

109TH CONGRESS
1ST SESSION

S. 1040

To amend the Truth in Lending Act to provide for enhanced disclosure under an open end credit plan.

IN THE SENATE OF THE UNITED STATES

MAY 16, 2005

Mrs. FEINSTEIN 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 provide for enhanced disclosure under an open end credit plan.

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 Minimum
5 Payment Notification Act”.

6 **SEC. 2. ENHANCED DISCLOSURE UNDER AN OPEN END**
7 **CREDIT PLAN.**

8 Section 127(b) of the Truth in Lending Act (15
9 U.S.C. 1637(b)) is amended by adding at the end the fol-
10 lowing:

1 “(13) ENHANCED DISCLOSURE UNDER AN
2 OPEN END CREDIT PLAN.—

3 “(A) IN GENERAL.—A credit card issuer
4 shall, with each billing statement provided to a
5 cardholder in a State, provide the following on
6 the front of the first page of the billing state-
7 ment in type no smaller than that required for
8 any other required disclosure, but in no case in
9 less than 8-point capitalized type:

10 “(i) A written statement in the fol-
11 lowing form: ‘Minimum Payment Warning:
12 Making only the minimum payment will in-
13 crease the interest you pay and the time it
14 takes to repay your balance.’.

15 “(ii) Either of the following:

16 “(I) A written statement in the
17 form of and containing the informa-
18 tion described in item (aa) or (bb), as
19 applicable, as follows:

20 “(aa) A written 3-line state-
21 ment, as follows: ‘A one thousand
22 dollar (\$1,000) balance will take
23 17 years and 3 months to pay off
24 at a total cost of two thousand
25 five hundred ninety dollars and

1 thirty-five cents (\$2,590.35). A
2 two thousand five hundred dollar
3 (\$2,500) balance will take 30
4 years and 3 months to pay off at
5 a total cost of seven thousand
6 seven hundred thirty-three dol-
7 lars and forty-nine cents
8 (\$7,733.49). A five thousand dol-
9 lar (\$5,000) balance will take 40
10 years and 2 months to pay off at
11 a total cost of sixteen thousand
12 three hundred five dollars and
13 thirty-four cents (\$16,305.34).
14 This information is based on an
15 annual percentage rate of 17 per-
16 cent and a minimum payment of
17 2 percent or ten dollars (\$10),
18 whichever is greater.'. In the al-
19 ternative, a credit card issuer
20 may provide this information for
21 the 3 specified amounts at the
22 annual percentage rate and re-
23 quired minimum payment that
24 are applicable to the cardholder's
25 account. The statement provided

1 shall be immediately preceded by
2 the statement required by clause
3 (i).

4 “(bb) Instead of the infor-
5 mation required by item (aa), re-
6 tail credit card issuers shall pro-
7 vide a written 3-line statement to
8 read, as follows: ‘A two hundred
9 fifty dollar (\$250) balance will
10 take 2 years and 8 months to
11 pay off at a total cost of three
12 hundred twenty-five dollars and
13 twenty-four cents (\$325.24). A
14 five hundred dollar (\$500) bal-
15 ance will take 4 years and 5
16 months to pay off at a total cost
17 of seven hundred nine dollars and
18 ninety cents (\$709.90). A seven
19 hundred fifty dollar (\$750) bal-
20 ance will take 5 years and 5
21 months to pay off at a total cost
22 of one thousand ninety-four dol-
23 lars and forty-nine cents
24 (\$1,094.49). This information is
25 based on an annual percentage

1 rate of 21 percent and a min-
2 imum payment of 5 percent or
3 ten dollars (\$10), whichever is
4 greater.’. In the alternative, a re-
5 tail credit card issuer may pro-
6 vide this information for the 3
7 specified amounts at the annual
8 percentage rate and required
9 minimum payment that are appli-
10 cable to the cardholder’s account.
11 The statement provided shall be
12 immediately preceded by the
13 statement required by clause (i).
14 A retail credit card issuer is not
15 required to provide this state-
16 ment if the cardholder has a bal-
17 ance of less than five hundred
18 dollars (\$500).

19 “(II) A written statement pro-
20 viding individualized information indi-
21 cating an estimate of the number of
22 years and months and the approxi-
23 mate total cost to pay off the entire
24 balance due on an open-end credit
25 card account if the cardholder were to

1 pay only the minimum amount due on
2 the open-ended account based upon
3 the terms of the credit agreement.
4 For purposes of this subclause only, if
5 the account is subject to a variable
6 rate, the creditor may make disclo-
7 sures based on the rate for the entire
8 balance as of the date of the disclo-
9 sure and indicate that the rate may
10 vary. In addition, the cardholder shall
11 be provided with referrals or, in the
12 alternative, with the '800' telephone
13 number of the National Foundation
14 for Credit Counseling through which
15 the cardholder can be referred, to
16 credit counseling services in, or closest
17 to, the cardholder's county of resi-
18 dence. The credit counseling service
19 shall be in good standing with the Na-
20 tional Foundation for Credit Coun-
21 seling or accredited by the Council on
22 Accreditation for Children and Family
23 Services. The creditor is required to
24 provide, or continue to provide, the in-
25 formation required by this clause only

1 if the cardholder has not paid more
2 than the minimum payment for 6 con-
3 secutive months, beginning after July
4 1, 2002.

5 “(iii)(I) A written statement in the
6 following form: ‘For an estimate of the
7 time it would take to repay your balance,
8 making only minimum payments, and the
9 total amount of those payments, call this
10 toll-free telephone number: (Insert toll-free
11 telephone number).’. This statement shall
12 be provided immediately following the
13 statement required by clause (ii)(I). A
14 credit card issuer is not required to provide
15 this statement if the disclosure required by
16 clause (ii)(II) has been provided.

17 “(II) The toll-free telephone number
18 shall be available between the hours of 8
19 a.m. and 9 p.m., 7 days a week, and shall
20 provide consumers with the opportunity to
21 speak with a person, rather than a record-
22 ing, from whom the information described
23 in subclause (I) may be obtained.

24 “(III) The Federal Trade Commission
25 shall establish not later than 1 month after

1 the date of enactment of this paragraph a
2 detailed table illustrating the approximate
3 number of months that it would take and
4 the approximate total cost to repay an out-
5 standing balance if the consumer pays only
6 the required minimum monthly payments
7 and if no other additional charges or fees
8 are incurred on the account, such as addi-
9 tional extension of credit, voluntary credit
10 insurance, late fees, or dishonored check
11 fees by assuming all of the following:

12 “(aa) A significant number of
13 different annual percentage rates.

14 “(bb) A significant number of
15 different account balances, with the
16 difference between sequential exam-
17 ples of balances being no greater than
18 \$100.

19 “(cc) A significant number of dif-
20 ferent minimum payment amounts.

21 “(dd) That only minimum
22 monthly payments are made and no
23 additional charges or fees are incurred
24 on the account, such as additional ex-
25 tensions of credit, voluntary credit in-

1 surance, late fees, or dishonored check
2 fees.

3 “(IV) A creditor that receives a re-
4 quest for information described in sub-
5 clause (I) from a cardholder through the
6 toll-free telephone number disclosed under
7 subclause (I), or who is required to provide
8 the information required by clause (ii)(II),
9 may satisfy the creditor’s obligation to dis-
10 close an estimate of the time it would take
11 and the approximate total cost to repay the
12 cardholder’s balance by disclosing only the
13 information set forth in the table described
14 in subclause (III). Including the full chart
15 along with a billing statement does not sat-
16 isfy the obligation under this paragraph.

17 “(B) DEFINITIONS.—In this paragraph:

18 “(i) OPEN-END CREDIT CARD AC-
19 COUNT.—The term ‘open-end credit card
20 account’ means an account in which con-
21 sumer credit is granted by a creditor under
22 a plan in which the creditor reasonably
23 contemplates repeated transactions, the
24 creditor may impose a finance charge from
25 time to time on an unpaid balance, and the

1 amount of credit that may be extended to
2 the consumer during the term of the plan
3 is generally made available to the extent
4 that any outstanding balance is repaid and
5 up to any limit set by the creditor.

6 “(ii) RETAIL CREDIT CARD.—The
7 term ‘retail credit card’ means a credit
8 card that is issued by or on behalf of a re-
9 tailer, or a private label credit card, that is
10 limited to customers of a specific retailer.

11 “(C) EXEMPTIONS.—

12 “(i) MINIMUM PAYMENT OF NOT LESS
13 THAN TEN PERCENT.—This paragraph
14 shall not apply in any billing cycle in which
15 the account agreement requires a min-
16 imum payment of not less than 10 percent
17 of the outstanding balance.

18 “(ii) NO FINANCE CHARGES.—This
19 paragraph shall not apply in any billing
20 cycle in which finance charges are not im-
21 posed.”.

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