

**Credit Card Accountability, Responsibility and Disclosure (CARD) Act of 2009 - Changes from Earlier Regulations**

**NOTE:** Provisions in the Regulation Z and the NCUA rule on unfair or deceptive acts or practices (UDAP) not noted here will still be effective as of 7/1/10, as are any current provisions of Regulation Z that are not noted below.

<b>CARD Act Requirements</b>	<b>Comparable Provisions in the Reg Z and NCUA's UDAP Rule</b>
<p align="center"><b><i>Restrictions on Increasing APR</i></b></p> <p>Card issuers must give 45 days notice before increasing APR or changing any other significant terms in the credit agreement. The notice must contain a brief statement of the borrower's right to cancel the account.</p> <p><b><i>Effective: August 20, 2009</i></b></p>	<p><u>Reg Z:</u> Will require creditors to provide 45 days (up from current 15 days) advance notice for a change in any term disclosed at account opening or any new requirement. Will also require creditors to provide 45 days advance notice when a rate is increased due to the consumer's delinquency or default, including delinquency or default with other creditors, or if a rate is increased as a penalty for one or more events specified in the account agreement, such as late payment or exceeding the credit limit. Reg Z also imposes format and content requirements, which will still apply.</p>
<p>Generally, APR may not be increased in the first year, unless the rate is variable, after the expiration of a specified period of time disclosed at account opening, the consumer fails to abide by a workout arrangement, or payments are 60 days late. Promotional rates are allowed, but must stay in place for at least the first six months.</p> <p><b><i>Effective: Feb. 22, 2010</i></b></p>	<p><u>UDAP:</u> Same, with the exception that rate could be increased if payments were 30 days late.</p>

<p>Creditors are generally prohibited from increasing the APR on an existing balance unless: there is an expiration of a specific time period in which there is disclosure of both the time period and the rate that would then apply; there is a change based on an independent index for a variable rate card; the holder fails to comply with an individual workout plan; or the holder fails to make a payment within 60 days of the due date. In the case of a 60-day delinquency, a creditor must provide with the 45-day notice a statement of the reason for the increase and indicate that the increased APR will terminate no later than 6 months if all required minimum payments are received on time during that period. The new rate applies to transactions that occur more than 14 days after provision of the 45-day notice.</p> <p><b>Effective: Feb. 22, 2010</b></p>	<p><u>Reg Z</u>: Creditors will be required to disclose how existing balances will be affected by rate changes that do not result from changes in an index or formula, such as the expiration of an introductory rate or imposition of a penalty rate.</p> <p><u>UDAP</u>: Same, except APR could increase if payments were 30 days late. Under the final rule, the outstanding balance in which a creditor could not apply an increased rate would be the amount owed as of seven days after the creditor provided the 45-day notice of the rate increase. The new rate applies to transactions that occur more than seven days after provision of the 45-day notice.</p>
<p>Cardholders must be given one of two methods for paying off existing balances when the APR is increased where the rate increase cannot apply to the existing balance: monthly payments amortized over at least 5 years; or a monthly payment that includes a percentage of the protected balance that is no more than double the percentage required at the time the APR was increased.</p> <p><b>Effective: Feb. 22, 2010</b></p>	<p><u>UDAP</u>: Same.</p>
<p>Payment amounts made in excess of the minimum must be applied to outstanding balances with the highest APR first, then applied to sequentially lower APR balances.</p> <p><b>Effective: Feb. 22, 2010</b></p>	<p><u>UDAP</u>: Same. Also provides that the amounts above the minimum payment could also have been allocated by dividing the amount in a pro-rata manner among the balances. This would allocate the amount among the balances based on the percentage of that balance as compared to the total</p>

	<p>of all the balances.</p> <p>Creditors would also have the option of applying the minimum payment itself under one of the above-described methods.</p>
<p>When a creditor increases an APR due to a credit risk of a cardholder or market conditions, the creditor must periodically monitor those factors to determine whether a decrease in APR is appropriate. Creditors must maintain “reasonable methodologies for assessing the factors” and must review accounts where the APR has been increased at least every 6 months.</p> <p><b>Effective: August 22, 2010</b></p>	<p>No corresponding requirements in Reg Z or UDAP rules</p>
<p><b>Limits on Fees and Interest Charges</b></p>	
<p>“Double Cycle Billing,” whereby a creditor charges interest on balances that have been repaid during the previous billing cycle, is prohibited. There are two exceptions, as follows:</p> <ul style="list-style-type: none"> <li>• Creditors are permitted to impose interest charges if it is based on a billing error dispute that results in additional interest charges, even though the interest is based on balances in prior billing cycles.</li> <li>• Creditors are permitted to impose interest charges for the entire period when a payment is credited in one billing cycle but is returned due to insufficient funds in a subsequent billing cycle.</li> </ul> <p><b>Effective: Feb. 22, 2010</b></p>	<ul style="list-style-type: none"> <li>• <u>UDAP</u>: Same.</li> </ul>
<p>Card issuers may not charge a fee when the cardholder exceeds the credit limit unless the cardholder explicitly “opts-in” to such a service. Fee may only be charged once each billing cycle.</p> <p><b>Effective: Feb. 22, 2010</b></p>	<p>No corresponding requirements in Reg Z or UDAP rules.</p>

<p>Card issuers may not impose a separate fee for specific forms of payment unless that form of payment requires expedited service by a service representative of the creditor. <b>Effective: Feb. 22, 2010</b></p>	<p>No corresponding requirements in Reg Z or UDAP rules.</p>
<p>All penalty fees imposed by the creditor must be “reasonable and proportional.” <b>Effective: August 22, 2010</b></p>	<p>No corresponding requirements in Reg Z or UDAP rules.</p>
<p>Creditors will not be able to impose fees for late payments caused by a material change in address or procedures by the creditor. This applies for 60 days after the change is made. <b>Effective: Feb. 22, 2010</b></p>	<p>No corresponding requirements in Reg Z or UDAP rules.</p>
<b>Other Requirements for Credit Cards</b>	
<p>Periodic statements must be mailed to the cardholder at least 21 days before payment is due. Furthermore, the due date of payment must be the same each month or the next day if payments are not accepted on this date. The statement must include the due date or date in which the late payment fee will be charged, if different, as well as the amount of the fee. This must also include the date that payment must be received at a branch in order to avoid the fee. The cut-off time must be no earlier than 5 PM.  <b>Effective: August 20, 2009</b></p>	<p><u>NCUA</u>: The final rule prohibits creditors from considering a payment as late, unless the consumer is provided with reasonable time to make payments. Creditors must be able to establish that they have complied with this requirement, and one means to establish compliance would be to have reasonable procedures to ensure that periodic statements are mailed or delivered to consumers at least 21 days before the due date (up from the current 14-day requirement). Time period could have been shorter for creditors that provide statements and receive payments electronically.  <u>Reg Z</u>: 5 PM cut-off is based on time zone in which creditor receives payments.</p>
<p>Card issuers may not open a credit card account unless it has considered the applicant’s ability to make the payments of the account. <b>Effective: Feb. 22, 2010</b></p>	<p>No corresponding requirements in Reg Z or UDAP rules.</p>

<p><b>Revised Minimum Payment Warnings:</b>  The Act changes the minimum payment disclosures currently in Reg. Z (that would have been effective July 1, 2010) to eliminate disclosures based upon a hypothetical example and instead provide disclosures based upon the borrower's specific outstanding balance. Requires the general warning statement outlined in the Reg Z rule and also requires:</p> <ul style="list-style-type: none"> <li>• Creditors to disclose the number of months it would take to pay the entire balance if only the minimum payment were made (with no further advances), along with the total cost, including principal and interest.</li> <li>• Disclosure of the monthly payment required to pay the balance in full in 36 months, along with the total cost, including principal and interest.</li> <li>• Disclosure of a toll-free telephone number for receiving information about accessing credit counseling and debt management services.</li> </ul> <p>The above information must be provided on periodic statements in the form of a table in a prominent location.  <b>Effective: Feb. 22, 2010</b></p>	<p><b>Reg Z: Requires:</b></p> <ul style="list-style-type: none"> <li>• A warning statement that making minimum payments will increase the interest and time it takes to repay the balance – Same as Card Act.</li> <li>• A hypothetical example of how long it will take to pay the balance if only minimum payments are made.</li> <li>• A toll-free telephone number that the consumer may call to obtain an estimate of the time it would take the repay the actual account balance, and the card issuer may also provide a reference to a website that provides this information, in addition to the toll-free number.</li> </ul> <p>The Fed and FTC will maintain the toll-free number for two years for financial institutions with assets of \$250 million or less. There is flexibility in these requirements for creditors that provide actual repayment information.</p>
<p>Creditors will have to post credit card agreements on their websites and provide copies to the Fed.  <b>Effective Feb. 22, 2010</b></p>	<p>No corresponding requirements in Reg Z or UDAP rules.</p>
<p><b>Protection of Younger Consumers</b></p>	
<p>A credit card may not be issued to anyone under the age of 21 unless someone over the age of 21 with means to repay the credit card charges is jointly liable, or the person under 21 shows that he has independent means to repay the credit card debt.  <b>Effective: Feb. 22, 2010</b></p>	<p>No corresponding requirements in Reg Z or UDAP rules.</p>

<p>Colleges must disclose any contract made with card issuers for the purpose of marketing a card, and card issuers may not offer any special inducements for a college student to apply for a particular card if the offer is made on or near campus, or at an event sponsored by the college. Creditors with marketing or college affinity card agreements must provide such information to the Fed on an annual basis, including payments from colleges and number of cards that are active and opened for that year.</p> <p><b>Effective: Feb. 22, 2010</b></p>	<p>No corresponding requirements in Reg Z or UDAP rules.</p>
<p><b>Gift Cards</b></p>	
<p>The EFTA is amended to prohibit dormancy or inactivity fees on gift certificates, store gift cards or general-use prepaid cards. However, a fee may be charged after 12 months of inactivity if prior notice was given but there can be no more than one fee per month. Furthermore, such cards may not have an expiration date within 5 years of issuance, which must be disclosed.</p> <p><b>Effective: August 22, 2010</b></p>	<p>No corresponding requirements in Reg Z or UDAP rules.</p>
<p><b>Effective Dates</b></p>	
<p><b>August 20, 2009</b> - Provisions requiring 45 day notice of APR increases and for sending periodic statements at least 21 days before the due date.</p> <p><b>August 22, 2010</b> – Provisions requiring assessment every six months after an APR is increased to determine if the rate should then be decreased, provisions that penalty fees be “reasonable and proportional,” and provisions on gift cards.</p> <p><b>February 22, 2010</b> – All other provisions.</p>	<p><b>July 1, 2010</b></p>