

106TH CONGRESS
1ST SESSION

S. 480

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 SENATE OF THE UNITED STATES

FEBRUARY 25, 1999

Mr. SCHUMER introduced the following bill; which was read twice and referred to the Committee on Banking, Housing and Urban Affairs

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 1999”.

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

7 Section 127 of the Truth in Lending Act (15 U.S.C.
8 1637) is amended by adding at the end the following:

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

2 “(1) IN GENERAL.—In the case of any credit
3 card account under an open end credit plan, no min-
4 imum finance charge for any period (including any
5 annual period), and no fee in lieu of a minimum fi-
6 nance charge, may be imposed with regard to the ac-
7 count or credit extended under the account solely be-
8 cause the credit extended has been repaid in full be-
9 fore the end of any grace period applicable with re-
10 spect to the extension of credit.

11 “(2) SCOPE OF APPLICATION.—Paragraph (1)
12 may not be construed as—

13 “(A) prohibiting the imposition of any flat
14 annual fee that may be imposed on the con-
15 sumer in advance of any annual period to cover
16 the cost of maintaining a credit card account
17 referred to in paragraph (1) during that annual
18 period, without regard to whether any credit is
19 actually extended under the account during that
20 annual period; or

21 “(B) otherwise affecting the imposition of
22 the actual finance charge applicable with re-
23 spect to any credit extended under the account
24 during that annual period at the annual per-
25 centage rate disclosed to the consumer in ac-

1 cordance with this title for the period of time
2 during which any such credit is outstanding.”.

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

5 Section 127 of the Truth in Lending Act (15 U.S.C.
6 1637) is amended by adding at the end the following:

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

9 “(1) **ADVANCE NOTICE OF INCREASE IN INTER-**
10 **EST RATE REQUIRED.—**In the case of any credit
11 card account under an open end credit plan, no in-
12 crease in any annual percentage rate of interest
13 (other than an increase due solely to a change in an-
14 other rate of interest to which such rate is indexed)
15 applicable to any outstanding balance of credit
16 under such plan may take effect before the begin-
17 ning of the billing cycle that begins not earlier than
18 15 days after the cardholder receives notice of such
19 increase.

20 “(2) **INCREASE NOT EFFECTIVE FOR CANCELED**
21 **ACCOUNTS.—**If a cardholder referred to in para-
22 graph (1) cancels the credit card account before the
23 beginning of the billing cycle referred to in that
24 paragraph and surrenders all unexpired credit cards
25 issued in connection with the account—

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

9 “(B) the repayment of the outstanding bal-
10 ance after the cancellation shall be subject to all
11 other terms and conditions applicable with re-
12 spect to the account before the increase referred
13 to in paragraph (1).

14 “(3) NOTICE OF RIGHT TO CANCEL.—The no-
15 tice referred to in paragraph (1) with respect to an
16 increase in annual percentage rate of interest shall
17 contain a brief description of the right of the
18 consumer—

19 “(A) to cancel the account before the effec-
20 tive date of the increase; and

21 “(B) after such cancellation, to pay any
22 balance outstanding on the account at the time
23 of cancellation in accordance with the terms
24 and conditions in effect before the cancella-
25 tion.”.

1 **SEC. 4. DISCLOSURE OF FEES AND INTEREST RATES ON**
2 **CREDIT ADVANCES THROUGH THE USE OF**
3 **THIRD PARTY CHECKS.**

4 Section 127 of the Truth in Lending Act (15 U.S.C.
5 1637) is amended by adding at the end the following:

6 “(j) FEES AND INTEREST RATES ON CREDIT AD-
7 VANCES THROUGH THE USE OF THIRD PARTY
8 CHECKS.—

9 “(1) IN GENERAL.—In the case of any credit
10 card account under an open end credit plan, a credi-
11 tor may not provide the cardholder with any nego-
12 tiable or transferable instrument for use in making
13 an extension of credit to the cardholder for the pur-
14 pose of making a transfer to a third party unless the
15 creditor has fully satisfied the notice requirements of
16 paragraph (2) with respect to that instrument.

17 “(2) NOTICE REQUIREMENTS.—A creditor
18 meets the notice requirements of this paragraph
19 with respect to an instrument referred to in para-
20 graph (1) if the creditor provides to a cardholder, at
21 the same time that any such instrument is provided,
22 a notice that prominently and specifically
23 describes—

24 “(A) the amount of any transaction fee
25 that may be imposed for making an extension
26 of credit through the use of the instrument, in-

1 including the exact percentage rate to be used in
 2 determining the amount, if the amount of the
 3 transaction fee is expressed as a percentage of
 4 the amount of the credit extended; and

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

8 **SEC. 5. PROHIBITION ON OVER-THE-LIMIT FEES IN CREDI-**
 9 **TOR-APPROVED TRANSACTIONS.**

10 Section 127 of the Truth in Lending Act (15 U.S.C.
 11 1637) is amended by adding at the end the following:

12 “(k) LIMITATION ON IMPOSITION OF OVER-THE-
 13 LIMIT FEES.—In the case of any credit card account
 14 under an open end credit plan, a creditor may not impose
 15 any fee on the cardholder for any extension of credit in
 16 excess of the amount of credit authorized to be extended
 17 with respect to the account if the extension of credit is
 18 made in connection with a credit transaction that the cred-
 19 itor approves in advance of or at the time of the trans-
 20 action.”.

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

22 Section 127 of the Truth in Lending Act (15 U.S.C.
 23 1637) is amended by adding at the end the following:

24 “(l) PROHIBITION ON 2-CYCLE BILLING.—In the
 25 case of any credit card account under an open end credit

1 plan, if the creditor provides, with regard to any new ex-
2 tension of credit under the account, a period during which
3 the extension of credit may be repaid without incurring
4 a finance charge for the extension of credit, no finance
5 charge may subsequently be imposed for that period with
6 regard to any unpaid balance (as of the end of that period)
7 of the extension of credit.”.

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

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

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

13 (2) by inserting after paragraph (4) the follow-
14 ing new paragraph:

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

17 “(A) IN GENERAL.—An application or so-
18 licitation for a credit card for which a diselo-
19 sure is required under this subsection shall con-
20 tain the disclosures contained in subparagraph
21 (B) or (C), as applicable, if the application or
22 solicitation offers, for an introductory period of
23 less than 1 year, an annual percentage rate of
24 interest that—

1 “(i) is less than the annual percentage
2 rate of interest that will apply after the
3 end of the introductory period; or

4 “(ii) in the case of an annual percent-
5 age rate that varies in accordance with an
6 index that is less than the current annual
7 percentage rate under the index that will
8 apply after the end of the period.

9 “(B) FIXED ANNUAL PERCENTAGE
10 RATE.—If the annual percentage rate that will
11 apply after the end of the introductory period
12 will be a fixed rate, the application or sollicita-
13 tion shall include the following disclosure: ‘The
14 annual percentage rate of interest applicable
15 during the introductory period is not the annual
16 percentage rate that will apply after the end of
17 the introductory period. The permanent annual
18 percentage rate will apply after [insert date]
19 and will be [insert percentage rate].’.

20 “(C) VARIABLE ANNUAL PERCENTAGE
21 RATE.—If the annual percentage rate that will
22 apply after the end of the introductory period
23 will vary in accordance with an index, the appli-
24 cation or solicitation shall include the following
25 disclosure: ‘The annual percentage rate of inter-

1 est applicable during the introductory period is
2 not the annual percentage rate that will apply
3 after the end of the introductory period. The
4 permanent annual percentage rate will be deter-
5 mined by an index, and will apply after [insert
6 date]. If the index that will apply after such
7 date were applied to your account today, the
8 annual percentage rate would be [insert per-
9 centage rate].’.

10 “(D) FORM OF DISCLOSURE.—The disclo-
11 sures required under this paragraph shall be
12 made in a clear and conspicuous manner, in a
13 form at least as prominent as the disclosure of
14 the annual percentage rate of interest that will
15 apply during the introductory period.”.

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