



# NEWS RELEASE

Comptroller of the Currency  
Administrator of National Banks

**NR 2004-80**

FOR IMMEDIATE RELEASE  
September 14, 2004

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## **OCC [Alerts](#) National Banks on Unacceptable Credit Card Marketing and Account Management Practices**

WASHINGTON --The Office of the Comptroller of the Currency (OCC) provided guidance to national banks today on three specific credit card practices that the OCC regards as unacceptable because they may constitute unfair or deceptive acts or practices, or could otherwise expose a bank to compliance and reputation risk.

The OCC expressed concern about practices in which the cost of credit to an individual cardholder is increased without adequate disclosure of the circumstances that would trigger an increase or the creditor's right to change the terms and conditions of the card.

The second practice that the OCC addressed involves the marketing of cards by promoting credit limits "up to" a maximum amount that, in reality is seldom extended. The third practice involves the use of promotional rates in solicitations without clear disclosure about significant restrictions on the applicability and continuation of those rates.

"The OCC expects that customers be given adequate information and fair choices in the selection of credit products," said Comptroller of the Currency John D. Hawke, Jr. "In the event the OCC finds a national bank engaged in these practices, it will take all appropriate supervisory action necessary to address the matter."

In the advisory letter issued today, the OCC noted that repricing of credit card accounts and other changes in credit terms may be appropriate measures for managing credit risk on the part of the credit card issuer. However, certain practices in connection with repricing credit card accounts and changing terms of credit card agreements may raise heightened compliance and reputation risks. The OCC stressed that national banks should not:

- Fail to disclose fully and prominently in promotional materials the circumstances under which the credit card agreement permits the bank to increase the consumer's annual percentage rate (APR) (other than due to a variable rate feature), increase fees, or take other action to increase the cost of credit, such as failure to make timely payments to another creditor.
- Fail to disclose fully and prominently in marketing materials and credit agreements that the bank reserves the right to change the APR (other than due to a variable rate feature), fees, or other credit terms unilaterally.

The OCC also noted that promotions for credit cards with credit limits “up to” a specified dollar amount can be appropriate and beneficial to customers when the amount of credit offered is genuine, and not essentially illusory; when a meaningful number of applicants receive a significant credit line; when material information about the cost and usefulness is clearly and conspicuously presented; and when disclosures are made in accordance with Regulation Z. In this area, the OCC advised national banks that they should not:

- Target consumers who have limited or poor credit histories with solicitations for credit cards, with maximum, or “up to,” credit limit that is far greater than most of these applicants are likely to receive.
- Provide most applicants with a “default credit line” (the lowest credit line available) that is significantly lower than the maximum amount advertised, while failing to disclose fully and prominently in the promotional materials the default credit line and the possibility that the consumer will receive it.
- Advertise the possible uses of the card when the initial available credit line is likely to be so limited that the advertised possible uses are substantially illusory.

Promotional rate solicitations involve representations that an applicant or current cardholder may for a limited time receive a reduced APR on certain credit card charges or transactions. The reduced APR generally will be in effect only for a specified number of months and may be subject to other material limitations. In addition, other features of the promotion may limit the consumer’s ability to benefit from the program and problems may arise if material terms are not appropriately disclosed in promotional materials. With respect to these practices, the advisory indicated that national banks should not:

- Fail to disclose fully and prominently in promotional materials and credit agreements any material limitations on the applicability of the promotional rate, such as the time period for which the rate will be in effect and any circumstances that could shorten the promotional rate period or cause the promotional rate to increase.
- Make representations that create the impression that material limitations regarding the applicability of the promotional rate do not exist.
- Fail to disclose fully and prominently in promotional materials and credit card agreements any fees that may apply in connection with the promotional terms.

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The OCC charters, regulates and examines approximately 2,000 national banks and 51 federal branches of foreign banks in the U.S., accounting for more than 56 percent of the nation’s banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.