of an account by the consumer shall not constitute a default and will not trigger an obligation to immediately repay the obligation in full or through a method less beneficial than <ul style="list-style-type: none"> ○ Amortized over not less than five years ○ Periodic payments with a percentage rate no more than twice the percentage required before the increase 	90 days after the date of enactment	
Limits on Interest Rate, Fee and Finance Charge Increases Applicable to Outstanding Balances TILA Sec 171(New)	<ul style="list-style-type: none"> • For any credit card account no creditor may increase the annual percentage rate, fee or finance charge applicable to the outstanding balance • Except <ul style="list-style-type: none"> ○ At the expiration of a specified period of time ○ For credit card accounts with rates that change according to an index that is not under the control of the creditor ○ At the completion of a workout or temporary hardship arrangement or the failure of the consumer to comply with the terms of a workout or temporary hardship arrangement 		

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	<p>provided the</p> <ul style="list-style-type: none"> ▪ Charge increase does not exceed the rate, fee or finance charge that applied prior to the beginning of the arrangement ▪ Consumer received clear and conspicuous disclosure of the terms of the arrangement prior to start of the agreement ○ An increase due solely to a minimum payment not being received within 60 days after the due date provided the creditor <ul style="list-style-type: none"> ▪ Provides a written notice in a clear and conspicuous manner providing a <ul style="list-style-type: none"> • Reason for the increase • Statement the increase will terminate after 6 months if the required minimum payments are on time • Repayment methods for an outstanding balance include <ul style="list-style-type: none"> ○ Amortization period of not less than 5 years beginning on the effective date of the increase ○ A required minimum periodic payment that includes a percentage of the outstanding balance that is equal to at least 2 times the percentage required before the date of the increase in the notice 		
<p>Interest Rate Reduction on Open End Consumer Credit Plans</p> <p>TILA Sec 148</p>	<p>The same factors used to increase the interest rate must be considered when reducing the annual percentage rate such as</p> <ul style="list-style-type: none"> • Credit risk of the consumer • Market conditions • Other factors determined by the creditor <p>The creditor must</p> <ul style="list-style-type: none"> • Use reasonable methodologies for assessing factors in determining the annual percentage rate • Review accounts at least once every 6 months 		

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	<ul style="list-style-type: none"> • Reduce the annual percentage rate if indicated by the review • When increasing the rate must provide written notice of the reason(s) for the increase 		
Additional Limits on Interest Rate Increases TILA Sec 172	<ul style="list-style-type: none"> • Annual rate, fee or finance charge may not be increased within the first year • Promotional annual rate may not be increased for at least six months from the beginning date the promotional rate takes effect 		
Section 102 – Limits on Fees and Interest Charges			
Opt-in Required for Over-The-Limit Transactions if Fees are Imposed TILA Sec 127	<p>Over-the-Limit Transactions Fees</p> <ul style="list-style-type: none"> • No fee may be charged unless the consumer has elected to permit the creditor to extend credit in excess of the credit limit authorized • The consumer must be informed of the amount of the fee • The consumer must be notified of the right to revoke the election and may do so <ul style="list-style-type: none"> ○ Orally ○ Electronically or ○ In writing • The consumer may make the election at any time and is effective until revoked • The fee may be charged only once during a given billing cycle 		
Reasonable Penalty Fees on Open End Consumer Credit Plans TILA Sec 149	<p>The amount of any penalty fee or charge that a card issuer may impose in connection with any violation of the cardholder agreement, must be reasonable and proportional to such omission or violation</p> <ul style="list-style-type: none"> ○ Including <ul style="list-style-type: none"> ▪ Late payment fees ▪ Over-the-limit fees ▪ Penalty fees or charges 		
Section 104 – Application of Card Payments			
Prompt and Fair Crediting of Payments	<ul style="list-style-type: none"> • Payments in excess of the minimum payment are to be applied as follows: 		

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TILA Sec 164	<ul style="list-style-type: none"> ○ First to the card balance with the highest interest ○ Then to each successive balance bearing the next highest rate of interest, until the payment is exhausted • Except in the case of a balance on which interest is deferred 		
Changes by Card Issuer TILA Sec 164	<p>No late fee or finance charge may be applied to an account if the issuer makes a material change that causes a delay in crediting a payment during the 60-day period following the date on which a change was made to the</p> <ul style="list-style-type: none"> • Mailing address • Office address, or • Procedures for handling cardholder payments 		
Section 106 – Rules Regarding Periodic Statements			
Due Dates for Credit Card Accounts TILA Sec 127	<p>For a credit card account</p> <ul style="list-style-type: none"> • The payment due date must be the same day each month • If the payment due date is a day 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 purposes 		
Section 109 – Consideration of Ability to Repay			
Consideration of Ability to Repay TILA Sec 150	<p>A card issuer must consider the consumers ability to make required payments under the terms of the account prior to</p> <ul style="list-style-type: none"> • Opening an account • Increasing the credit limit on an account 		
Title II Enhanced Consumer Disclosures			
Section 201 – Payoff Timing Disclosures			
Payoff Timing Disclosures TILA 127(b)(11)	<p>The billing statement must have the following information in a conspicuous and prominent location</p> <ul style="list-style-type: none"> • A statement that states making the minimum 		

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	<p>payment will increase the amount of interest you pay and the time it takes to repay the balance</p> <ul style="list-style-type: none"> • A statement with information if no further advances are made <ul style="list-style-type: none"> ○ The number of months to pay the entire balance ○ Total cost to the consumer, including interest and principal payments ○ Monthly payment amount required to eliminate the balance within 36 months ○ Total cost to the consumer, including interest and principal payments, to eliminate the balance within 36 months • A statement providing a toll-free number to obtain information on receiving credit counseling and debt management services 		
Section 202 – Requirements Relating to Late Payment Deadlines and Penalties			
<p>Requirements Relating to Late Payment Deadlines and Penalties</p> <p>TILA Sec 127(b)(12)</p>	<ul style="list-style-type: none"> • Late payment deadline is required to be disclosed in a conspicuous location on the billing statement and must include <ul style="list-style-type: none"> ○ The date the payment is due ○ The date the late fee will be charged ○ Amount of the late fee <p>The statement “If one or more late payments on a credit card account may result in an increase in interest rate” must be in close proximity to the information above</p>		
<p>Payments at Local Branches</p> <p>TILA Sec 127(b)(12)</p>	<ul style="list-style-type: none"> • If the creditor maintains branches or offices that accepts payments, the date the payment is made must be used for determining whether a late fee or penalty may be imposed 		
Title III Protection of Young Consumers			
Section 301 – Extensions of Credit to Underage Consumers			
<p>Applications from Underage Consumers</p>	<ul style="list-style-type: none"> • Credit Cards may not be issued to or credit card accounts opened by or on behalf of a consumer under the age of 21, unless a written application to 		<p>No information is provided on the status of the co-signer after the consumer reaches the age of 21.</p>

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TILA Sec 127(c)	<p>the card company that meets the application requirements is obtained</p> <ul style="list-style-type: none"> • Application Requirements for consumers under the age of 21 shall require <ul style="list-style-type: none"> ○ The signature of a cosigner indicating joint liability until the consumer has turned 21 or ○ The consumer submits financial information showing a means of repaying any obligation that could arise with the credit card account 		
Section 303 – Issuance of Credit Cards to Certain College Students			
Parental Approval Required to Increase Credit Lines for Accounts for Which Parent is Jointly Liable TILA Sec 127(p)	<ul style="list-style-type: none"> • No credit increase may be made to accounts that have a co-signer due to the consumer being under the age of 21 unless <ul style="list-style-type: none"> ○ The co-signer approves the increase in writing and ○ Assumes joint liability for the increase 		
Section 304 – Privacy Protection for College Students			
Disclosure Required and Inducements Prohibited TILA Sec 140	<ul style="list-style-type: none"> • An institution of higher education must publicly disclose any contract or other agreement made with a card issuer or creditor for the purpose of marketing a credit card • Card issuer or creditors may not offer tangible items as an inducement to students to apply for credit card accounts if the offer <ul style="list-style-type: none"> ○ Is on campus ○ Near the campus or ○ At an event sponsored or related to the campus 		
Sense of the Congress TILA Sec 140	<ul style="list-style-type: none"> • Congress believes institutions of higher education should consider adopting the following policies relating to credit card issuers <ul style="list-style-type: none"> ○ Card issuers that market credit cards on campus should notify the institution of the location the marketing will take place ○ The number of locations that marketing of credit cards takes place should be limited 		

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	<ul style="list-style-type: none"> ○ Credit card and debt education and counseling sessions should be offered as a regular part of any orientation program for new students 		
Title IV Gift Cards			
Section 401 – General-Use Prepaid Cards, Gift Certificates, and Store Gift Cards			
Prohibition on Sale of Gift Cards with Expiration Dates The Electronic Fund Transfer Act	<ul style="list-style-type: none"> • It is unlawful to sell or issue a gift certificate, store gift card, or general use prepaid card that has an expiration date unless the <ul style="list-style-type: none"> ○ Expiration date is at least 5 years from the date the <ul style="list-style-type: none"> ▪ Certificate was issued ▪ Card funds were last loaded to a store gift card or general-use prepaid card and ○ Terms of expiration are clearly and conspicuously stated 	15 months after the date of enactment	

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