

107TH CONGRESS
1ST SESSION

H. R. 2032

To amend the Truth in Lending Act to protect consumers from certain unreasonable practices of creditors which result in higher fees or rates of interest for credit cardholders, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 25, 2001

Ms. ROYBAL-ALLARD (for herself, Ms. LEE, Mr. THOMPSON of Mississippi, Mr. FROST, Mr. FILNER, Ms. JACKSON-LEE of Texas, Mr. FRANK, Ms. RIVERS, Mr. GEORGE MILLER of California, Mr. BONIOR, Ms. SOLIS, Ms. BALDWIN, Ms. SANCHEZ, Ms. WOOLSEY, Mr. KUCINICH, Mrs. CLAYTON, Mr. ACEVEDO-VILÁ, and Mr. UNDERWOOD) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Truth in Lending Act to protect consumers from certain unreasonable practices of creditors which result in higher fees or rates of interest for credit cardholders, 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 Card Consumer
5 Protection Act of 2001”.

1 **SEC. 2. FEES FOR ON-TIME PAYMENTS PROHIBITED.**

2 Section 127 of the Truth in Lending Act (15 U.S.C.
3 1637) is amended by adding at the end the following new
4 subsection:

5 “(h) FEES FOR ON-TIME PAYMENTS PROHIBITED.—

6 “(1) IN GENERAL.—In the case of any credit
7 card account under an open-end consumer credit
8 plan, no minimum finance charge for any period (in-
9 cluding any annual period), and no fee in lieu of a
10 minimum finance charge, may be imposed with re-
11 gard to such account or credit extended under such
12 account solely on the basis that any credit extended
13 has been repaid in full before the end of any grace
14 period applicable with respect to the extension of
15 credit.

16 “(2) SCOPE OF APPLICATION.—Paragraph (1)
17 shall not be construed as—

18 “(A) prohibiting the imposition of any flat
19 annual fee which may be imposed on the con-
20 sumer in advance of any annual period to cover
21 the cost of maintaining a credit card account
22 during such annual period without regard to
23 whether any credit is actually extended under
24 such account during such period; or

25 “(B) otherwise affecting the imposition of
26 the actual finance charge applicable with re-

1 spect to any credit extended under such account
2 during such annual period at the annual per-
3 centage rate disclosed to the consumer in ac-
4 cordance with this title for the period of time
5 any such credit is outstanding.”.

6 **SEC. 3. FREEZE ON INTEREST RATE TERMS AND FEES ON**
7 **CANCELED CARDS.**

8 Section 127 of the Truth in Lending Act (15 U.S.C.
9 1637) is amended by inserting after subsection (h) (as
10 added by section 2 of this Act) the following new sub-
11 section:

12 “(i) **FREEZE ON INTEREST RATE TERMS AND FEES**
13 **ON CANCELED CARDS.—**

14 “(1) **ADVANCE NOTICE OF INCREASE IN INTER-**
15 **EST RATE REQUIRED.—**In the case of any credit
16 card account under an open-end consumer credit
17 plan, no increase in any annual percentage rate of
18 interest (other than an increase due solely to a
19 change in another rate of interest to which such rate
20 is indexed) applicable to any outstanding balance of
21 credit under such plan may take effect before the be-
22 ginning of the billing cycle which begins not less
23 than 15 days after the accountholder receives notice
24 of such increase.

1 “(2) INCREASE NOT EFFECTIVE FOR CANCELED
2 ACCOUNTS.—If an accountholder referred to in para-
3 graph (1) cancels the credit card account before the
4 beginning of the billing cycle referred to in such
5 paragraph and surrenders all unexpired credit cards
6 issued in connection with such account—

7 “(A) an annual percentage rate of interest
8 applicable after the cancellation with respect to
9 the outstanding balance on such account as of
10 the date of cancellation may not exceed any an-
11 nual percentage rate of interest applicable with
12 respect to such balance under the terms and
13 conditions in effect before the increase referred
14 to in paragraph (1); and

15 “(B) the repayment of such outstanding
16 balance after the cancellation shall be subject to
17 all other terms and conditions applicable with
18 respect to such account before the increase re-
19 ferred to in such paragraph.

20 “(3) NOTICE OF RIGHT TO CANCEL.—The no-
21 tice referred to in paragraph (1) with respect to an
22 increase in annual percentage rate of interest shall
23 contain a brief description of the right of the
24 consumer—

1 “(A) to cancel the account before the effective date of the increase; and

2
3 “(B) after such cancellation, to pay any balance outstanding on such account at the time of cancellation in accordance with the terms and conditions in effect before the cancellation.”.

8 **SEC. 4. DISCLOSURE OF FEES AND INTEREST RATES ON**
9 **CREDIT ADVANCES THROUGH THE USE OF 3d**
10 **PARTY CHECKS.**

11 Section 127 of the Truth in Lending Act (15 U.S.C. 12 1637) is amended by inserting after subsection (i) (as 13 added by section 3 of this Act) the following new sub- 14 section:

15 “(j) FEES AND INTEREST RATES ON CREDIT AD- 16 VANCES THROUGH THE USE OF 3d PARTY CHECKS.—

17 “(1) IN GENERAL.—In the case of any credit 18 card account under an open-end consumer credit 19 plan, a creditor may not provide the accountholder 20 with any negotiable or transferable instrument for 21 use in making an extension of credit to the 22 accountholder for the purpose of making a transfer 23 to a 3d party, unless the creditor has fully satisfied 24 the notice requirements of paragraph (2) with re- 25 spect to such instrument.

1 “(2) NOTICE REQUIREMENTS.—A creditor
 2 meets the notice requirements of this paragraph
 3 with respect to an instrument referred to in para-
 4 graph (1) if the creditor provides, to an
 5 account holder at the same time any such instrument
 6 is provided, a notice which prominently and specifi-
 7 cally describes—

8 “(A) the amount of any transaction fee
 9 which may be imposed for making an extension
 10 of credit through the use of such instrument,
 11 including the exact percentage rate to be used
 12 in determining such amount if the amount of
 13 the transaction fee is expressed as a percentage
 14 of the amount of the credit extended; and

15 “(B) any annual percentage rate of inter-
 16 est applicable in determining the finance charge
 17 for any such extension of credit.”.

18 **SEC. 5. PROHIBITION ON OVER-THE-LIMIT FEES IN CRED-**
 19 **ITOR-APPROVED TRANSACTIONS.**

20 Section 127 of the Truth in Lending Act (15 U.S.C.
 21 1637) is amended by inserting after subsection (j) (as
 22 added by section 4 of this Act) the following new sub-
 23 section:

24 “(k) LIMITATION ON IMPOSITION OF OVER-THE-
 25 LIMIT FEES.—In the case of any credit card account

1 under an open-end consumer credit plan, a creditor may
2 not impose any fee on the accountholder for any extension
3 of credit in excess of the amount of credit authorized to
4 be extended with respect to such account if the extension
5 of credit is made in connection with a credit transaction
6 which the creditor approves in advance or at the time of
7 the transaction.”.

8 **SEC. 6. PROHIBITION ON 2-CYCLE BILLING.**

9 Section 127 of the Truth in Lending Act (15 U.S.C.
10 1637) is amended by inserting after subsection (k) (as
11 added by section 5 of this Act) the following new sub-
12 section:

13 “(l) PROHIBITION ON 2-CYCLE BILLING.—In the
14 case of any credit card account under an open-end con-
15 sumer credit plan, if the creditor provides, with regard to
16 any new extension of credit under such account, a period
17 during which such extension of credit may be repaid with-
18 out incurring a finance charge for such extension of credit,
19 no finance charge may subsequently be imposed for such
20 period with regard to any unpaid balance (as of the end
21 of such period) of such extension of credit.”.

22 **SEC. 7. DISCLOSURES RELATED TO “TEASER RATES”.**

23 Section 127(c) of the Truth in Lending Act (15
24 U.S.C. 1637(c)) is amended—

1 (1) by redesignating paragraph (5) as para-
2 graph (6); and

3 (2) by inserting after paragraph (4) the fol-
4 lowing new paragraph:

5 “(5) ADDITIONAL NOTICE CONCERNING ‘TEAS-
6 ER RATES’.—

7 “(A) IN GENERAL.—If any application or
8 solicitation for a credit card for which a disclo-
9 sure is required under this subsection offers, for
10 an introductory period of less than 1 year, an
11 annual percentage rate of interest which—

12 “(i) is less than the annual percentage
13 rate of interest which will apply after the
14 end of such introductory period; or

15 “(ii) in the case of an annual percent-
16 age rate which varies in accordance with
17 an index, which is less than the current
18 annual percentage rate under the index
19 which will apply after the end of such pe-
20 riod,

21 the application or solicitation shall contain the
22 disclosure contained in subparagraph (B) or
23 (C), as the case may be.

24 “(B) FIXED ANNUAL PERCENTAGE
25 RATE.—If the annual percentage rate which will

1 apply after the end of the introductory period
2 will be a fixed rate, the application or sollicita-
3 tion shall include the following disclosure: “The
4 annual percentage rate of interest applicable
5 during the introductory period is not the annual
6 percentage rate which will apply after the end
7 of the introductory period. The permanent an-
8 nual percentage rate will apply after (insert
9 date) and will be (insert percentage rate).”.

10 “(C) VARIABLE ANNUAL PERCENTAGE
11 RATE.—If the annual percentage rate which will
12 apply after the end of the introductory period
13 will vary in accordance with an index, the appli-
14 cation or solicitation shall include the following
15 disclosure: “The annual percentage rate of in-
16 terest applicable during the introductory period
17 is not the annual percentage rate which will
18 apply after the end of the introductory period.
19 The permanent annual percentage rate will be
20 determined by an index and will apply after (in-
21 sert date). If the index which will apply after
22 such date were applied to your account today,
23 the annual percentage rate would be (insert
24 percentage rate).”.

1 “(D) FORM OF DISCLOSURE.—The disclo-
2 sure required under this paragraph shall be
3 made in a clear and conspicuous manner in a
4 form at least as prominent as the disclosure of
5 the annual percentage rate of interest which
6 will apply during the introductory period.”.

7 **SEC. 8. DISCLOSURES RELATING TO THE DATES PAYMENTS**
8 **ARE DUE.**

9 Section 127(b)(9) of the Truth in Lending Act (15
10 U.S.C. 1637(b)(9)) is amended by striking “The date by
11 which or the period (if any) within which, payment must
12 be made to avoid additional finance charges,” and insert-
13 ing “In a prominent place on the face of the statement,
14 the date of the last full business day on which payment
15 may be received before the imposition of late fees or addi-
16 tional finance charges (without regard to whether payment
17 may be received on a subsequent nonbusiness day or dur-
18 ing a portion of a subsequent business day before any such
19 fee or charge is imposed) and a conspicuous notice that
20 the failure to remit payment in sufficient time for the pay-
21 ment to be processed by such date may result in substan-
22 tial late fees or additional finance charges,”.

1 **SEC. 9. PROHIBITION ON MINIMUM PAYMENT AMOUNTS**
2 **THAT RESULT IN NEGATIVE AMORTIZATION.**

3 Section 127 of the Truth in Lending Act (15 U.S.C.
4 1637) is amended by inserting after subsection (l) (as
5 added by section 6 of this Act) the following new sub-
6 section:

7 “(m) PROHIBITION ON MINIMUM PAYMENT
8 AMOUNTS THAT RESULT IN NEGATIVE AMORTIZATION.—

9 “(1) IN GENERAL.—In the case of any credit
10 card account under an open-end consumer credit
11 plan, the minimum amount of any periodic payment
12 required to be made on any outstanding balance may
13 not be less than the finance charge applicable with
14 respect to such outstanding balance for such period.

15 “(2) DISCLOSURES REQUIRED IN CASE OF LOW
16 AMORTIZATION RATE.—If, in the case of any credit
17 card account under an open-end consumer credit
18 plan, the minimum amount of any periodic payment
19 required to be made on any outstanding balance re-
20 duces the outstanding balance by less than 2 percent
21 of such balance, after payment of any finance charge
22 and fees imposed for such period, the periodic state-
23 ment required under subsection (b) with respect to
24 such account shall include a conspicuous notice in a
25 prominent place on the statement of—

1 “(A) the fact that the outstanding balance
2 will be reduced by less than 2 percent if the
3 consumer only pays the minimum amount; and

4 “(B) the period of time which would be re-
5 quired to pay off the outstanding balance if the
6 consumer paid only the minimum amount of
7 each periodic payment required until such bal-
8 ance is fully repaid.

9 “(3) EXCEPTION UNDER EXIGENT CIR-
10 CUMSTANCES.—In addition to any other authority of
11 the Board under this title to prescribe regulations,
12 the Board may prescribe regulations which permit
13 exceptions to the application of paragraph (1) with
14 respect to any consumer who requests a creditor to
15 agree to a payment deferral plan for a limited period
16 of time due to loss of employment, illness, or inca-
17 pacity, or such other exigent circumstances the
18 Board may describe in such regulations.”.

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