

104TH CONGRESS
1ST SESSION

H. R. 1105

To amend the Truth in Lending Act to require additional disclosures with respect to credit card accounts, to require a study of the competitiveness of the credit card industry, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 1, 1995

Mr. SCHUMER introduced the following bill; which was referred to the
Committee on Banking and Financial Services

A BILL

To amend the Truth in Lending Act to require additional disclosures with respect to credit card accounts, to require a study of the competitiveness of the credit card industry, 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 and Charge
5 Card Disclosure and Interest Rate Amendments Act of
6 1995”.

7 **SEC. 2. FINDINGS.**

8 The Congress finds that—

1 (1) the annual percentage rates applicable to
2 credit balances on credit card accounts have not
3 been responsive to the steady decline in creditors'
4 costs of funds during the 3 years preceding the date
5 of the enactment of this Act, as would be expected
6 if the credit card market were truly competitive;

7 (2) such annual percentage rates should be re-
8 duced; and

9 (3) more public disclosure of such annual rates
10 should make the market in credit cards more com-
11 petitive.

12 **SEC. 3. DISCLOSURE REQUIREMENTS RELATING TO CRED-**
13 **IT CARD ACCOUNTS.**

14 (a) STATEMENTS TO INCLUDE BETTER INFORMA-
15 TION REGARDING INTEREST BURDEN.—Section 127(b) of
16 the Truth in Lending Act (15 U.S.C. 1637(b)) is amended
17 by adding at the end the following:

18 “(11) In the case of any credit card account
19 under an open end consumer credit plan—

20 “(A) the total of all amounts paid by the
21 obligor with respect to the account during the
22 current year;

23 “(B) the total amount of finance charges
24 paid by the obligor with respect to the account

1 during the current year, stated next to the in-
2 formation required by subparagraph (A); and

3 “(C) the date by which the obligor will
4 complete paying the current outstanding bal-
5 ance of the account (including all finance
6 charges that will be added to the account with
7 respect to that balance in the future) if the obli-
8 gor pays each month only the minimum amount
9 required to be paid under the plan.”.

10 (b) STATEMENTS TO INCLUDE INFORMATION RE-
11 GARDING CHANGES IN TERMS.—Section 127 of the Truth
12 in Lending Act (15 U.S.C. 1637) is amended by adding
13 at the end the following new subsection:

14 “(h) STATEMENTS REQUIRED TO INCLUDE REVISED
15 TABLE OF TERMS BEFORE CHANGE IN TERMS IS EFFEC-
16 TIVE.—In the case of any credit card account under an
17 open end consumer credit plan, no change in any term
18 applicable to such plan which is described in paragraph
19 (1)(A), (1)(B), or (4)(A) of subsection (c) may take effect
20 unless, before the effective date of the change, 1 or more
21 of the statements which are transmitted pursuant to sub-
22 section (b) contain the information described in such para-
23 graphs (1)(A), (1)(B), and (4)(A) which is applicable to
24 the plan (as in effect after such change) in the tabular
25 format required under section 122(c).”.

1 (c) ENVELOPES TO INCLUDE TABLES.—Section 127
2 of the Truth in Lending Act (15 U.S.C. 1637) is amended
3 by adding after subsection (h) (as added by subsection (b)
4 of this section) the following new subsection:

5 “(i) ENVELOPES TO CONTAIN INFORMATION IN TAB-
6 ULAR FORMAT.—The envelope containing any application
7 or solicitation referred to in subsection (c)(1)(A) shall con-
8 tain the information required to be included in such appli-
9 cation, solicitation, or statement under any such sub-
10 section in the tabular format required under section
11 122(c).”.

12 (d) ADVERTISING TO INCLUDE TABLES.—Section
13 143 of the Truth in Lending Act (15 U.S.C. 1663) is
14 amended—

15 (1) by striking “No advertisement” and insert-
16 ing “(a) IN GENERAL.—Subject to subsection (b),
17 no advertisement”; and

18 (2) by adding at the end the following new sub-
19 section:

20 “(b) CREDIT CARD ACCOUNTS.—

21 “(1) IN GENERAL.—Subject to paragraphs (2)
22 and (3), any advertisement to aid or assist directly
23 or indirectly the extension of consumer credit
24 through a credit card account under an open end

1 consumer credit plan shall include, in a clear and
2 conspicuous disclosure—

3 “(A) the information described in para-
4 graphs (1) and (2) of subsection (a);

5 “(B) the information described in para-
6 graphs (1)(A) and (1)(B)(i) of section 127(c)
7 disclosed in the tabular format required under
8 section 122(c); and

9 “(C) any other information the Board may
10 require in the form prescribed by the Board.

11 “(2) RADIO ADVERTISING.—Any advertisement
12 described in paragraph (1) which is made by means
13 of any radio broadcast or other audio broadcast or
14 transmission to the public shall include a verbal dis-
15 closure of—

16 “(A) the information described in para-
17 graphs (1) and (2) of subsection (a);

18 “(B) any fee described in paragraph
19 (1)(A)(ii) or (1)(B)(i) of section 127(c) which is
20 applicable with respect to such account or any
21 transaction under such account; and

22 “(C) if section 127(c)(1)(A)(iii) is applica-
23 ble with respect to such account, that fact and
24 the information described in subclause (II) of
25 such section.

1 “(3) TELEVISION ADVERTISING.—Any adver-
2 tisement described in paragraph (1) which is made
3 by means of any television broadcast or other video
4 broadcast or transmission to the public shall include
5 the information described in paragraphs (1)(A) and
6 (1)(B)(i) of section 127(c) disclosed clearly and con-
7 spicuously in the tabular format required under sec-
8 tion 122(c).

9 “(4) EXCEPTION FOR PROMOTIONAL ADVERTIS-
10 ING.—The provisions of this subsection shall not
11 apply to any advertising which is solely promotional
12 and does not involve any solicitation of business by
13 any creditor.”.

14 (e) SEPARATE DISCLOSURE IN THE “SCHUMER BOX”
15 OF RATE FOR CASH ADVANCES IF SUCH RATE DIFFERS
16 FROM OTHER RATES.—Section 122(c)(2) of the Truth in
17 Lending Act (15 U.S.C. 1631(c)(2)) is amended by adding
18 at the end the following new subparagraph:

19 “(D) RATES APPLICABLE TO CASH AD-
20 VANCES.—If a different annual percentage rate
21 described in section 127(c)(1)(A) is applicable
22 to extensions of credit in the form of cash than
23 is applicable to other extensions of credit to
24 which such section applies, the table prescribed
25 by the Board under this subsection shall list

1 **SEC. 4. NOTICE AND ELECTION REQUIRED IN CASE OF IN-**
2 **CREASE IN RATES UNDER CREDIT CARD AC-**
3 **COUNTS.**

4 (a) IN GENERAL.—Section 127 of the Truth in Lend-
5 ing Act (15 U.S.C. 1637) is amended by adding after sub-
6 section (i) (as added by section 3(c) of this Act) the follow-
7 ing new subsection:

8 “(j) NOTICE AND CONSUMER ELECTION IN CASE OF
9 INCREASE IN RATES OR FEES UNDER CREDIT CARD AC-
10 COUNTS.—

11 “(1) NOTICE REQUIRED.—

12 “(A) IN GENERAL.—No increase in any
13 annual percentage rate applicable to the balance
14 (or any portion of any such balance) outstand-
15 ing on any credit extended in connection with
16 any credit card account under any open end
17 consumer credit plan, and no change in any
18 term described in paragraph (1)(A) or (1)(B) of
19 subsection (c) which adversely affects the
20 consumer, may take effect before the end of the
21 30-day period beginning on the date the card-
22 holder receives notice and a description of such
23 increase or change and the procedures for mak-
24 ing an election under paragraph (2).

25 “(B) FORM OF NOTICE.—Notice to a
26 consumer under subparagraph (A) shall be in

1 the form of the following sentence appearing in
2 conspicuous bold print on the outside of an en-
3 velope containing a statement transmitted to
4 the consumer pursuant to subsection (b): ‘Fed-
5 eral law requires the following notification: The
6 terms of your credit card contract have been
7 changed. Look inside this envelope for impor-
8 tant details.’.

9 “(C) FORM OF DESCRIPTION.—The de-
10 scription required by subparagraph (A) shall
11 be—

12 “(i) included in an envelope contain-
13 ing a statement transmitted to the
14 consumer pursuant to subsection (b) and
15 on which appears a notice in accordance
16 with subparagraph (B);

17 “(ii) on a document that is separate
18 from the statement transmitted pursuant
19 to subsection (b); and

20 “(iii) in the tabular format required
21 under section 122(c).

22 “(2) ELECTION TO RESCIND FURTHER USE OF
23 ACCOUNT.—Any cardholder who receives notice
24 under paragraph (1) with respect to any credit card
25 account under any open end consumer credit plan

1 may notify the creditor that such cardholder is re-
2 scinding any use of the account to obtain any addi-
3 tional extensions of credit under the plan effective
4 upon such notice.

5 “(3) OUTSTANDING BALANCE SUBJECT TO EX-
6 ISTING RATES UPON ELECTION.—If any cardholder
7 with respect to any credit card account under any
8 open end consumer credit plan notifies the creditor
9 of the cardholder’s election, pursuant to paragraph
10 (2), to rescind the use of the account, any balance
11 outstanding with respect to such account shall be
12 subject to any repayment rate, and any other terms,
13 in effect with respect to such balance on the date the
14 cardholder receives the notice under paragraph (1).

15 “(4) ANY SUBSEQUENT EXTENSION OF CREDIT
16 NEGATES ELECTION.—

17 “(A) IN GENERAL.—If any person—

18 “(i) makes an election under para-
19 graph (2) to rescind the use of any credit
20 card account to obtain any extension of
21 credit under any open end consumer credit
22 plan after the date of notice pursuant to
23 such election; and

24 “(ii) after the date of notice of such
25 election, engages in any transaction with

1 respect to such account, other than any
2 transaction in connection with the repay-
3 ment of any balance outstanding under the
4 account,

5 paragraph (3) shall cease to apply with respect
6 to such balance.

7 “(B) LIABILITY FOR FORGONE INTEREST
8 AND FINANCE CHARGES.—Any person referred
9 to in subparagraph (A) shall be liable for any
10 difference between—

11 “(i) the amount of interest and fi-
12 nance charges paid by that person on any
13 balance outstanding under the credit plan
14 referred to in such subparagraph in ac-
15 cordance with paragraph (3) since the date
16 of the notice under paragraph (2); and

17 “(ii) the amount of such charges the
18 person would have been required to pay
19 under the plan but for paragraph (3).”.

20 **SEC. 5. FINANCE CHARGE NOT TO BE IMPOSED BEFORE**
21 **DATE CHARGE IS POSTED TO CREDIT CARD**
22 **ACCOUNT.**

23 (a) IN GENERAL.—The Truth in Lending Act (15
24 U.S.C. 1601 et seq.) is amended by inserting after section
25 127A the following:

1 **“§ 127B. Limitation on imposing finance charges on**
2 **certain consumer accounts**

3 “No finance charge may be imposed on an extension
4 of credit with respect to a credit card account under an
5 open end consumer credit plan before the date the exten-
6 sion of credit is posted to the account.”.

7 (b) CLERICAL AMENDMENT.—The table of sections
8 at the beginning of chapter 2 of the Truth in Lending
9 Act (15 U.S.C. 121 et seq.) is amended by inserting after
10 the item relating to section 127A the following:

“127B. Limitation on imposing finance charges on certain consumer accounts.”.

11 **SEC. 6. LIMITATION ON USE OF CREDIT INFORMATION BY**
12 **ISSUERS OF CREDIT CARDS.**

13 (a) LIMITATION.—The Truth in Lending Act (15
14 U.S.C. 1601 et seq.) is amended by inserting after section
15 127B (as added by section 5) the following:

16 **“§ 127C. Limitation on use of information by credit**
17 **card issuers**

18 “(a) LIMITATION.—A card issuer shall not use, sell,
19 or otherwise disclose for direct marketing purposes, infor-
20 mation regarding the use of a consumer credit card issued
21 by the card issuer (including any list of cardholders
22 derived from such information) if—

23 “(1) the card issuer has not notified the card-
24 holder in accordance with subsection (b) that the in-
25 formation will be used for those purposes; or

1 “(2) the cardholder has notified the card issuer
2 in accordance with subsection (c) that the cardholder
3 does not consent to the use of that information for
4 those purposes.

5 “(b) NOTIFICATION BY CARD ISSUER.—

6 “(1) TIME.—A card issuer shall notify a card-
7 holder for purposes of subsection (a)(1) in writing—

8 “(A) before the first transaction is made
9 under the credit card; and

10 “(B) in at least one billing cycle of each
11 calendar year in which the card issuer is re-
12 quired to send a billing statement to the card-
13 holder under applicable Federal law.

14 “(2) CONTENT.—Each notification under para-
15 graph (1) shall include—

16 “(A) a clear and conspicuous statement
17 that information regarding the use of the credit
18 card can be disclosed for direct marketing pur-
19 poses unless the cardholder notifies the card is-
20 suer, in writing or, if applicable, by calling any
21 toll free telephone number established by the
22 card issuer for that purpose, that the card-
23 holder does not consent to the use of that infor-
24 mation for those purposes;

1 “(B) an address that the cardholder may
2 write to for purposes of subsection (a)(2); and

3 “(C) either—

4 “(i) a postage paid, self-addressed
5 form which the cardholder may sign and
6 mail to the card issuer to notify the card
7 issuer for purposes of subsection (a)(2); or

8 “(ii) in a clear and conspicuous man-
9 ner, a toll free telephone number that the
10 card issuer establishes for notifying the
11 card issuer for purposes of subsection
12 (a)(2).

13 “(3) FORM.—Each notification under para-
14 graph (1) shall be made on a document that is sepa-
15 rate and distinct from any other information with
16 which it is provided to the cardholder.

17 “(c) NOTIFICATION BY CARDHOLDER.—A cardholder
18 may notify a card issuer for purposes of subsection
19 (a)(2)—

20 “(1) by calling any toll free telephone number
21 that is established by the card issuer for that pur-
22 pose;

23 “(2) by signing and mailing to the card issuer
24 any form provided by the card issuer in accordance
25 with subsection (b); or

1 (b) SPECIFIC ISSUES REQUIRED TO BE STUDIED.—

2 The study conducted pursuant to subsection (a) shall in-
3 clude the following:

4 (1) The annual percentage rates of interest on
5 credit extended through credit cards (as defined in
6 section 103(k) of the Truth in Lending Act) during
7 the 66-month period beginning 5 years before the
8 date of the enactment of this Act.

9 (2) The cost of funds to creditors (as defined
10 in section 103(f) of the Truth in Lending Act) for
11 the extension of such credit during such period.

12 (3) An analysis of the change in the spread be-
13 tween the cost of such funds to creditors and the an-
14 nual percentage rates of interest on credit extended
15 through credit cards during such period.

16 (4) Whether such factors indicate that competi-
17 tion exists among creditors for new credit card ac-
18 counts and the degree to which such competition ex-
19 ists among the 10 credit card issuers who have is-
20 sued the largest number of cards.

21 (5) Whether the degree of competition among
22 the 10 credit card issuers who have issued the larg-
23 est number of cards differs from the degree of com-
24 petition in—

25 (A) the credit card industry generally; and

1 (B) other consumer loan markets, includ-
2 ing housing loans and auto loans.

3 (6) If there is a difference in the degree of com-
4 petition identified in the markets referred to in para-
5 graph (5), the reason for the disparity.

6 (7) The competitive barriers to entry into—

7 (A) the credit card market; and

8 (B) the group of 10 credit card issuers
9 having the largest number of credit card ac-
10 counts.

11 (c) REPORT REQUIRED BY END OF 9-MONTH PE-
12 RIOD.—Before the end of the 9-month period beginning
13 on the date of the enactment of this Act, the Comptroller
14 General shall submit a report to the Congress contain-
15 ing—

16 (1) the findings and conclusions of the Comp-
17 troller General with respect to the study conducted
18 pursuant to subsection (a); and

19 (2) such recommendations for legislative or ad-
20 ministrative action as the Comptroller General deter-
21 mines to be appropriate.

1 **SEC. 8. REQUIREMENT TO PROVIDE ANNUAL STATEMENTS**
2 **OF PAYMENTS MADE ON CREDIT CARD AC-**
3 **COUNTS.**

4 (a) IN GENERAL.—Section 127 of the Truth in Lend-
5 ing Act (15 U.S.C. 1637) is amended by adding after sub-
6 section (j) (as added by section 4(a) of this Act) the
7 following new subsection:

8 “(k) STATEMENTS OF COSTS OF CREDIT CARDS.—

9 “(1) DISCLOSURE REQUIREMENT.—A card is-
10 suer under an open end credit plan shall include
11 with the first 3 statements provided in a year under
12 subsection (b) with respect to the plan a separate
13 statement of the total amounts the obligor paid to
14 the card issuer in the preceding year for credit cards
15 issued under the plan—

16 “(A) as fees or charges described in sub-
17 sections (c)(4) (A) and (B); and

18 “(B) as finance charges (other than those
19 referred to in subparagraph (B)).

20 “(2) TABULAR FORMAT.—

21 “(A) IN GENERAL.—The statement re-
22 quired under paragraph (1) shall disclose the
23 fees and charges described in paragraph (1) in
24 the form and manner which the Board shall
25 prescribe by regulations.

1 “(B) FORM OF TABLE.—In the regulations
2 required under subparagraph (A), the Board—

3 “(i) shall require that the disclosure
4 of fees and charges shall, to the extent the
5 Board determines to be practicable and ap-
6 propriate, be in the form of a table
7 which—

8 “(I) contains clear and concise
9 headings for each item of information
10 disclosed in the table; and

11 “(II) provides a clear and concise
12 form for stating each item of informa-
13 tion disclosed in the table;

14 “(ii) may list the items of information
15 required to be included in the table in a
16 different order than the order in which the
17 items are set forth in subsections (c)(4)
18 (A) and (B); and

19 “(iii) may use terminology which is
20 different than the terminology employed in
21 subsections (c)(4) (A) and (B) if the termi-
22 nology used conveys substantially the same
23 meaning.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall be effective on the date of publication
3 of final regulations under subsection (c).

4 (c) DATE FOR ISSUANCE OF REGULATIONS.—The
5 Board of Governors of the Federal Reserve System shall
6 issue regulations which implement the amendment made
7 by subsection (a) by not later than 9 months after the
8 date of the enactment of this Act.

9 **SEC. 9. REQUIREMENT TO PROVIDE COPY OF AGREEMENT**
10 **ESTABLISHING TERMS OF CREDIT CARD AC-**
11 **COUNT.**

12 Section 127 of the Truth in Lending Act (15 U.S.C.
13 1637) is amended by adding after subsection (l) (as added
14 by section 8(a) of this Act) the following new subsection:

15 “(i) PROVISION OF COPY OF AGREEMENT ON RE-
16 QUEST.—A card issuer under an open end credit plan shall
17 upon request provide a copy of the agreement that estab-
18 lishes the conditions, requirements, and other terms of the
19 plan.”.

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