

110<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5244

---

## AN ACT

To amend the Truth in Lending Act to establish fair and transparent practices relating to the extension of credit under an open end consumer credit plan, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Credit Cardholders’  
3 Bill of Rights Act of 2008”.

4 **SEC. 2. CREDIT CARDS ON TERMS CONSUMERS CAN REPAY.**

5 (a) **RETROACTIVE RATE INCREASES AND UNIVERSAL**  
6 **DEFAULT LIMITED.**—Chapter 2 of the Truth in Lending  
7 Act (15 U.S.C. 1631 et seq.) is amended by inserting after  
8 section 127A the following new section:

9 **“§ 127B. Additional requirements for credit card ac-**  
10 **counts under an open end consumer**  
11 **credit plan**

12 “(a) **RETROACTIVE RATE INCREASES AND UNI-**  
13 **VERSAL DEFAULT LIMITED.**—

14 “(1) **IN GENERAL.**—Except as provided in sub-  
15 section (b), no creditor may increase any annual per-  
16 centage rate of interest applicable to the existing  
17 balance on a credit card account of the consumer  
18 under an open end consumer credit plan.

19 “(2) **EXISTING BALANCE DEFINED.**—For pur-  
20 poses of this subsection and subsections (b) and (c),  
21 the term ‘existing balance’ means the amount owed  
22 on a consumer credit card account as of the end of  
23 the fourteenth day after the creditor provides notice  
24 of an increase in the annual percentage rate in ac-  
25 cordance with subsection (c).

1           “(3) TREATMENT OF EXISTING BALANCES FOL-  
2           LOWING RATE INCREASE.—If a creditor increases  
3           any annual percentage rate of interest applicable to  
4           credit card account of a consumer under an open  
5           end consumer credit plan and there is an existing  
6           balance in the account to which such increase may  
7           not apply, the creditor shall allow the consumer to  
8           repay the existing balance using a method provided  
9           by the creditor which is at least as beneficial to the  
10          consumer as 1 of the following methods:

11                   “(A) An amortization period for the exist-  
12                   ing balance of at least 5 years starting from the  
13                   date on which the increased annual percentage  
14                   rate went into effect.

15                   “(B) The percentage of the existing bal-  
16                   ance that was included in the required min-  
17                   imum periodic payment before the rate increase  
18                   cannot be more than doubled.

19          “(4) LIMITATION ON CERTAIN FEES.—If—

20                   “(A) a creditor increases any annual per-  
21                   centage rate of interest applicable on a credit  
22                   card account of the consumer under an open  
23                   end consumer credit plan; and

1           “(B) the creditor is prohibited by this sec-  
2           tion from applying the increased rate to an ex-  
3           isting balance,  
4           the creditor may not assess any fee or charge based  
5           solely on the existing balance.”.

6           (b) EXCEPTIONS TO THE AMENDMENT MADE BY  
7           SUBSECTION (a).—Section 127B of the Truth in Lending  
8           Act is amended by inserting after subsection (a) (as added  
9           by subsection (a)) the following new subsection:

10          “(b) EXCEPTIONS.—

11           “(1) IN GENERAL.—A creditor may increase  
12           any annual percentage rate of interest applicable to  
13           the existing balance on a credit card account of the  
14           consumer under an open end consumer credit plan  
15           only under the following circumstances:

16           “(A) CHANGE IN INDEX.—The increase is  
17           due solely to the operation of an index that is  
18           not under the creditor’s control and is available  
19           to the general public.

20           “(B) EXPIRATION OR LOSS OF PRO-  
21           MOTIONAL RATE.—The increase is due solely  
22           to—

23           “(i) the expiration of a promotional  
24           rate; or

1                   “(ii) the loss of a promotional rate for  
2                   a reason specified in the account agree-  
3                   ment (e.g., late payment).

4                   “(C) PAYMENT NOT RECEIVED DURING 30-  
5                   DAY GRACE PERIOD AFTER DUE DATE.—The  
6                   increase is due solely to the fact that the con-  
7                   sumer’s minimum payment has not been re-  
8                   ceived within 30 days after the due date for  
9                   such minimum payment.

10                  “(2) LIMITATION ON INCREASES DUE TO LOSS  
11                  OF PROMOTIONAL RATE.—Notwithstanding para-  
12                  graph (1)(B)(ii), the annual percentage rate in effect  
13                  after the increase permitted under such subsection  
14                  due to the loss of a promotional rate may not exceed  
15                  the annual percentage rate that would have applied  
16                  under the terms of the agreement after the expira-  
17                  tion of the promotional rate.”.

18                  (c) ADVANCE NOTICE OF RATE INCREASES.—Section  
19                  127B of the Truth in Lending Act is amended by inserting  
20                  after subsection (b) (as added by subsection (b)) the fol-  
21                  lowing new subsection:

22                  “(c) ADVANCE NOTICE OF RATE INCREASES.—In the  
23                  case of any credit card account under an open end con-  
24                  sumer credit plan, no increase in any annual percentage  
25                  rate of interest may take effect unless the creditor pro-

1 vides a written notice to the consumer at least 45 days  
 2 before the increase takes effect which fully describes the  
 3 changes in the annual percentage rate, in a complete and  
 4 conspicuous manner, and the extent to which such in-  
 5 crease would apply to an existing balance.”.

6 (d) CLERICAL AMENDMENT.—The table of sections  
 7 for chapter 2 of the Truth in Lending Act (15 U.S.C.  
 8 1631 et seq.) is amended by inserting after the item relat-  
 9 ing to section 127A the following new item:

“127B. Additional requirements for credit card accounts under an open end con-  
 sumer credit plan.”.

10 **SEC. 3. ADDITIONAL PROVISIONS REGARDING ACCOUNT**  
 11 **FEATURES, TERMS, AND PRICING.**

12 (a) DOUBLE CYCLE BILLING PROHIBITED.—Section  
 13 127B of the Truth in Lending Act is amended by inserting  
 14 after subsection (c) (as added by section 2(c)) the fol-  
 15 lowing new subsection:

16 “(d) DOUBLE CYCLE BILLING.—

17 “(1) IN GENERAL.—No finance charge may be  
 18 imposed by a creditor with respect to any balance on  
 19 a credit card account under an open end consumer  
 20 credit plan that is based on balances for days in bill-  
 21 ing cycles preceding the most recent billing cycle.

22 “(2) EXCEPTIONS.—Paragraph (1) shall not  
 23 apply so as to prohibit a creditor from—

1           “(A) charging a consumer for deferred in-  
2           terest even though that interest may have ac-  
3           crued over multiple billing cycles; or

4           “(B) adjusting finance charges following  
5           resolution of a billing error dispute.”.

6           (b) LIMITATIONS RELATING TO ACCOUNT BALANCES  
7           ATTRIBUTABLE ONLY TO ACCRUED INTEREST.—Section  
8           127B is amended by inserting after subsection (d) (as  
9           added by subsection (a)) the following new subsection:

10          “(e) LIMITATIONS RELATING TO ACCOUNT BAL-  
11          ANCES ATTRIBUTABLE ONLY TO ACCRUED INTEREST.—

12           “(1) IN GENERAL.—If the outstanding balance  
13           on a credit card account under an open end con-  
14           sumer credit plan at the end of a billing period rep-  
15           resents an amount attributable only to interest ac-  
16           crued during the preceding billing period on an out-  
17           standing balance that was fully repaid during the  
18           preceding billing period—

19           “(A) no fee may be imposed or collected in  
20           connection with such balance attributable only  
21           to interest before such end of the billing period;  
22           and

23           “(B) any failure to make timely repay-  
24           ments of the balance attributable only to inter-

1 est before such end of the billing period shall  
2 not constitute a default on the account.

3 Such balance remains a legally binding debt obliga-  
4 tion.

5 “(2) RULE OF CONSTRUCTION.—Paragraph (1)  
6 shall not be construed as affecting—

7 “(A) the consumer’s obligation to pay any  
8 accrued interest on a credit card account under  
9 an open end consumer credit plan; or

10 “(B) the accrual of interest on the out-  
11 standing balance on any such account in ac-  
12 cordance with the terms of the account and this  
13 title.”.

14 (c) ACCESS TO PAYOFF BALANCE INFORMATION.—  
15 Section 127B of the Truth in Lending Act is amended  
16 by inserting after subsection (e) (as added by subsection  
17 (b)) the following new subsection:

18 “(f) PAYOFF BALANCE INFORMATION.—Each peri-  
19 odic statement provided by a creditor to a consumer with  
20 respect to a credit card account under an open end con-  
21 sumer credit plan shall contain the telephone number,  
22 Internet address, and Worldwide Web site at which the  
23 consumer may request the payoff balance on the ac-  
24 count.”.



1 (d) CONSUMER RIGHT TO REJECT CARD BEFORE  
2 NOTICE IS PROVIDED OF OPEN ACCOUNT.—Section 127B  
3 of the Truth in Lending Act is amended by inserting after  
4 subsection (g) (as added by subsection (c)) the following  
5 new subsection:

6 “(g) CONSUMER RIGHT TO REJECT CARD BEFORE  
7 NOTICE OF NEW ACCOUNT IS PROVIDED TO CONSUMER  
8 REPORTING AGENCY.—

9 “(1) IN GENERAL.—A creditor may not furnish  
10 any information to a consumer reporting agency (as  
11 defined in section 603) concerning the establishment  
12 of a newly opened credit card account under an open  
13 end consumer credit plan until the credit card has  
14 been used or activated by the consumer.

15 “(2) RULE OF CONSTRUCTION.—Paragraph (1)  
16 shall not be construed as prohibiting a creditor from  
17 furnishing information about any application for  
18 credit card account under an open end consumer  
19 credit plan or any inquiry about any such account  
20 to a consumer reporting agency (as so defined).”.

21 (e) USE OF TERMS CLARIFIED.—Section 127B of the  
22 Truth in Lending Act is amended by inserting after sub-  
23 section (g) (as added by subsection (d)) the following new  
24 subsection:

1       “(h) USE OF TERMS.—The following requirements  
2 shall apply with respect to the terms of any credit card  
3 account under any open end consumer credit plan:

4               “(1) ‘FIXED’ RATE.—The term ‘fixed’, when  
5 appearing in conjunction with a reference to the an-  
6 nual percentage rate or interest rate applicable with  
7 respect to such account, may only be used to refer  
8 to an annual percentage rate or interest rate that  
9 will not change or vary for any reason over the pe-  
10 riod clearly and conspicuously specified in the terms  
11 of the account.

12               “(2) PRIME RATE.—The term ‘prime rate’,  
13 when appearing in any agreement or contract for  
14 any such account, may only be used to refer to the  
15 bank prime rate published in the Federal Reserve  
16 Statistical Release on selected interest rates (daily or  
17 weekly), and commonly referred to as the H.15 re-  
18 lease (or any successor publication).

19               “(3) DUE DATE.—

20                       “(A) IN GENERAL.—Each periodic state-  
21 ment for any such account shall contain a date  
22 by which the next periodic payment on the ac-  
23 count must be made to avoid a late fee or be  
24 considered a late payment, and any payment re-  
25 ceived by 5 p.m., local time at the location spec-

1           ified by the creditor for the receipt of payment,  
2           on such date shall be treated as a timely pay-  
3           ment for all purposes.

4           “(B) CERTAIN ELECTRONIC FUND TRANS-  
5           FERS.—Any payment with respect to any such  
6           account made by a consumer on-line to the Web  
7           site of the credit card issuer or by telephone di-  
8           rectly to the credit card issuer before 5 p.m.,  
9           local time at the location specified by the cred-  
10          itor for the receipt of payment, on any business  
11          day shall be credited to the consumer’s account  
12          that business day.

13          “(C) PRESUMPTION OF TIMELY PAY-  
14          MENT.—Any evidence provided by a consumer  
15          in the form of a receipt from the United States  
16          Postal Service or other common carrier indi-  
17          cating that a payment on a credit card account  
18          was sent to the issuer not less than 7 days be-  
19          fore the due date contained in the periodic  
20          statement under subparagraph (A) for such  
21          payment shall create a presumption that such  
22          payment was made by the due date, which may  
23          be rebutted by the creditor for fraud or dishon-  
24          esty on the part of the consumer with respect  
25          to the mailing date.”.

1 (f) PRO RATA PAYMENT ALLOCATIONS.—Section  
2 127B of the Truth in Lending Act is amended by inserting  
3 after subsection (h) (as added by subsection (e)) the fol-  
4 lowing new subsection:

5 “(i) PRO RATA PAYMENT ALLOCATIONS.—

6 “(1) IN GENERAL.—Except as permitted under  
7 paragraph (2), if the outstanding balance on a credit  
8 card account under an open end consumer credit  
9 plan accrues interest at 2 or more different annual  
10 percentage rates, the total amount of each periodic  
11 payment made on such account shall be allocated by  
12 the creditor between or among the outstanding bal-  
13 ances at each such annual percentage rate in the  
14 same proportion as each such balance bears to the  
15 total outstanding balance on the account.

16 “(2) ALLOCATION TO HIGHER RATE.—Notwith-  
17 standing paragraph (1), a creditor may elect, in any  
18 case described in such paragraph, to allocate more  
19 than a pro rata share of any payment to a portion  
20 of the outstanding balance that bears a higher an-  
21 nual percentage rate than another portion of such  
22 outstanding balance.

23 “(3) SPECIAL RULES FOR ACCOUNTS WITH  
24 PROMOTIONAL RATE BALANCES OR DEFERRED IN-  
25 TEREST BALANCES.—

1           “(A) IN GENERAL.—Notwithstanding para-  
2 graph (1) or (2), in the case of a credit card  
3 account under an open end consumer credit  
4 plan the current terms of which allow the con-  
5 sumer to receive the benefit of a promotional  
6 rate or deferred interest plan, amounts paid in  
7 excess of the required minimum payment shall  
8 be allocated to the promotional rate balance or  
9 the deferred interest balance only if other bal-  
10 ances have been fully paid.

11           “(B) EXCEPTION FOR DEFERRED INTER-  
12 EST BALANCES.—Notwithstanding subpara-  
13 graph (A), a creditor may allocate the entire  
14 amount paid by the consumer in excess of the  
15 required minimum periodic payment to a bal-  
16 ance on which interest is deferred during the 2  
17 billing cycles immediately preceding the expira-  
18 tion of the period during which interest is de-  
19 ferred.

20           “(4) PROHIBITION ON RESTRICTED GRACE PE-  
21 RIODS UNDER CERTAIN CIRCUMSTANCES.—If, with  
22 respect to any credit card account under an open  
23 end consumer credit, a creditor offers a time period  
24 in which to repay credit extended without incurring  
25 finance charges to cardholders who pay the balance

1 in full, the creditor may not deny a consumer who  
 2 takes advantage of a promotional rate balance or de-  
 3 ferred interest rate balance offer with respect to  
 4 such an account any such time period for repaying  
 5 credit without incurring finance charges.”.

6 (g) **TIMELY PROVISION OF PERIODIC STATE-**  
 7 **MENTS.**—Section 127B of the Truth in Lending Act is  
 8 amended by inserting after subsection (i) (as added by  
 9 subsection (f)) the following new subsection:

10 “(j) **TIMELY PROVISION OF PERIODIC STATE-**  
 11 **MENTS.**—Each periodic statement with respect to a credit  
 12 card account under an open end consumer credit plan  
 13 shall be sent by the creditor to the consumer not less than  
 14 25 calendar days before the due date identified in such  
 15 statement for the next payment on the outstanding bal-  
 16 ance on such account, and section 163(a) shall be applied  
 17 with respect to any such account by substituting ‘25’ for  
 18 ‘fourteen’.”.

19 **SEC. 4. CONSUMER CHOICE WITH RESPECT TO OVER-THE-**  
 20 **LIMIT TRANSACTIONS.**

21 Section 127B of the Truth in Lending Act is amend-  
 22 ed by inserting after subsection (j) (as added by section  
 23 3(g)) the following new subsections:

1       “(k) OPT-OUT OF CREDITOR AUTHORIZATION OF  
2 OVER-THE-LIMIT TRANSACTIONS IF FEES ARE IM-  
3 POSED.—

4               “(1) IN GENERAL.—In the case of any credit  
5 card account under an open end consumer credit  
6 plan under which an over-the-limit-fee may be im-  
7 posed by the creditor for any extension of credit in  
8 excess of the amount of credit authorized to be ex-  
9 tended under such account, the consumer may elect  
10 to prohibit the creditor, with respect to such ac-  
11 count, from completing any transaction involving the  
12 extension of credit, with respect to such account, in  
13 excess of the amount of credit authorized by noti-  
14 fying the creditor of such election in accordance with  
15 paragraph (2).

16               “(2) NOTIFICATION BY CONSUMER.—A con-  
17 sumer shall notify a creditor under paragraph (1)—

18                       “(A) through the notification system main-  
19 tained by the creditor under paragraph (4); or

20                       “(B) by submitting to the creditor a signed  
21 notice of election, by mail or electronic commu-  
22 nication, on a form issued by the creditor for  
23 purposes of this subparagraph.

24               “(3) EFFECTIVENESS OF ELECTION.—An elec-  
25 tion by a consumer under paragraph (1) shall be ef-

1       fective beginning 3 business days after the creditor  
2       receives notice from the consumer in accordance  
3       with paragraph (2) and shall remain effective until  
4       the consumer revokes the election.

5           “(4) NOTIFICATION SYSTEM.—Each creditor  
6       that maintains credit card accounts under an open  
7       end consumer credit plan shall establish and main-  
8       tain a notification system, including a toll-free tele-  
9       phone number, Internet address, and Worldwide  
10      Web site, which permits any consumer whose credit  
11      card account is maintained by the creditor to notify  
12      the creditor of an election under this subsection in  
13      accordance with paragraph (2).

14          “(5) ANNUAL NOTICE TO CONSUMERS OF  
15      AVAILABILITY OF ELECTION.—In the case of any  
16      credit card account under an open end consumer  
17      credit plan, the creditor shall include a notice, in  
18      clear and conspicuous language, of the availability of  
19      an election by the consumer under this paragraph as  
20      a means of avoiding over-the limit fees and a higher  
21      amount of indebtedness, and the method for pro-  
22      viding such notice—

23           “(A) in the periodic statement required  
24           under subsection (b) with respect to such ac-  
25           count at least once each calendar year; and



1           “(B) in any such periodic statement which  
2 includes a notice of the imposition of an over-  
3 the-limit fee during the period covered by the  
4 statement.

5           “(6) NO FEES IF CONSUMER HAS MADE AN  
6 ELECTION.—If a consumer has made an election  
7 under paragraph (1), no over-the-limit fee may be  
8 imposed on the account for any reason that has  
9 caused the outstanding balance in the account to ex-  
10 ceed the credit limit.

11           “(7) REGULATIONS.—

12           “(A) IN GENERAL.—The Board shall issue  
13 regulations allowing for the completion of over-  
14 the-limit transactions that for operational rea-  
15 sons exceed the credit limit by a de minimis  
16 amount, even where the cardholder has made  
17 an election under paragraph (1).

18           “(B) SUBJECT TO NO FEE LIMITATION.—  
19 The regulations prescribed under subparagraph  
20 (A) shall not allow for the imposition of any fee  
21 or any rate increase based on the permitted  
22 over-the-limit transactions.

23           “(1) OVER-THE-LIMIT FEE RESTRICTIONS.—With re-  
24 spect to a credit card account under an open end consumer  
25 credit plan, an over-the-limit fee may be imposed only once

1 during a billing cycle if, on the last day of such billing  
 2 cycle, the credit limit on the account is exceeded, and an  
 3 over-the-limit fee, with respect to such excess credit, may  
 4 be imposed only once in each of the 2 subsequent billing  
 5 cycles, unless the consumer has obtained an additional ex-  
 6 tension of credit in excess of such credit limit during any  
 7 such subsequent cycle or the consumer reduces the out-  
 8 standing balance below the credit limit as of the end of  
 9 such billing cycle.

10 “(m) OVER-THE-LIMIT FEES PROHIBITED IN CON-  
 11 JUNCTION WITH CERTAIN CREDIT HOLDS.—Notwith-  
 12 standing subsection (l), an over-the-limit fee may not be  
 13 imposed if the credit limit was exceeded due to a hold un-  
 14 less the actual amount of the transaction for which the  
 15 hold was placed would have resulted in the consumer ex-  
 16 ceeding the credit limit.”.

17 **SEC. 5. STRENGTHEN CREDIT CARD INFORMATION COL-**  
 18 **LECTION.**

19 Section 136(b) of the Truth in Lending Act (15  
 20 U.S.C. 1646(b)) is amended—

21 (1) in paragraph (1)—

22 (A) by striking “COLLECTION RE-  
 23 QUIRED.—The Board shall” and inserting  
 24 “COLLECTION REQUIRED.—

25 “(A) IN GENERAL.—The Board shall”.

1 (B) by adding at the end the following new  
2 subparagraph:

3 “(B) INFORMATION TO BE INCLUDED.—  
4 The information under subparagraph (A) shall  
5 include, for the relevant semiannual period, the  
6 following information with respect each creditor  
7 in connection with any consumer credit card ac-  
8 count:

9 (i) A list of each type of transaction  
10 or event during the semiannual period for  
11 which 1 or more creditors has imposed a  
12 separate interest rate upon a consumer  
13 credit card accountholder, including pur-  
14 chases, cash advances, and balance trans-  
15 fers.

16 (ii) For each type of transaction or  
17 event identified under clause (i)—

18 (I) each distinct interest rate  
19 charged by the card issuer to a con-  
20 sumer credit card accountholder dur-  
21 ing the semiannual period ; and

22 (II) the number of cardholders  
23 to whom each such interest rate was  
24 applied during the last calendar  
25 month of the semiannual period, and

1 the total amount of interest charged  
2 to such accountholders at each such  
3 rate during such month.

4 “(iii) A list of each type of fee that 1  
5 or more of the creditors has imposed upon  
6 a consumer credit card accountholder dur-  
7 ing the semiannual period, including any  
8 fee imposed for obtaining a cash advance,  
9 making a late payment, exceeding the cred-  
10 it limit on an account, making a balance  
11 transfer, or exchanging United States dol-  
12 lars for foreign currency.

13 “(iv) For each type of fee identified  
14 under clause (iii), the number of  
15 accountholders upon whom the fee was im-  
16 posed during each calendar month of the  
17 semiannual period, and the total amount of  
18 fees imposed upon cardholders during such  
19 month.

20 “(v) The total number of consumer  
21 credit card accountholders that incurred  
22 any finance charge or any other fee during  
23 the semiannual period.

24 “(vi) The total number of consumer  
25 credit card accounts maintained by each

1 creditor as of the end of the semiannual  
2 period.

3 “(vii) The total number and value of  
4 cash advances made during the semiannual  
5 period under a consumer credit card ac-  
6 count.

7 “(viii) The total number and value of  
8 purchases involving or constituting con-  
9 sumer credit card transactions during the  
10 semiannual period.

11 “(ix) The total number and amount of  
12 repayments on outstanding balances on  
13 consumer credit card accounts in each  
14 month of the semiannual period.

15 “(x) The percentage of all consumer  
16 credit card accountholders (with respect to  
17 any creditor) who—

18 “(I) incurred a finance charge in  
19 each month of the semiannual period  
20 on any portion of an outstanding bal-  
21 ance on which a finance charge had  
22 not previously been incurred; and

23 “(II) incurred any such finance  
24 charge at any time during the semi-  
25 annual period.

1           “(xi) The total number and amount of  
2           balances accruing finance charges during  
3           the semiannual period.

4           “(xii) The total number and amount  
5           of the outstanding balances on consumer  
6           credit card accounts as of the end of such  
7           semiannual period.

8           “(xiii) Total credit limits in effect on  
9           consumer credit card accounts as of the  
10          end of such semiannual period and the  
11          amount by which such credit limits exceed  
12          the credit limits in effect as of the begin-  
13          ning of such period.

14          “(xiv) Any other information related  
15          to interest rates, fees, or other charges  
16          that the Board deems of interest.”; and

17          (2) by adding at the end the following new  
18          paragraph:

19                 “(5) REPORT TO CONGRESS.—The Board shall,  
20                 on an annual basis, transmit to Congress and make  
21                 public a report containing estimates by the Board of  
22                 the approximate, relative percentage of income de-  
23                 rived by the credit card operations of depository in-  
24                 stitutions from—

1           “(A) the imposition of interest rates on  
2           cardholders, including separate estimates for—

3                   “(i) interest with an annual percent-  
4                   age rate of less than 25 percent; and

5                   “(ii) interest with an annual percent-  
6                   age rate equal to or greater than 25 per-  
7                   cent;

8           “(B) the imposition of fees on cardholders;

9           “(C) the imposition of fees on merchants;

10           and

11                   “(D) any other material source of income,  
12           while specifying the nature of that income.”.

13   **SEC. 6. STANDARDS APPLICABLE TO INITIAL ISSUANCE OF**  
14                   **SUBPRIME OR “FEE HARVESTER” CARDS.**

15           Section 127B of the Truth in Lending Act is amend-  
16   ed by inserting after subsection (m) (as added by section  
17   4) the following new subsection:

18           “(n) STANDARDS APPLICABLE TO INITIAL ISSUANCE  
19   OF SUBPRIME OR ‘FEE HARVESTER’ CARDS.—

20                   “(1) IN GENERAL.—In the case of any credit  
21   card account under an open end consumer credit  
22   plan the terms of which require the payment of fees  
23   (other than late fees or over-the-limit fees) by the  
24   consumer in the first year the account is opened in  
25   an amount in excess of 25 percent of the total

1 amount of credit authorized under the account, no  
2 payment of any fees (other than late fees or over-  
3 the-limit fees) may be made from the credit made  
4 available by the card.

5 “(2) RULE OF CONSTRUCTION.—No provision  
6 of this subsection may be construed as authorizing  
7 any imposition or payment of advance fees otherwise  
8 prohibited by any provision of law.”.

9 **SEC. 7. EXTENSIONS OF CREDIT TO UNDERAGE CON-**  
10 **SUMERS.**

11 Section 127(c) of the Truth in Lending Act (15  
12 U.S.C. 1637(c)) is amended by adding at the end the fol-  
13 lowing new paragraph:

14 “(8) EXTENSIONS OF CREDIT TO UNDERAGE  
15 CONSUMERS.—

16 “(A) IN GENERAL.—No credit card may be  
17 knowingly issued to, or open end credit plan es-  
18 tablished on behalf of, a consumer who has not  
19 attained the age of 18, unless the consumer is  
20 emancipated under applicable State law.

21 “(B) RULE OF CONSTRUCTION.—For the  
22 purposes of determining the age of an appli-  
23 cant, the submission of a signed application by  
24 a consumer stating that the consumer is over  
25 18 shall be considered sufficient proof of age.”.



1 **SEC. 8. EFFECTIVE DATE.**

2 (a) IN GENERAL.—The amendments made by this  
3 Act shall apply to all credit card accounts under open end  
4 consumer credit plans as of the end of the 1-year period  
5 beginning on the date of the enactment of this Act.

6 (b) REGULATIONS.—The Board of Governors of the  
7 Federal Reserve System, in consultation with the Comp-  
8 troller of the Currency, the Director of the Office of Thrift  
9 Supervision, the Federal Deposit Insurance Corporation,  
10 the National Credit Union Administration Board, and the  
11 Federal Trade Commission, shall prescribe regulations, in  
12 final form, implementing the amendments made by this  
13 Act before the end of the 6-month period beginning on  
14 the date of the enactment of this Act, except that it is  
15 the sense of the Congress that no provision of this Act  
16 should impede the promulgation of regulations in final  
17 form under laws in effect on the day before such date of  
18 enactment and that such regulations should be prescribed  
19 in final form on or before December 31, 2008, and should  
20 apply to credit card transactions under any open end con-  
21 sumer credit plan after the end of the 30-day period begin-

1 ning on the date such regulations are prescribed in final  
2 form.

Passed the House of Representatives September 23,  
2008.

Attest:

*Clerk.*



110<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

**H. R. 5244**

---

**AN ACT**

To amend the Truth in Lending Act to establish fair and transparent practices relating to the extension of credit under an open end consumer credit plan, and for other purposes.