



## Major Credit Card Changes Issued for Comment

September 29, 2009

The Federal Reserve Board today issued a proposal amending Regulation Z (Truth in Lending) to implement the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit CARD Act), which was enacted in May 2009. ***Despite its 841 pages, the proposal has an exceptionally short, 30-day comment period***, since it applies to the provisions of the Credit CARD Act that are required by the statute to go into effect on February 22, 2010. The Fed will probably be looking to issue final regulations by December, which still gives the industry a very short time to begin to implement the changes.

Among other things, the proposed rule would:

- Prohibit increases in a rate during the first year after an account is opened and increases in a rate applying to an existing credit card balance.
- Prohibit creditors from issuing a credit card to a consumer who is under the age of 21, unless the consumer has the ability to make the required payments or obtains the signature of a parent or other cosigner with the ability to do so.
- Require creditors to obtain a consumer's consent before charging fees for transactions that exceed the credit limit.
- Limit high fees associated with subprime credit cards.
- Ban creditors from using the "two-cycle" billing method to impose interest charges.
- Prohibit creditors from allocating payments in ways that maximize interest charges.

In December 2008, the Fed adopted final regulations prohibiting unfair credit card practices and altering the disclosures consumers receive in connection with credit card accounts. This proposal would amend aspects of those regulations to incorporate the provisions of the Credit CARD Act.

This proposed rule represents the second stage of the Federal Reserve's implementation of the Credit CARD Act. The Fed was forced to act in stages, since the Credit CARD Act had three separate effective dates, which applied to different provisions of the Act. The first stage was on July 15, 2009, when the Board issued an interim final rule implementing the provisions of the Credit CARD Act that went into effect on August 20, 2009. This proposed rule would implement the provisions that will go into effect on February 22, 2010. The Fed will issue a proposal at a later date to implement the third and final provisions of the Credit CARD Act, set to go into effect on August 22, 2010.

Chairman Barney Frank (D-MA), of the House Financial Services Committee, and Rep. Carolyn Maloney (D-NY) have introduced a bill to put ***all*** the credit card changes into effect by December 1, 2009. If enacted,

it would effectively give the industry *no time at all* to implement all the changes in the CARD Act. We will be watching the legislation closely to see if it has any chance of being enacted, though at this time it appears unlikely.

Prior to its publication in the Federal Register, the proposal may be obtained on the Federal Reserve Board's web site, or by going to the following link:

<http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20090929a1.pdf>. If you have any questions about the proposal, contact Steve Zeisel ([szeisel@cbanet.org](mailto:szeisel@cbanet.org)), or Darlene Rosenkoetter ([drosenkoetter@cbanet.org](mailto:drosenkoetter@cbanet.org)).

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