



Regulatory Update

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Treasury's Prepaid Debit Cards for Tax Refunds

- Pilot program
- Offered to 600, 000 low-mod individuals
- Consumers with limited or no access to traditional banking services
- My ACCOUNTCARD VISA
- Free services and low-cost optional services
- www.myaccountcard.gov

Treasury's Payroll Card Pilot

Program to encourage payroll card users to direct deposit 2010 tax refunds.

1.7 million workers use payroll cards to deposit/access wages.

Program information distributed with pay statements.

Treasury's Prepaid Card Interim Rule

- Permits delivery of federal payments to prepaid debit cards that meet certain criteria.
- Rule intended to provide those receiving federal payments with more options to receive payments electronically with prepaid debit cards that carry consumer protections.
- Interim rule effective January 21, 2011.
- Comment period extended to April 25, 2011.

Debit Card Protections

New Rules for **Overdraft Protection** on One Time Debit Card and ATM Transactions

- As of August 15, 2010, if you do not **OPT IN** (agree) to overdraft protection, your financial institution cannot charge you overdraft fees.
- Any transactions that exceed account balance will be denied.
- If you OPT IN, you can cancel at any time.
- If you decide not to OPT IN, you can do so at a later date of your choosing.
- Does not apply to check transactions!



Gift Cards

New protections under Regulation E (Electronic Fund Transfer Act) effective August 22, 2010:

Rules apply to

- retail gift cards
- network branded gift cards



Gift Cards

Final Rule restricts:

- Dormancy
- Inactivity
- Service Fees

Exceptions:

- 1 year of inactivity on certificate or card
- No more than one such fee per month
- Clear and conspicuous disclosures given to consumer about the fees



Gift Cards

Expiration date cannot be less than 5 years after the date of issuance or date card was last loaded.

Expiration date applies to consumer's funds, not the card itself.

Check your state's law as state law is often more protective: e.g., Massachusetts– no expiration for 7 years.



Credit Card Transaction Minimums and Maximums

*\$10.00 Minimum on all
VISA and MasterCard
Transactions!
Thank you!*

Credit Card Transactions Minimums and Maximums

Dodd-Frank Act
(Section 1075)

Payment card network cannot inhibit merchant's ability to set minimum dollar value for credit card transaction.

(Minimum cannot exceed **\$10**, and merchant cannot differentiate between issuers or between payment card networks.)



Credit Card Transaction Minimums and Maximums

Payment card network cannot inhibit ability of federal agency or institution of higher education to set maximum dollar value.

(Agency or institution cannot differentiate between issuers or between payment card networks.)

Effective July 2010



Interchange Fees

December 16, 2010: Board requested comment on proposed rule to establish **debit** card interchange fee standards.

Interchange fee: the fee that card issuers charge merchants and service providers for every card swipe.

Comment period expired February 22, 2011.



Funds Availability

Reg. CC Amendments Proposed March 3, 2011:

- Encourage banks to clear and return checks electronically;
- Add provisions that govern electronic items cleared through the check collection system;
- **And to shorten the exceptions hold periods on deposited funds.**



Funds Availability

- Exception holds: 4 days
- All checks are local
- New model forms- easier for consumers to understand
- Comment period ends June 3, 2011



Loan Originator Compensation

Reg. Z Amendment: No more yield spread premiums!

- Lenders can no longer pay brokers based on the **interest rate** or **other terms** of the mortgage.
- Protects consumers in mortgage market from unfair or abusive lending practices.
- Prevents steering consumers into high-cost, risky loans.
- Commission based on loan amount.

Effective April 1, 2011



Nationwide Mortgage Licensing System and Registry

- Secure and Fair Enforcement for Mortgage Licensing Act (SAFE)- requires nationwide licensing and registration system for mortgage loan originators
- Initial registration period: Jan.31- July 29, 2011
- Applies to employees of banks, credit unions, savings associations, farm credit system institutions— acting as residential mortgage loan originators
- Must obtain unique identifiers
- Consumer access to system: Mass. Division of Banks website: www.mass.gov/dob



Withdrawn Reg. Z Proposals

February 1, 2011, Fed decides not to finalize 3 pending mortgage rulemakings under Regulation Z (including disclosures for closed end mortgage loans and HELCs, and clarification on right of rescission).

Why?

- Rulemaking authority transfers to CFPB July 2011
- CFPB is charged with proposing combined Reg. Z and RESPA
- Board provisions would be subject to CFPB revisions
- Compliance difficulties
- Not in public interest

Credit Scores

“Risk- Based Pricing” Notice Provisions (FCRA)

Credit card issuer or lender must provide this **notice plus a free credit report** to consumer when, **based on consumer’s credit report**, lender provides credit on **terms less favorable** than those offered to most other consumers.

Alternative: **Free credit score** plus information about the score. (More likely)

Effective January 1, 2011



Credit Scores

Dodd-Frank goes one step further...

Effective July 21, 2011, Dodd-Frank Act requires that creditors must provide credit score and related information to the consumer who is denied credit (adverse action notices) or given less favorable terms (risk-based pricing notices).



Credit Scores

To ensure compliance with Dodd-Frank, on March 1, 2011, Board proposed to amend:

- Regulation V (Fair Credit Reporting) to revise risk – based pricing notice and to add related model forms that include credit score and related disclosures
- Regulation B (Equal Credit Opportunity) adverse action model forms to include credit score disclosure requirements

Comment Period Expires April 14, 2011.



Credit Scores

FINRA (Financial Industry Regulatory Authority)
Investors Education Foundation:

FICO Scores free for all military personnel
regardless of whether or not they are applying
for credit. (Announced March 2011)

