Office of Thrift Supervision

FACT SHEET

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Summary of Practices Addressed in Final Rule on Unfair Credit Card Acts or Practices

1. **Interest rate changes** — The rule (Section 535.24) requires savings associations to disclose at account opening the annual percentage rates (APRs) that will apply to the account and prohibits savings associations from increasing APRs unless expressly permitted. Savings associations are permitted to increase a rate at the expiration of a specified period, provided that the increasing rate was also disclosed at account opening. Once an account has been open for a year, a savings association may increase the rate for new transactions by providing a 45-day advance notice, as required by Regulation Z. Savings associations may also increase a variable rate due to the operation of an index. Finally, they may increase a rate on existing balances when the consumer is more than 30 days delinquent in paying the credit card bill.

2. **Reasonable time to pay** — The rule (Section 535.22) prohibits savings associations from treating a payment as late unless the consumer has been provided a reasonable amount of time to make the payment. As a “safe harbor,” a reasonable time would be considered to be 21 days.

3. **Payment allocation** — When an account has balances with different APRs, the rule (Section 535.23) requires savings associations to allocate amounts paid in excess of the minimum payment using one of two specified methods: either allocating the excess payment to the highest interest balance, or proportionately to all balances.

4. **Double-cycle billing** — The rule (Section 535.25) prohibits savings associations from using the practice sometimes referred to as two-cycle billing, when a savings association imposes finance charges based on balances associated with previous billing cycles.

5. **High-fee subprime cards** — The rule (Section 535.26) prohibits savings associations from charging fees for the issuance or availability of credit that consume

the majority of the available credit during the first year after account opening. Fees exceeding 25 percent of the available credit must be spread over no less than the first six months that the account is open, rather than charged as a lump sum during the first billing cycle.