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# Union Calendar No. 554

110TH CONGRESS
2D SESSION

# H. R. 5244

**[Report No. 110–857]**

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 HOUSE OF REPRESENTATIVES

FEBRUARY 7, 2008

Mrs. MALONEY of New York (for herself, Mr. FRANK of Massachusetts, Ms. WATERS, Mr. GUTIERREZ, Mr. LYNCH, Mr. ELLISON, Mr. COHEN, Mr. FATTAH, Mr. HINCHEY, Mr. LANGEVIN, Mr. NADLER, Ms. SHEA-PORTER, Ms. SOLIS, Mr. WELCH of Vermont, Mr. WYNN, Mr. GONZALEZ, Mr. DEFAZIO, Mr. TAYLOR, Mr. OBEY, Ms. HIRONO, Mrs. BOYDA of Kansas, Ms. WASSERMAN SCHULTZ, Mr. UDALL of Colorado, Mr. DINGELL, Ms. CORRINE BROWN of Florida, Mr. THOMPSON of Mississippi, Mr. HASTINGS of Florida, Ms. CLARKE, Mr. JACKSON of Illinois, Mr. DAVIS of Illinois, Mrs. GILLIBRAND, Ms. EDDIE BERNICE JOHNSON of Texas, Ms. WATSON, Mr. ARCURI, Mr. ENGEL, Mr. TIERNEY, Mr. VAN HOLLEN, Mr. GEORGE MILLER of California, Mr. MORAN of Virginia, Mr. WEINER, Mr. ABERCROMBIE, Ms. SCHAKOWSKY, Mr. SHAYS, Mr. SERRANO, Mr. DOGGETT, and Mr. LINCOLN DAVIS of Tennessee) introduced the following bill; which was referred to the Committee on Financial Services

SEPTEMBER 16, 2008

Additional sponsors: Mr. DELAHUNT, Ms. DELAURO, Mr. RAHALL, Mr. BLUMENAUER, Mr. ACKERMAN, Mr. MCGOVERN, Mr. HALL of New York, Mr. FILNER, Mr. MCNULTY, Mr. GRIJALVA, Mr. PAYNE, Mr. MCDERMOTT, Mr. REYES, Mr. WALZ of Minnesota, Mr. BECERRA, Mr. CHANDLER, Mr. CONYERS, Ms. MCCOLLUM of Minnesota, Mr. WU, Mr. RODRIGUEZ, Mr. KENNEDY, Mr. CLAY, Ms. WOOLSEY, Mr. BAIRD, Mr. CUMMINGS, Mr. SIRES, Mr. BERMAN, Mr. STARK, Mr. HARE, Ms. SLAUGHTER, Mr. CAPUANO, Mr. MILLER of North Carolina, Ms. ZOE LOFGREN of California, Mr. FARR, Ms. JACKSON-LEE of Texas, Mr. RYAN of Ohio, Mr. LEWIS of Georgia, Mr. HONDA, Ms. SUTTON, Mr.

SARBANES, Ms. ROYBAL-ALLARD, Ms. BALDWIN, Ms. ESHOO, Mr. ROTHMAN, Mr. KILDEE, Ms. LORETTA SANCHEZ of California, Mr. ISRAEL, Mr. KAGEN, Mr. BRALEY of Iowa, Mr. MEEK of Florida, Mr. ORTIZ, Mrs. LOWEY, Mr. JEFFERSON, Mr. BISHOP of Georgia, Mr. GENE GREEN of Texas, Mr. YARMUTH, Mr. WAXMAN, Mr. CARNAHAN, Mr. JOHNSON of Georgia, Mr. STUPAK, Ms. TSONGAS, Mr. COURTNEY, Mr. ALLEN, Mr. LEVIN, Mr. ANDREWS, Ms. GIFFORDS, Mr. WATT, Mr. BACA, Mr. KANJORSKI, Mr. HINOJOSA, Mr. CLEAVER, Mr. MCNERNEY, Mr. AL GREEN of Texas, Mr. BARROW, Mr. MARSHALL, Mr. MARKEY, Mr. SHERMAN, Mr. LIPINSKI, Mr. BUTTERFIELD, Ms. KILPATRICK, Mrs. CAPPS, Mrs. NAPOLITANO, Ms. NORTON, Mr. BOSWELL, Ms. LEE, Ms. KAPTUR, Mr. HIGGINS, Mr. OLVER, Mr. JONES of North Carolina, Ms. MATSUI, Mr. PASCRELL, Mr. PALLONE, Mr. MURTHA, Mr. INSLEE, Mr. BRADY of Pennsylvania, Mr. CARSON, Mr. SPEIER, Mr. HOLT, Mr. TOWNS, Ms. LINDA T. SÁNCHEZ of California, Mr. CUELLAR, Mr. RANGEL, Mrs. JONES of Ohio, Mr. FALEOMAVAEGA, Ms. BERKLEY, Mr. LOEBSACK, Mr. COOPER, Ms. BORDALLO, Mr. KUCINICH, and Mr. NEAL of Massachusetts

SEPTEMBER 16, 2008

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on February 7, 2008]

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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.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

***SECTION 1. SHORT TITLE.***

*This Act may be cited as the "Credit Cardholders' Bill of Rights Act of 2008".*

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

*(a) RETROACTIVE RATE INCREASES AND UNIVERSAL DEFAULT LIMITED.—Chapter 2 of the Truth in Lending Act (15 U.S.C. 1631 et seq.) is amended by inserting after section 127A the following new section:*

***"§ 127B. Additional requirements for credit card accounts under an open end consumer credit plan***

*"(a) RETROACTIVE RATE INCREASES AND UNIVERSAL DEFAULT LIMITED.—*

*"(1) IN GENERAL.—Except as provided in subsection (b), no creditor may increase any annual percentage rate of interest applicable to the existing balance on a credit card account of the consumer under an open end consumer credit plan.*

*"(2) EXISTING BALANCE DEFINED.—For purposes of this subsection and subsections (b) and (c), the term 'existing balance' means the amount owed on a consumer credit card account as of the end of the fourteenth day after the creditor provides notice of an increase in the annual percentage rate in accordance with subsection (c).*

*"(3) TREATMENT OF EXISTING BALANCES FOLLOWING RATE INCREASE.—If a creditor increases any annual percentage rate of interest applicable to credit card account of a consumer under an open end con-*

*sumer credit plan and there is an existing balance in the account to which such increase may not apply, the creditor shall allow the consumer to repay the existing balance using a method provided by the creditor which is at least as beneficial to the consumer as 1 of the following methods:*

*"(A) An amortization period for the existing balance of at least 5 years starting from the date on which the increased annual percentage rate went into effect.*

*"(B) The percentage of the existing balance that was included in the required minimum periodic payment before the rate increase cannot be more than doubled.*

*"(4) LIMITATION ON CERTAIN FEES.—If—*

*"(A) a creditor increases any annual percentage rate of interest applicable on a credit card account of the consumer under an open end consumer credit plan; and*

*"(B) the creditor is prohibited by this section from applying the increased rate to an existing balance,*

*the creditor may not assess any fee or charge based solely on the existing balance.".*

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

*"(b) EXCEPTIONS.—*

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

*"(A) CHANGE IN INDEX.—The increase is due solely to the operation of an index that is not under the creditor's control and is available to the general public.*

*"(B) EXPIRATION OR LOSS OF PROMOTIONAL RATE.—The increase is due solely to—*

*"(i) the expiration of a promotional rate; or*

*"(ii) the loss of a promotional rate for a reason specified in the account agreement (e.g., late payment).*

*"(C) PAYMENT NOT RECEIVED DURING 30-DAY GRACE PERIOD AFTER DUE DATE.—The increase is due solely to the fact that the con-*

*sumer's minimum payment has not been received within 30 days after the due date for such minimum payment.*

*"(2) LIMITATION ON INCREASES DUE TO LOSS OF PROMOTIONAL RATE.—Notwithstanding paragraph (1)(B)(ii), the annual percentage rate in effect after the increase permitted under such subsection due to the loss of a promotional rate may not exceed the annual percentage rate that would have applied under the terms of the agreement after the expiration of the promotional rate.".*

*(c) ADVANCE NOTICE OF RATE INCREASES.—Section 127B of the Truth in Lending Act is amended by inserting after subsection (b) (as added by subsection (b)) the following new subsection:*

*"(c) ADVANCE NOTICE OF RATE INCREASES.—In the case of any credit card account under an open end consumer credit plan, no increase in any annual percentage rate of interest may take effect unless the creditor provides a written notice to the consumer at least 45 days before the increase takes effect which fully describes the changes in the annual percentage rate, in a complete and conspicuous manner, and the extent to which such increase would apply to an existing balance.".*

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

*"127B. Additional requirements for credit card accounts under an open end consumer credit plan.".*

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

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

*"(d) DOUBLE CYCLE BILLING.—*

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

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

*"(A) charging a consumer for deferred interest even though that interest may have accrued over multiple billing cycles; or*

*"(B) adjusting finance charges following resolution of a billing error dispute.".*

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

*"(e) LIMITATIONS RELATING TO ACCOUNT BALANCES ATTRIBUTABLE ONLY TO ACCRUED INTEREST.—*

*"(1) IN GENERAL.—If the outstanding balance on a credit card account under an open end consumer credit plan at the end of a billing period represents an amount attributable only to interest accrued during the preceding billing period on an outstanding balance that was fully repaid during the preceding billing period—*

*"(A) no fee may be imposed or collected in connection with such balance attributable only to interest before such end of the billing period; and*

*"(B) any failure to make timely repayments of the balance attributable only to interest before such end of the billing period shall not constitute a default on the account.*

*Such balance remains a legally binding debt obligation.*

*"(2) RULE OF CONSTRUCTION.—Paragraph (1) shall not be construed as affecting—*

*"(A) the consumer's obligation to pay any accrued interest on a credit card account under an open end consumer credit plan; or*

*"(B) the accrual of interest on the outstanding balance on any such account in accordance with the terms of the account and this title.".*

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

*"(f) PAYOFF BALANCE INFORMATION.—Each periodic statement provided by a creditor to a consumer with respect to a credit card account under an open end consumer credit plan shall contain the telephone number, Internet address, and Worldwide Web site at which the consumer may request the payoff balance on the account.".*

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

*"(g) CONSUMER RIGHT TO REJECT CARD BEFORE NOTICE OF NEW ACCOUNT IS PROVIDED TO CONSUMER REPORTING AGENCY.—*

*"(1) IN GENERAL.—A creditor may not furnish any information to a consumer reporting agency (as defined in section 603) concerning the establishment of a newly opened credit card account under an open end consumer credit plan until the credit card has been used or activated by the consumer.*

*"(2) RULE OF CONSTRUCTION.—Paragraph (1) shall not be construed as prohibiting a creditor from furnishing information about any application for credit card account under an open end consumer credit plan or any inquiry about any such account to a consumer reporting agency (as so defined).".*

*(e) USE OF TERMS CLARIFIED.—Section 127B of the Truth in Lending Act is amended by inserting after subsection (g) (as added by subsection (d)) the following new subsection:*

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

*"(1) 'FIXED' RATE.—The term 'fixed', when appearing in conjunction with a reference to the annual percentage rate or interest rate applicable with respect to such account, may only be used to refer to an annual percentage rate or interest rate that will not change or vary for any reason over the period clearly*

*and conspicuously specified in the terms of the account.*

*"(2) PRIME RATE.—The term 'prime rate', when appearing in any agreement or contract for any such account, may only be used to refer to the bank prime rate published in the Federal Reserve Statistical Release on selected interest rates (daily or weekly), and commonly referred to as the H.15 release (or any successor publication).*

*"(3) DUE DATE.—*

*"(A) IN GENERAL.—Each periodic statement for any such account shall contain a date by which the next periodic payment on the account must be made to avoid a late fee or be considered a late payment, and any payment received by 5 p.m., local time at the location specified by the creditor for the receipt of payment, on such date shall be treated as a timely payment for all purposes.*

*"(B) CERTAIN ELECTRONIC FUND TRANSFERS.—Any payment with respect to any such account made by a consumer on-line to the Web site of the credit card issuer or by telephone directly to the credit card issuer before 5 p.m., local time at the location specified by the cred-*

*itor for the receipt of payment, on any business day shall be credited to the consumer's account that business day.*

*"(C) PRESUMPTION OF TIMELY PAYMENT.—Any evidence provided by a consumer in the form of a receipt from the United States Postal Service or other common carrier indicating that a payment on a credit card account was sent to the issuer not less than 7 days before the due date contained in the periodic statement under subparagraph (A) for such payment shall create a presumption that such payment was made by the due date, which may be rebutted by the creditor for fraud or dishonesty on the part of the consumer with respect to the mailing date.".*

*(f) PRO RATA PAYMENT ALLOCATIONS.—Section 127B of the Truth in Lending Act is amended by inserting after subsection (h) (as added by subsection (e)) the following new subsection:*

*"(i) PRO RATA PAYMENT ALLOCATIONS.—*

*"(1) IN GENERAL.—Except as permitted under paragraph (2), if the outstanding balance on a credit card account under an open end consumer credit plan accrues interest at 2 or more different annual percentage rates, the total amount of each periodic pay-*

*ment made on such account shall be allocated by the creditor between or among the outstanding balances at each such annual percentage rate in the same proportion as each such balance bears to the total outstanding balance on the account.*

*"(2) ALLOCATION TO HIGHER RATE.—Notwithstanding paragraph (1), a creditor may elect, in any case described in such paragraph, to allocate more than a pro rata share of any payment to a portion of the outstanding balance that bears a higher annual percentage rate than another portion of such outstanding balance.*

*"(3) SPECIAL RULES FOR ACCOUNTS WITH PROMOTIONAL RATE BALANCES OR DEFERRED INTEREST BALANCES.—*

*"(A) IN GENERAL.—Notwithstanding paragraph (1) or (2), in the case of a credit card account under an open end consumer credit plan the current terms of which allow the consumer to receive the benefit of a promotional rate or deferred interest plan, amounts paid in excess of the required minimum payment shall be allocated to the promotional rate balance or the deferred interest balance only if other balances have been fully paid.*

*"(B) EXCEPTION FOR DEFERRED INTEREST BALANCES.—Notwithstanding subparagraph (A), a creditor may allocate the entire amount paid by the consumer in excess of the required minimum periodic payment to a balance on which interest is deferred during the 2 billing cycles immediately preceding the expiration of the period during which interest is deferred.*

*"(4) PROHIBITION ON RESTRICTED GRACE PERIODS UNDER CERTAIN CIRCUMSTANCES.—If, with respect to any credit card account under an open end consumer credit, a creditor offers a time period in which to repay credit extended without incurring finance charges to cardholders who pay the balance in full, the creditor may not deny a consumer who takes advantage of a promotional rate balance or deferred interest rate balance offer with respect to such an account any such time period for repaying credit without incurring finance charges.".*

*(g) TIMELY PROVISION OF PERIODIC STATEMENTS.—Section 127B of the Truth in Lending Act is amended by inserting after subsection (i) (as added by subsection (f)) the following new subsection:*

*"(j) TIMELY PROVISION OF PERIODIC STATEMENTS.—Each periodic statement with respect to a credit card ac-*

*count under an open end consumer credit plan shall be sent by the creditor to the consumer not less than 25 calendar days before the due date identified in such statement for the next payment on the outstanding balance on such account, and section 163(a) shall be applied with respect to any such account by substituting '25' for 'fourteen'.".*

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

*Section 127B of the Truth in Lending Act is amended by inserting after subsection (j) (as added by section 3(g)) the following new subsections:*

*"(k) OPT-OUT OF CREDITOR AUTHORIZATION OF OVER-THE-LIMIT TRANSACTIONS IF FEES ARE IMPOSED.—*

*"(1) IN GENERAL.—In the case of any credit card account under an open end consumer credit plan under which an over-the-limit-fee may be imposed by the creditor for any extension of credit in excess of the amount of credit authorized to be extended under such account, the consumer may elect to prohibit the creditor, with respect to such account, from completing any transaction involving the extension of credit, with respect to such account, in excess of the amount of credit authorized by notifying the creditor of such election in accordance with paragraph (2).*

*"(2) NOTIFICATION BY CONSUMER.—A consumer shall notify a creditor under paragraph (1)—*

*"(A) through the notification system maintained by the creditor under paragraph (4); or*

*"(B) by submitting to the creditor a signed notice of election, by mail or electronic communication, on a form issued by the creditor for purposes of this subparagraph.*

*"(3) EFFECTIVENESS OF ELECTION.—An election by a consumer under paragraph (1) shall be effective beginning 3 business days after the creditor receives notice from the consumer in accordance with paragraph (2) and shall remain effective until the consumer revokes the election.*

*"(4) NOTIFICATION SYSTEM.—Each creditor that maintains credit card accounts under an open end consumer credit plan shall establish and maintain a notification system, including a toll-free telephone number, Internet address, and Worldwide Web site, which permits any consumer whose credit card account is maintained by the creditor to notify the creditor of an election under this subsection in accordance with paragraph (2).*

*"(5) ANNUAL NOTICE TO CONSUMERS OF AVAILABILITY OF ELECTION.—In the case of any credit card*

*account under an open end consumer credit plan, the creditor shall include a notice, in clear and conspicuous language, of the availability of an election by the consumer under this paragraph as a means of avoiding over-the limit fees and a higher amount of indebtedness, and the method for providing such notice—*

*"(A) in the periodic statement required under subsection (b) with respect to such account at least once each calendar year; and*

*"(B) in any such periodic statement which includes a notice of the imposition of an over-the-limit fee during the period covered by the statement.*

*"(6) NO FEES IF CONSUMER HAS MADE AN ELECTION.—If a consumer has made an election under paragraph (1), no over-the-limit fee may be imposed on the account for any reason that has caused the outstanding balance in the account to exceed the credit limit.*

*"(7) REGULATIONS.—*

*"(A) IN GENERAL.—The Board shall issue regulations allowing for the completion of over-the-limit transactions that for operational reasons exceed the credit limit by a de minimis*

*amount, even where the cardholder has made an election under paragraph (1).*

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

*"(l) OVER-THE-LIMIT FEE RESTRICTIONS.—With respect to a credit card account under an open end consumer credit plan, an over-the-limit fee may be imposed only once during a billing cycle if, on the last day of such billing cycle, the credit limit on the account is exceeded, and an over-the-limit fee, with respect to such excess credit, may be imposed only once in each of the 2 subsequent billing cycles, unless the consumer has obtained an additional extension of credit in excess of such credit limit during any such subsequent cycle or the consumer reduces the outstanding balance below the credit limit as of the end of such billing cycle.*

*"(m) OVER-THE-LIMIT FEES PROHIBITED IN CONJUNCTION WITH CERTAIN CREDIT HOLDS.—Notwithstanding subsection (l), an over-the-limit fee may not be imposed if the credit limit was exceeded due to a hold unless the actual amount of the transaction for which the hold was*

*placed would have resulted in the consumer exceeding the credit limit.".*

***SEC. 5. STRENGTHEN CREDIT CARD INFORMATION COLLECTION.***

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

*(1) in paragraph (1)—*

*(A) by striking "COLLECTION REQUIRED.—The Board shall" and inserting "COLLECTION REQUIRED.—*

*"(A) IN GENERAL.—The Board shall".*

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

*"(B) INFORMATION TO BE INCLUDED.—The information under subparagraph (A) shall include, for the relevant semiannual period, the following information with respect each creditor in connection with any consumer credit card account:*

*"(i) A list of each type of transaction or event during the semiannual period for which 1 or more creditors has imposed a separate interest rate upon a consumer credit card accountholder, including pur-*

*chases, cash advances, and balance transfers.*

*"(ii) For each type of transaction or event identified under clause (i)—*

*"(I) each distinct interest rate charged by the card issuer to a consumer credit card accountholder during the semiannual period ; and*

*"(II) the number of cardholders to whom each such interest rate was applied during the last calendar month of the semiannual period, and the total amount of interest charged to such accountholders at each such rate during such month.*

*"(iii) A list of each type of fee that 1 or more of the creditors has imposed upon a consumer credit card accountholder during the semiannual period, including any fee imposed for obtaining a cash advance, making a late payment, exceeding the credit limit on an account, making a balance transfer, or exchanging United States dollars for foreign currency.*

*"(iv) For each type of fee identified under clause (iii), the number of accountholders upon whom the fee was imposed during each calendar month of the semiannual period, and the total amount of fees imposed upon cardholders during such month.*

*"(v) The total number of consumer credit card accountholders that incurred any finance charge or any other fee during the semiannual period.*

*"(vi) The total number of consumer credit card accounts maintained by each creditor as of the end of the semiannual period.*

*"(vii) The total number and value of cash advances made during the semiannual period under a consumer credit card account.*

*"(viii) The total number and value of purchases involving or constituting consumer credit card transactions during the semiannual period.*

*"(ix) The total number and amount of repayments on outstanding balances on con-*

*sumer credit card accounts in each month of the semiannual period.*

*"(x) The percentage of all consumer credit card accountholders (with respect to any creditor) who—*

*"(I) incurred a finance charge in each month of the semiannual period on any portion of an outstanding balance on which a finance charge had not previously been incurred; and*

*"(II) incurred any such finance charge at any time during the semiannual period.*

*"(xi) The total number and amount of balances accruing finance charges during the semiannual period.*

*"(xii) The total number and amount of the outstanding balances on consumer credit card accounts as of the end of such semiannual period.*

*"(xiii) Total credit limits in effect on consumer credit card accounts as of the end of such semiannual period and the amount by which such credit limits exceed the credit*

*limits in effect as of the beginning of such period.*

*"(xiv) Any other information related to interest rates, fees, or other charges that the Board deems of interest."; and*

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

*"(5) REPORT TO CONGRESS.—The Board shall, on an annual basis, transmit to Congress and make public a report containing estimates by the Board of the approximate, relative percentage of income derived by the credit card operations of depository institutions from—*

*"(A) the imposition of interest rates on cardholders, including separate estimates for—*

*"(i) interest with an annual percentage rate of less than 25 percent; and*

*"(ii) interest with an annual percentage rate equal to or greater than 25 percent;*

*"(B) the imposition of fees on cardholders;*

*"(C) the imposition of fees on merchants; and*

*"(D) any other material source of income, while specifying the nature of that income.".*

***SEC. 6. STANDARDS APPLICABLE TO INITIAL ISSUANCE OF SUBPRIME OR "FEE HARVESTER" CARDS.***

*Section 127B of the Truth in Lending Act is amended by inserting after subsection (m) (as added by section 4) the following new subsection:*

*"(n) STANDARDS APPLICABLE TO INITIAL ISSUANCE OF SUBPRIME OR 'FEE HARVESTER' CARDS.—*

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

*"(2) RULE OF CONSTRUCTION.—No provision of this subsection may be construed as authorizing any imposition or payment of advance fees otherwise prohibited by any provision of law.".*

***SEC. 7. EXTENSIONS OF CREDIT TO UNDERAGE CONSUMERS.***

*Section 127(c) of the Truth in Lending Act (15 U.S.C. 1637(c)) is amended by adding at the end the following new paragraph:*

*"(8) EXTENSIONS OF CREDIT TO UNDERAGE CONSUMERS.—*

*"(A) IN GENERAL.—No credit card may be knowingly issued to, or open end credit plan established on behalf of, a consumer who has not attained the age of 18, unless the consumer is emancipated under applicable State law.*

*"(B) RULE OF CONSTRUCTION.—For the purposes of determining the age of an applicant, the submission of a signed application by a consumer stating that the consumer is over 18 shall be considered sufficient proof of age.".*

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

*(a) IN GENERAL.—The amendments made by this Act shall apply to all credit card accounts under open end consumer credit plans as of the end of the 1-year period beginning on the date of the enactment of this Act.*

*(b) REGULATIONS.—The Board of Governors of the Federal Reserve System, in consultation with the Comptroller of the Currency, the Director of the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, and the Federal Trade Commission, shall prescribe regulations, in final form, implementing the amendments made by this Act before the end of the 6-month period beginning on the date*

*of the enactment of this Act, except that it is the sense of the Congress that no provision of this Act should impede the promulgation of regulations in final form under laws in effect on the day before such date of enactment and that such regulations should be prescribed in final form on or before December 31, 2008, and should apply to credit card transactions under any open end consumer credit plan after the end of the 30-day period beginning on the date such regulations are prescribed in final form.*

**Union Calendar No. 554**

110TH CONGRESS
2D SESSION

# H. R. 5244

**[Report No. 110–857]**

# 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.

SEPTEMBER 16, 2008

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed