

Regulation Z Truth in Lending Credit Cards

**Community Bankers for Compliance School
LENDING
2016**

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Section 1: General Disclosure Requirements

[12 C.F.R. §1026.5]

Form of Disclosures: [12 C.F.R. §1026.5(a)]

In general, open-end credit requires that the creditor provide written disclosures that the customer may keep. However, in the case of a credit or charge card, then the disclosure can be provided as directed under §1026.60.

The disclosures may be provided to the consumer in electronic form, subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act) (15 U.S.C. 7001 et seq.). The disclosures required by §1026.60 and the advertising rules of §1026.16 may be provided to the consumer in electronic form without regard to the consumer consent or other provisions of the E-Sign Act in the circumstances set forth in those sections.

Credit card disclosures are required to be provided in tabular format, and the term “penalty APR” shall be used, except in the case of the loss of promotional rate not greater than earlier disclosed.

Time of Disclosures: [12 C.F.R. §1026.5(b)]

The bank must be concerned with two general types of disclosures for open-end credit – initial and periodic.

Initial disclosures must be provided to the customer before the completion of the first transaction.

Periodic disclosures must be provided to the customer at the end of each billing cycle wherein the account has a debit or credit balance of \$1.00 or more, or on which a finance charge has been imposed. Creditors must adopt reasonable procedures designed to ensure that periodic statements are mailed or delivered at least 21 days prior to the payment due date and the date on which any grace period expires. A creditor that fails to meet this requirement shall not treat a payment as late for any purpose or collect any finance or other charge imposed as a result of such failure. For purposes of this paragraph, “grace period” means a period within which any credit extended may be repaid without incurring a finance charge due to a periodic interest rate.

Basis of Disclosures: [12 C.F.R. §1026.5(c)]

The disclosures must accurately reflect the terms and conditions of the agreement between the customer and the bank. When accurate information is not available, then estimates may be used, provided they are indicated as estimates.

Multiple Creditors/Consumers: [12 C.F.R. §1026.5(d)]

If there are multiple creditors, then only one set of disclosures is required to be provided from any one of the creditors. If there are multiple consumers, then only one set of disclosures is required.

Section 1026.60 contains specific rules for credit card disclosures. These are reviewed in detail later in this manual.

Section 2: Account-Opening Disclosures: Open-End (not home-secured) Plans [12 C.F.R. §1026.6(b)]

Introduction

The account-opening disclosures for open-end (not home-secured) plans require, before the first transaction, that the bank provide a disclosure statement that explains the account.

Required Disclosures for Account-Opening Table for Open-End (Not Home-Secured) Plans

A creditor shall disclose the items in this section, to the extent applicable:

Annual Percentage Rate: The creditor must disclose the annual percentage rate based on the periodic rate(s) used to compute the finance charge on an outstanding balance for purchases, cash advances, or balance transfers. If more than one rate applies to differing balances, then the range of balances to which each rate applies must be disclosed. The APR for purchases must be disclosed in at least 16-point type.

Variable Rate Information: If the plan has a variable rate, then the following must also be disclosed:

- The fact that the rate may vary.
- How the rate is determined, including, the type of index or formula (disclosed within the table), the value of the index and the margin and any limitations on rate increases or decreases (cannot be disclosed within the table).

Discounted initial rate. If the plan has an introductory rate, then the following must also be disclosed:

- The rate that would otherwise apply to the account.
- When the rate is not tied to an index or formula, the rate that will apply after the introductory rate expires.
- For a variable-rate account, a rate based on the applicable index or formula in accordance with the accuracy requirements set forth in the regulation.
- Except as provided in paragraph (b)(2)(i)(F), the bank is not required to, but may disclose in the table the introductory rate along with the rate that would otherwise apply to the account if the creditor also discloses the time period during which the introductory rate will remain in effect, and uses the term “introductory” or “intro” in immediate proximity to the introductory rate.

Premium initial rate. If the plan has an initial rate that is temporary and is higher than the rate that will apply after the temporary rate expires, then the following must also be disclosed:

- The premium initial rate.

- The rate for purchases must be in at least 16-point type.
- Except as provided in paragraph (b)(2)(i)(F) of this section, the creditor is not required to, but may disclose in the table the rate that will apply after the premium initial rate expires if the creditor also discloses the time period during which the premium initial rate will remain in effect. If the creditor also discloses in the table the rate that will apply after the premium initial rate for purchases expires, that rate also must be in at least 16-point type.

Penalty rates. In general, if a rate may increase as a penalty for one or more events specified in the account agreement, such as a late payment or an extension of credit that exceeds the credit limit, the creditor must disclose the increased rate that may apply, a brief description of the event or events that may result in the increased rate, and a brief description of how long the increased rate will remain in effect.

If more than one penalty rate may apply, the creditor at its option may disclose the highest rate that could apply, instead of disclosing the specific rates or the range of rates that could apply.

Introductory rates. If an introductory rate is disclosed in the table, the following must also be disclosed:

- A brief description (directly beneath the table) of the circumstances under which the introductory rate may be revoked, and
- The rate that will apply after the introductory rate is revoked.

Employee preferential rates. If a creditor discloses in the table a preferential annual percentage rate for which only employees of the creditor, employees of a third party, or other individuals with similar affiliations with the creditor or third party, such as executive officers, directors, or principal shareholders are eligible, the creditor must briefly disclose directly beneath the table the circumstances under which such preferential rate may be revoked, and the rate that will apply after such preferential rate is revoked.

Point of sale where APRs vary by state or based on creditworthiness. A creditor who imposes an APR that varies by state or is based on the consumer's creditworthiness and provides the required disclosures in person at the time the plan is established in connection with financing the purchase of goods or services may, at the creditor's option, disclose pursuant to paragraph (b)(2)(i) of this section in the account-opening table:

- The specific APR applicable to the consumer's account; or
- The range of the APRs, if the disclosure includes a statement that the APR varies by state or will be determined based on the consumer's creditworthiness and refers the consumer to the account agreement or other disclosure provided with the account-opening table where the APR applicable to the consumer's account is disclosed. A creditor may not list APRs for multiple states in the account-opening table.

Credit card accounts under an open-end (not home-secured) consumer credit plan. Notwithstanding paragraphs (b)(2)(i)(B) and (b)(2)(i)(C) of this section, for credit card accounts under an open-end (not home-secured) plan, issuers must disclose in the table:

- Any introductory rate that would apply to the account, consistent with the requirements of paragraph (b)(2)(i)(B) of this section, and

- Any rate that would apply upon the expiration of a premium initial rate, consistent with the requirements of paragraph (b)(2)(i)(C) of this section.

Fees for Issuance or Availability. Any annual fee, such as a membership fee, or periodic fee, such as an activity or inactivity fee, must be disclosed as an annualized amount and how frequently it will be imposed. Any non-periodic fee that relates to opening an account must state that the fee is a one-time fee.

Fixed Finance Charge. Minimum Interest Charge. Any minimum or fixed finance charge (exceeding \$1.00), such as minimum interest, must be disclosed along with a brief description of the charge. The \$1.00 amount will be adjusted periodically by the CFPB to reflect changes in the Consumer Price Index. At the card issuer's option, a minimum interest charge below this amount may be disclosed in the table.

Transaction Charges. Any transaction charges that may be imposed for the use of the open-end plan for purchases must be disclosed.

Grace Period. If the creditor allows an interest-free or grace period, the date by which any credit extended for purchases may be repaid without finance charge must be disclosed. If no grace period is provided, then this fact must be disclosed. If the length of the grace period varies, the method of the variability, such as range of days, minimum number of days, or average number of days, must be disclosed. When disclosing a grace period, the phrase "How to Avoid Paying Interest" shall be used as the heading for the row describing the grace period. If a grace period is not offered on all features of the account, the phrase "Paying Interest" shall be used as the heading for the row describing this fact.

Balance Computation Method. The creditor must disclose the name of the method used to calculate the balance on which the finance charge will be computed for each feature or an explanation of the method used, along with a statement that an explanation of the method(s) required is provided with the account opening disclosures. When determining which method to disclose, the creditor shall assume that credit extended for purchases will not be repaid within the grace period, if any.

Cash Advance Fee. Any fee imposed for an extension of credit as a cash advance

Late Payment Fee. Any fee imposed for late payments

Over-the-limit Fee. Any fee imposed for exceeding an approved credit limit

Balance Transfer Fee. Any fee imposed to transfer an outstanding balance

Returned-Payment Fee. Any fee imposed by the creditor for a returned payment.

Required Insurance, Debt Cancellation or Debt Suspension Coverage.

- Any fee for credit life, accident, health, or loss-of-income insurance, debt cancellation or debt suspension coverage, if they are required as part of the plan; and
- A cross reference to any additional information provided about the insurance or coverage accompanying the application or solicitation, as applicable.

Available credit. If a creditor requires fees for the issuance or availability of credit or requires a security deposit for such credit, and the total amount of the fees and/or security deposit

that will be charged to the account when the account is opened is 15 percent or more of the minimum credit limit for the plan, a creditor must disclose the available credit remaining after these fees or security deposit are debited to the account. In determining whether the 15 percent threshold is met, the minimum credit limit for the plan must be used. However, the disclosure provided under this paragraph must be based on the actual initial credit limit provided on the account. In determining whether the 15 percent threshold test is met, the creditor must only consider fees for issuance or availability of credit, or a security deposit, that are required. If fees for issuance or availability are optional, these fees should not be considered in determining whether the disclosure must be given. Nonetheless, if the 15 percent threshold test is met, the creditor in providing the disclosure must disclose the amount of available credit calculated by excluding those optional fees, and the available credit including those optional fees. The creditor shall also disclose that the consumer has the right to reject the plan and not be obligated to pay those fees or any other fee or charges until the consumer has used the account or made a payment on the account after receiving a periodic statement. This paragraph does not apply with respect to fees or security deposits that are not debited to the account.

Web site reference. For issuers of credit cards that are not charge cards, a reference to the Web site established by the CFPB and a statement that consumers may obtain on the Web site information about shopping for and using credit cards. Until January 1, 2013, issuers were allowed to substitute for this reference a reference to the Web site established by the Board of Governors of the Federal Reserve System.

Billing error rights reference. A statement that information about consumers' right to dispute transactions is included in the account-opening disclosures.

Disclosure of Charges Imposed as Part of Open-end (not home-secured) Plans

As part of an open-end (not home-secured) plan, a creditor must disclose the applicable charges, and the circumstances under which the charge may be imposed, including the amount of the charge or an explanation of how the charge is determined. When disclosing finance charges, there needs to be a statement of when the charge begins to accrue and an explanation of whether or not there is a grace period. If a grace period is provided, a creditor may, at its option and without disclosure, elect not to impose a finance charge when payment is received after the time period expires.

Charges imposed as part of the plan are:

- ***Finance charges.***
- ***Charges resulting from the consumer's failure to use the plan as agreed,*** except amounts payable for collection activity after default, attorney's fees whether or not automatically imposed, and post-judgment interest rates permitted by law.
- ***Taxes*** imposed on the credit transaction by a state or other governmental body, such as documentary stamp taxes on cash advances.
- ***Charges for which the payment,*** or nonpayment, affect the consumer's access to the plan, the duration of the plan, the amount of credit extended, the period for which credit is extended, or the timing or method of billing or payment.
- ***Charges imposed for terminating a plan.***

- **Charges for voluntary credit insurance, debt cancellation or debt suspension.**

Charges that are not imposed as part of the plan include:

- Charges imposed on a cardholder by an institution other than the card issuer for the use of the other institution's ATM in a shared or interchange system.
- A charge for a package of services that includes an open-end credit feature, if the fee is required whether or not the open-end credit feature is included and the non-credit services are not merely incidental to the credit feature.
- Charges under §1026.4(e) disclosed as specified.

Disclosure of Rates for Open-end (not home-secured) Plans

As part of an open-end (not home-secured) plan, a creditor must disclose, to the extent applicable, the following:

For each periodic rate that may be used to calculate interest:

- **Rates.** The rate, expressed as a periodic rate and a corresponding annual percentage rate.
- **Range of balances.** The range of balances to which the rate is applicable; however, a creditor is not required to adjust the range of balances disclosure to reflect the balance below which only a minimum charge applies.
- **Type of transaction.** The type of transaction to which the rate applies, if different rates apply to different types of transactions.
- **Balance computation method.** An explanation of the method used to determine the balance to which the rate is applied.

Variable-rate accounts. For interest rate changes that are tied to increases in an index or formula (variable-rate accounts) specifically set forth in the account agreement:

- The fact that the annual percentage rate may increase.
- How the rate is determined, including the margin.
- The circumstances under which the rate may increase.
- The frequency with which the rate may increase.
- Any limitation on the amount the rate may change.
- The effect(s) of an increase.
- Except as specified in paragraph (b)(4)(ii)(H) of this section, a rate is accurate if it is a rate as of a specified date and this rate was in effect within the last 30 days before the disclosures are provided.
- Creditors imposing annual percentage rates that vary according to an index that is not under the creditor's control that provide the disclosures required by paragraph (b) of this section in person at the time the open-end (not home-secured) plan is established in connection with financing the purchase of goods or services may disclose in the table a rate,

or range of rates to the extent permitted by §1026.6(b)(2)(i)(E), that was in effect within the last 90 days before the disclosures are provided, along with a reference directing the consumer to the account agreement or other disclosure provided with the account-opening table where an annual percentage rate applicable to the consumer's account in effect within the last 30 days before the disclosures are provided is disclosed.

Rate changes not due to index or formula. For interest rate changes that are specifically set forth in the account agreement and not tied to increases in an index or formula:

- The initial rate (expressed as a periodic rate and a corresponding annual percentage rate) required under paragraph (b)(4)(i)(A) of this section.
- How long the initial rate will remain in effect and the specific events that cause the initial rate to change.
- The rate (expressed as a periodic rate and a corresponding annual percentage rate) that will apply when the initial rate is no longer in effect and any limitation on the time period the new rate will remain in effect.
- The balances to which the new rate will apply.
- The balances to which the current rate at the time of the change will apply.

Additional Disclosures for Open-end (not home-secured) Plans

A creditor shall disclose, to the extent applicable:

- ***Voluntary credit insurance, debt cancellation or debt suspension.*** The disclosures in §1026.4(d)(1)(i) and (d)(1)(ii) and (d)(3)(i) through (d)(3)(iii) if the creditor offers optional credit insurance or debt cancellation or debt suspension coverage that is identified in §1026.4(b)(7) or (b)(10).
- ***Security interests.*** The fact that the creditor has or will acquire a security interest in the property purchased under the plan, or in other property identified by item or type.
- ***Statement of billing rights.*** A statement that outlines the consumer's rights and the creditor's responsibilities under §1026.12(c) and §1026.13 and that is substantially similar to the statement found in Model Form G-3(A) in Appendix G to this part.

Form of Disclosures

Creditors must provide the account-opening disclosures specified in paragraph (b)(2)(i) through (b)(2)(v) (except for (b)(2)(i)(D)(2)) and (b)(2)(vii) through (b)(2)(xiv) of this section in the form of a table with the headings, content, and format substantially similar to any of the applicable tables in G-17 in Appendix G.

Highlighting. In the table, any annual percentage rate required to be disclosed, any introductory rate permitted or required to be disclosed, any rate that will apply after a premium initial rate expires permitted or required to be disclosed, and any fee or percentage amounts or maximum limits on fee amounts disclosed must be disclosed in bold text. However, bold text shall not be used for: the amount of any periodic fee disclosed pursuant to paragraph (b)(2) of this

section that is not an annualized amount; and other annual percentage rates or fee amounts disclosed in the table.

Location. Only the information required or permitted by paragraphs (b)(2)(i) through (b)(2)(v) (except for (b)(2)(i)(D)(2)) and (b)(2)(vii) through (b)(2)(xiv) of this section shall be in the table. Disclosures required by paragraphs (b)(2)(i)(D)(2), (b)(2)(vi) and (b)(2)(xv) of this section shall be placed directly below the table. Disclosures required by paragraphs (b)(3) through (b)(5) of this section that are not otherwise required to be in the table and other information may be presented with the account agreement or account-opening disclosure statement, provided such information appears outside the required table.

Fees that vary by state. Creditors that impose fees referred to in paragraphs (b)(2)(vii) through (b)(2)(xi) of this section that vary by state and that provide the disclosures required by paragraph (b) of this section in person at the time the open-end (not home-secured) plan is established in connection with financing the purchase of goods or services may, at the creditor's option, disclose in the account-opening table the specific fee applicable to the consumer's account, or the range of the fees, if the disclosure includes a statement that the amount of the fee varies by state and refers the consumer to the account agreement or other disclosure provided with the account-opening table where the amount of the fee applicable to the consumer's account is disclosed. A creditor may not list fees for multiple states in the account-opening summary table.

Fees based on a percentage. If the amount of any fee that must be disclosed is based on a percentage of another amount, such as charging an annual fee based on a percentage of the credit line, the percentage and what it will be applied to can be stated instead of a dollar amount.

Section 3: Periodic Statement: Open-End (not home-secured) Plans [12 C.F.R. §1026.7(b)]

A periodic statement is required for open-end (not home-secured) plans and must include the following items.

- **Previous balance.** The account balance at the beginning of the billing cycle.
- **Identification of transactions.** An identification of each credit transaction in accordance with §1026.8.
- **Credits.** Any credit to the account during the billing cycle, including the amount and date of crediting. The date need not be provided if a delay in crediting does not result in any finance or other charge.
- **Periodic rates.**
 - Except as provided in paragraph (b)(4)(ii) of this section, each periodic rate that may be used to compute the interest charge expressed as an annual percentage rate and using the term Annual Percentage Rate, along with the range of balances to which it is applicable. If no interest charge is imposed when the outstanding balance is less than a certain amount, the creditor is not required to disclose that fact, or the balance below which no interest charge will be imposed. The types of transactions to which the periodic rates apply shall also be disclosed. For variable-rate plans, the fact that the annual percentage rate may vary.
 - Exception. A promotional rate, as that term is defined in §1026.16(g)(2)(i), is required to be disclosed only in periods in which the offered rate is actually applied.
- **Balance on which finance charge computed.** The amount of the balance to which a periodic rate was applied and an explanation of how that balance was determined, using the term *Balance Subject to Interest Rate*. When a balance is determined without first deducting all credits and payments made during the billing cycle, the fact and the amount of the credits and payments shall be disclosed. As an alternative to providing an explanation of how the balance was determined, a creditor that uses a balance computation method identified in §1026.60(g) may, at the creditor's option, identify the name of the balance computation method and provide a toll-free telephone number where consumers may obtain from the creditor more information about the balance computation method and how resulting interest charges were determined. If the method used is not identified in §1026.60(g), the creditor shall provide a brief explanation of the method used.
- **Charges imposed.**
 - The amounts of any charges imposed as part of a plan as stated in §1026.6(b)(3), grouped together, in proximity to transactions identified under paragraph (b)(2) of this section, substantially similar to Sample G-18(A) in Appendix G to this part.
 - **Interest.** Finance charges attributable to periodic interest rates, using the term *Interest Charge*, must be grouped together under the heading *Interest Charged*, itemized and totaled by type of transaction, and a total of finance charges attributable to periodic interest rates, using the term *Total Interest*, must be disclosed for the

statement period and calendar year to date, using a format substantially similar to Sample G-18(A) in Appendix G to this part.

- **Fees.** Charges imposed as part of the plan other than charges attributable to periodic interest rates must be grouped together under the heading *Fees*, identified consistent with the feature or type, and itemized, and a total of charges, using the term *Fees*, must be disclosed for the statement period and calendar year to date, using a format substantially similar to Sample G-18(A) in Appendix G to this part.
- ***Change-in-terms and increased penalty rate summary for open-end (not home-secured) plans.*** Creditors that provide a change-in-terms notice required by §1026.9(c), or a rate increase notice required by §1026.9(g), on or with the periodic statement, must disclose the information in §1026.9(c)(2)(iv)(A) and (c)(2)(iv)(B) (if applicable) or §1026.9(g)(3)(i) on the periodic statement in accordance with the format requirements in §1026.9(c)(2)(iv)(D), and §1026.9(g)(3)(ii). See Forms G-18(F) and G-18(G) in Appendix G to this part.
- ***Grace period.*** The date by which or the time period within which the new balance or any portion of the new balance must be paid to avoid additional finance charges. If such a time period is provided, a creditor may, at its option and without disclosure, impose no finance charge if payment is received after the time period's expiration.
- ***Address for notice of billing errors.*** The address to be used for notice of billing errors. Alternatively, the address may be provided on the billing rights statement permitted by §1026.9(a)(2).
- ***Closing date of billing cycle; new balance.*** The closing date of the billing cycle and the account balance outstanding on that date. The new balance must be disclosed in accordance with the format requirements of paragraph (b)(13) of this section.
- ***Due date; late payment costs.*** Except as provided in paragraph (b)(11)(ii) of this section and in accordance with the format requirements in paragraph (b)(13) of this section, for a credit card account under an open-end (not home-secured) consumer credit plan, a card issuer must provide on each periodic statement:
 - The due date for a payment. The due date disclosed pursuant to this paragraph shall be the same day of the month for each billing cycle.
 - The amount of any late payment fee and any increased periodic rate(s) (expressed as an annual percentage rate(s)) that may be imposed on the account as a result of a late payment. If a range of late payment fees may be assessed, the card issuer may state the range of fees, or the highest fee and at the issuer's option with the highest fee an indication that the fee imposed could be lower. If the rate may be increased for more than one feature or balance, the card issuer may state the range of rates or the highest rate that could apply and at the issuer's option an indication that the rate imposed could be lower.
 - ***Exception.*** The requirements of paragraph (b)(11)(i) of this section do not apply to the following:
 - Periodic statements provided solely for charge card accounts; and
 - Periodic statements provided for a charged-off account where payment of the entire account balance is due immediately.

- **Repayment disclosures.** *In general.* Except as provided in paragraphs (b)(12)(ii) and (b)(12)(v) of this section, for a credit card account under an open-end (not home-secured) consumer credit plan, a card issuer must provide the following disclosures on each periodic statement:
 - The following statement with a bold heading: “Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance;”
 - The minimum payment repayment estimate, as described in Appendix M1 to this part. If the minimum payment repayment estimate is less than 2 years, the card issuer must disclose the estimate in months. Otherwise, the estimate must be disclosed in years and rounded to the nearest whole year;
 - The minimum payment total cost estimate, as described in Appendix M1 to this part. The minimum payment total cost estimate must be rounded to the nearest whole dollar or to the nearest cent, at the card issuer's option;
 - A statement that the minimum payment repayment estimate and the minimum payment total cost estimate are based on the current outstanding balance shown on the periodic statement. A statement that the minimum payment repayment estimate and the minimum payment total cost estimate are based on the assumption that only minimum payments are made and no other amounts are added to the balance;
 - A toll-free telephone number where the consumer may obtain from the card issuer information about credit counseling services consistent with paragraph (b)(12)(iv) of this section; and
 - Except as provided in paragraph (b)(12)(i)(F)(2) of this section, the following disclosures:
 - The estimated monthly payment for repayment in 36 months, as described in Appendix M1 to this part. The estimated monthly payment for repayment in 36 months must be rounded to the nearest whole dollar or to the nearest cent, at the card issuer's option;
 - A statement that the card issuer estimates that the consumer will repay the outstanding balance shown on the periodic statement in 3 years if the consumer pays the estimated monthly payment each month for 3 years;
 - The total cost estimate for repayment in 36 months, as described in Appendix M1 to this part. The total cost estimate for repayment in 36 months must be rounded to the nearest whole dollar or to the nearest cent, at the card issuer's option; and
 - The savings estimate for repayment in 36 months, as described in Appendix M1 to this part. The savings estimate for repayment in 36 months must be rounded to the nearest whole dollar or to the nearest cent, at the card issuer's option.
 - The requirements of paragraph (b)(12)(i)(F)(1) of this section do not apply to a periodic statement in any of the following circumstances:
 - The minimum payment repayment estimate that is disclosed on the periodic statement pursuant to paragraph (b)(12)(i)(B) of this section after rounding is three years or less;

- The estimated monthly payment for repayment in 36 months, as described in Appendix M1 to this part, rounded to the nearest whole dollar or to the nearest cent that is calculated for a particular billing cycle is less than the minimum payment required for the plan for that billing cycle; and
 - A billing cycle where an account has both a balance in a revolving feature where the required minimum payments for this feature will not amortize that balance in a fixed amount of time specified in the account agreement and a balance in a fixed repayment feature where the required minimum payment for this fixed repayment feature will amortize that balance in a fixed amount of time specified in the account agreement which is less than 36 months.
- **Negative or no amortization.** If negative or no amortization occurs when calculating the minimum payment repayment estimate as described in Appendix M1 of this part, a card issuer must provide the following disclosures on the periodic statement instead of the disclosures set forth in paragraph (b)(12)(i) of this section:
 - The following statement: “*Minimum Payment Warning: Even if you make no more charges using this card, if you make only the minimum payment each month we estimate you will never pay off the balance shown on this statement because your payment will be less than the interest charged each month*”;
 - The following statement: “If you make more than the minimum payment each period, you will pay less in interest and pay off your balance sooner”;
 - The estimated monthly payment for repayment in 36 months, as described in Appendix M1 to this part. The estimated monthly payment for repayment in 36 months must be rounded to the nearest whole dollar or to the nearest cent, at the issuer's option;
 - A statement that the card issuer estimates that the consumer will repay the outstanding balance shown on the periodic statement in 3 years if the consumer pays the estimated monthly payment each month for 3 years; and
 - A toll-free telephone number where the consumer may obtain from the card issuer information about credit counseling services consistent with paragraph (b)(12)(iv) of this section.
 - **Format requirements.** A card issuer must provide the disclosures required by paragraph (b)(12)(i) or (b)(12)(ii) of this section in accordance with the format requirements of paragraph (b)(13) of this section, and in a format substantially similar to Samples G-18(C)(1), G-18(C)(2) and G-18(C)(3) in Appendix G to this part, as applicable.
 - **Provision of information about credit counseling services.**
 - **Required information.** To the extent available from the United States Trustee or a bankruptcy administrator, a card issuer must provide through the toll-free telephone number disclosed pursuant to paragraphs (b)(12)(i) or (b)(12)(ii) of this section the name, street address, telephone number, and Web site address for at least three organizations that have been approved by the United States Trustee or a bankruptcy administrator pursuant to 11 U.S.C. 111(a)(1) to provide credit counseling services in, at the card issuer’s option, either the state in which the billing address for the account is located or the state specified by the consumer.

- **Updating required information.** At least annually, a card issuer must update the information provided pursuant to paragraph (b)(12)(iv)(A) of this section for consistency with the information available from the United States Trustee or a bankruptcy administrator.
- **Exemptions.** Paragraph (b)(12) of this section does not apply to:
 - Charge card accounts that require payment of outstanding balances in full at the end of each billing cycle;
 - A billing cycle immediately following two consecutive billing cycles in which the consumer paid the entire balance in full, had a zero outstanding balance or had a credit balance; and
 - A billing cycle where paying the minimum payment due for that billing cycle will pay the entire outstanding balance on the account for that billing cycle.
- **Format requirements.** The due date required by paragraph (b)(11) of this section shall be disclosed on the front of the first page of the periodic statement. The amount of the late payment fee and the annual percentage rate(s) required by paragraph (b)(11) of this section shall be stated in close proximity to the due date. The ending balance required by paragraph (b)(10) of this section and the disclosures required by paragraph (b)(12) of this section shall be disclosed closely proximate to the minimum payment due. The due date, late payment fee and annual percentage rate, ending balance, minimum payment due, and disclosures required by paragraph (b)(12) of this section shall be grouped together. Sample G-18(D) in Appendix G to this part sets forth an example of how these terms may be grouped.
- **Deferred interest or similar transactions.** For accounts with an outstanding balance subject to a deferred interest or similar program, the date by which that outstanding balance must be paid in full in order to avoid the obligation to pay finance charges on such balance must be disclosed on the front of any page of each periodic statement issued during the deferred interest period beginning with the first periodic statement issued during the deferred interest period that reflects the deferred interest or similar transaction. The disclosure provided pursuant to this paragraph must be substantially similar to Sample G-18(H) in Appendix G to this part.

Identification of Transactions: [12 C.F.R. §1026.8]

To allow the customer to verify transactions that have occurred within the most recent billing cycle, the bank must identify credit transactions on or with the first periodic statement that reflects the transaction. This is a portion of the billing disputes and error resolution procedures.

Sale Credit: [12 C.F.R. §1026.8(a)]

For each credit transaction involving the sale of property or services, the bank must disclose the amount and date of the transaction and either:

- A brief identification of the property or services purchased, for creditors and sellers that are the same or related; or

- The seller's name; and the city and state or foreign country where the transaction took place. The creditor may omit the address or provide any suitable designation that helps the consumer to identify the transaction when the transaction took place at a location that is not fixed; took place in the consumer's home; or was a mail, Internet, or telephone order.

A creditor does not need to comply with the above requirements if an actual copy of the receipt or other credit document is provided with the first periodic statement reflecting the transaction, and the amount of the transaction and either the date of the transaction to the consumer's account or the date of debiting the transaction are disclosed on the copy or on the periodic statement.

Nonsale Credit Transactions: [12 C.F.R. §1026.8(b)]

For non-sale credit transactions, such as cash advances and overdraft advances, the bank must identify the transaction in one of the following ways:

- A brief identification of the transaction, the amount of the transaction, and at least one of the following dates:
 - The date of the transaction,
 - The date the transaction was debited to the consumer's account, or
 - If the consumer signed the credit document, the date appearing on the document.
- If an actual copy of the receipt or other credit document is provided and that copy shows the amount and at least one of the specified dates, the brief identification may be omitted.

Alternative Creditor Procedures; consumer inquiries for clarification or documentation: [12 C.F.R. §1026.8(c)]

The following procedures apply to creditors that treat an inquiry for clarification or documentation as a notice of a billing error, including correcting the account in accordance with §1026.13(e):

- (1) Failure to disclose the information required by paragraphs (a) and (b) of this section is not a failure to comply with the regulation, provided that the creditor also maintains procedures reasonably designed to obtain and provide the information. This applies to transactions that take place outside a state, as defined in §1026.2(a)(26), whether or not the creditor maintains procedures reasonably adapted to obtain the required information.
- (2) As an alternative to the brief identification for sale or nonsale credit, the creditor may disclose a number or symbol that also appears on the receipt or other credit document given to the consumer, if the number or symbol reasonably identifies that transaction with that creditor.

Section 4: Subsequent Disclosure Requirements

[12 C.F.R. §1026.9]

Statement of Billing Rights: [12 C.F.R. §1026.9(a)]

The bank must provide a statement of billing rights to the customer either as an annual detailed statement or the alternative summary statement on or with each periodic statement, as provided in Appendix G of the regulation.

Disclosures for Supplemental Credit Devices and Additional Features: [12 C.F.R. §1026.9(b)]

If a creditor, within 30 days after mailing or delivering the account-opening disclosures under section 12 C.F.R. §1026.6(a)(1) or (b)(3)(ii)(A), adds a credit feature to the consumer's account or mails or delivers to the consumer a credit access device for which the finance charge terms are the same as those previously disclosed, no additional disclosures are necessary. After 30 days, if the creditor adds a credit feature or furnishes a credit access device (other than as a renewal, resupply, or the original issuance of a credit card) on the same finance charge terms, the creditor shall disclose, before the consumer uses the feature or device for the first time, that it is for use in obtaining credit under the terms previously disclosed.

Whenever a credit feature is added or a credit access device is mailed or delivered, and the finance charge terms for the feature or device differ from disclosures previously given, the disclosures required by §1026.6(a)(1) or (b)(3)(ii)(A) that are applicable to the added feature or device shall be given before the consumer uses the feature or device for the first time.

Checks that access a credit card account

(a) ***Disclosures.*** For open-end (not home-secured) plans, if checks that can be used to access a credit card account are provided within 30 days or more after account-opening disclosures are mailed or delivered and the finance charge terms differ from those previously disclosed, the creditor shall disclose on the front of the page containing the checks the following terms in the form of a table with the headings, content, and form substantially similar to Sample G-19 in Appendix G to this part. The disclosures must be accurate as of the time they are mailed or delivered.

(1) If a promotional rate applies to the checks:

- (i) The promotional rate and the time period during which the promotional rate will remain in effect;
- (ii) The type of rate that will apply (such as whether the purchase or cash advance rate applies) after the promotional rate expires, and the annual percentage rate that will apply after the promotional rate expires. For a variable-rate account, a creditor must disclose an annual percentage rate based on the applicable index or formula that was in effect within 60 days of when the disclosures are mailed or delivered.

- (iii) The date, if any, by which the consumer must use the checks in order to qualify for the promotional rate. If the creditor will honor checks used after such date but will apply an annual percentage rate other than the promotional rate, the creditor must disclose this fact and the type of annual percentage rate that will apply.
- (2) If no promotional rate applies to the checks:
 - (i) The type of rate that will apply to the checks and the applicable annual percentage rate. For a variable-rate account, a creditor must disclose an annual percentage rate based on the applicable index or formula that was in effect within 60 days of when the disclosures are mailed or delivered.
 - (3) Any transaction fees applicable to the checks disclosed under §1026.6(b)(2)(iv); and
 - (4) Whether or not a grace period is given. When there is a grace period, use the phrase “How to Avoid Paying Interest on Check Transactions” as the row heading. When there is no grace period, use the phrase “Paying Interest” as the row heading.
- (b) **Variable rates.** If any annual percentage rate required to be disclosed is a variable rate, the card issuer shall also disclose the fact that the rate may vary and how the rate is determined. In describing how the applicable rate will be determined, the card issuer must identify the type of index or formula that is used in setting the rate. The value of the index and the amount of the margin that are used to calculate the variable rate shall not be disclosed in the table. A disclosure of any applicable limitations on rate increases shall not be included in the table.

Change in Terms: [12 C.F.R. §1026.9(c)]

Rules affecting open-end (not home secured) plans [12 C.F.R. §1026.9(c)(2)]

Changes where written advance notice is required. For accounts under an open-end (not home-secured) consumer credit plan, except as provided in paragraph (c)(2)(i)(B), (c)(2)(iii), and (c)(2)(v) of this section, whenever a significant change in account terms as described in paragraph (c)(2)(ii) is made, a creditor must provide a written notice of the change at least 45 days prior to the effective date of the change to each consumer who may be affected. The 45-day timing requirement does not apply if the consumer has agreed to a particular change as described in paragraph (c)(2)(i)(B) of this section; for such changes, notice must be given in accordance with the timing requirements of paragraph (c)(2)(i)(B) of this section. Increases in the rate applicable to a consumer's account due to delinquency, default or as a penalty described in paragraph (g) of this section that are not due to a change in the contractual terms of the consumer's account must be disclosed pursuant to paragraph (g) of this section instead of paragraph (c)(2) of this section.

Changes agreed to by the consumer. If the consumer agrees to the change, the notice may be mailed or delivered as late as the effective date of the change. This applies only when a consumer substitutes collateral or when the creditor can advance additional credit when, for example, the consumer provides additional security or pays an increased minimum payment amount.

The following are not considered agreements between the consumer and the creditor:

- The consumer's general acceptance of the creditor's contract reservation of the right to change terms;
- The consumer's use of the account (which might imply acceptance of its terms under state law);
- The consumer's acceptance of a unilateral term change that is not particular to that consumer, but rather is of general applicability to consumers with that type of account; and
- The consumer's request to reopen a closed account or to upgrade an existing account to another account offered by the creditor with different credit or other features.

Significant changes in account terms. The notice requirements of paragraph (c)(2)(i) of this section apply to changes in the following terms:

- Fees that vary by state. Any fee that varies by state.
- Fees based on a percentage. Any fee that is based on a percentage of another amount.
- Annual percentage rates. Each periodic rate that may be used to compute the finance charge on an outstanding balance for purchases, a cash advance, or a balance transfer. For purposes of this paragraph, such rates include any discounted initial rate, premium initial rate, or penalty rate that may be applied to the account.
- Fees for issuance or availability. Any annual or other periodic fee that may be imposed for the issuance or availability of credit under an open-end (not home-secured) consumer credit plan, including any fee based on account activity or inactivity.
- Fixed finance charge; minimum interest charge. Any fixed finance charge and any minimum interest charge if it exceeds \$1.00 that could be imposed during a billing cycle. The creditor may, at its option, provide notice for changes in minimum interest charges below this threshold.
- Transaction charges. Any transaction charge imposed by the creditor for use of the account under an open-end (not home-secured) consumer credit plan for purchases.
- Grace period. The date by which or the period within which any credit extended may be repaid without incurring a finance charge due to a periodic interest rate and any conditions on the availability of the grace period.
- Balance computation method. The balance computation method that is used to determine the balance on which the finance charge is computed for each feature.
- Cash advance fee. Any fee imposed for an extension of credit in the form of cash or its equivalent.
- Late payment fee. Any fee imposed for a late payment.
- Over-the-limit fee. Any fee imposed for exceeding a credit limit.
- Balance transfer fee. Any fee imposed to transfer an outstanding balance.
- Returned-payment fee. Any fee imposed by the creditor for a returned payment.
- Required insurance, debt cancellation, or debt suspension coverage. A fee for insurance described in §1026.4(b)(7), debt cancellation coverage described in §1026.4(b)(10), or debt

suspension coverage written in connection with a credit transaction, if the insurance, debt cancellation coverage, or debt suspension coverage is required as part of the plan.

- Available credit. Any fees for the issuance or availability of credit or any security deposit required for such credit.
- Web site reference. For issuers of credit cards that are not charge cards, a reference to the Web site established by the CFPB. Until January 1, 2013, issuers were allowed to substitute for this reference a reference to the Web site established by the Board of Governors of the Federal Reserve System.
- Billing error rights reference. Information about consumers' right to dispute transactions.
- An increase in the required minimum periodic payment.
- The acquisition of a security interest.

Charges not covered by §1026.6(b)(1) and (b)(2). Except as provided in paragraph (c)(2)(vi) of this section, if a creditor increases any component of a charge, or introduces a new charge, required to be disclosed under §1026.6(b)(3) that is not a significant change in account terms, a creditor may either, at its option:

- Comply with the requirements of paragraph (c)(2)(i) of this section; or
- Provide notice of the amount of the charge before the consumer agrees to or becomes obligated to pay the charge, at a time and in a manner that a consumer would be likely to notice the disclosure of the charge. The notice may be provided orally or in writing.

Disclosure requirements

Significant changes in account terms. If a creditor makes a significant change in account terms as described in paragraph (c)(2)(ii) of this section, the notice provided pursuant to paragraph (c)(2)(i) of this section must contain the following:

- A summary of the changes made to terms required by §1026.6(b)(1) and (b)(2), a description of any increase in the required minimum periodic payment, and a description of any security interest being acquired by the creditor. This disclosure must be in a tabular format (except for a summary of any increase in the required minimum periodic payment, a summary of a term required to be disclosed under §1026.6(b)(4) that is not required to be disclosed under §1026.6(b)(1) and (b)(2), or a description of any security interest being acquired by the creditor), with headings and format substantially similar to any of the account-opening tables found in G-17 in Appendix G to this part. The table must disclose the changed term and information relevant to the change, if that relevant information is required by §1026.6(b)(1) and (b)(2). The new terms shall be described in the same level of detail as required when disclosing the terms under §1026.6(b)(2);
- A statement that changes are being made to the account;
- For accounts other than credit card accounts under an open-end (not home-secured) consumer credit plan subject to §1026.9(c)(2)(iv)(B), a statement indicating the consumer has the right to opt out of these changes, if applicable, and a reference to additional information describing the opt-out right provided in the notice, if applicable;
- The date the changes will become effective;

- If applicable, a statement that the consumer may find additional information about the summarized changes, and other changes to the account, in the notice;
- If the creditor is changing a rate on the account, other than a penalty rate, a statement that if a penalty rate currently applies to the consumer's account, the new rate described in the notice will not apply to the consumer's account until the consumer's account balances are no longer subject to the penalty rate;
- If the change in terms being disclosed is an increase in an annual percentage rate, the balances to which the increased rate will be applied. If applicable, a statement identifying the balances to which the current rate will continue to apply as of the effective date of the change in terms; and
- If the change in terms being disclosed is an increase in an annual percentage rate for a credit card account under an open-end (not home-secured) consumer credit plan, a statement of no more than four principal reasons for the rate increase, listed in their order of importance.

Right to reject for credit card accounts under an open-end (not home secured) consumer credit plan. In addition to the disclosures in paragraph (c)(2)(iv)(A) of this section, if a card issuer makes a significant change in account terms on a credit card account, the creditor must generally provide the following information on the notice provided pursuant to paragraph (c)(2)(i). This information is not required to be provided in the case of an increase in the required minimum periodic payment, an increase in a fee as a result of a reevaluation of a determination made under §1026.52(b)(1)(i) or an adjustment to the safe harbors in §1026.52(b)(1)(ii) to reflect changes in the Consumer Price Index, a change in an annual percentage rate applicable to a consumer's account, an increase in a fee previously reduced consistent with 50 U.S.C. app. 527 or a similar Federal or State statute or regulation if the amount of the increased fee does not exceed the amount of that fee prior to the reduction, or when the change results from the creditor not receiving the consumer's required minimum periodic payment within 60 days after the due date for that payment:

- A statement that the consumer has the right to reject the change or changes prior to the effective date of the changes, unless the consumer fails to make a required minimum periodic payment within 60 days after the due date for that payment;
- Instructions for rejecting the change or changes, and a toll-free telephone number that the consumer may use to notify the creditor of the rejection; and
- If applicable, a statement that if the consumer rejects the change or changes, the consumer's ability to use the account for further advances will be terminated or suspended.

The above information is not required to be disclosed when any of the following changes occur:

- An increase in the required minimum periodic payment;
- An increase in a fee as a result of a reevaluation of a determination made under §1026.52(b)(1)(i) or an adjustment to the safe harbors in §1026.52(b)(1)(ii) to reflect changes in the Consumer Price Index;
- There is a change in an APR;
- There is a change in the balance computation method necessary to comply with §1026.54;
or

- When the change results from the creditor not receiving the consumer's required minimum periodic payment within 60 days after the due date.

Changes resulting from failure to make minimum periodic payment within 60 days from due date for credit card accounts under an open-end (not home-secured) consumer credit plan. For a credit card account under an open-end (not home-secured) consumer credit plan:

- If the significant change required to be disclosed pursuant to paragraph (c)(2)(i) of this section is an increase in an annual percentage rate or a fee or charge required to be disclosed under §1026.6(b)(2)(ii), (b)(2)(iii), or (b)(2)(xii) based on the consumer's failure to make a minimum periodic payment within 60 days from the due date, the notice provided pursuant to paragraph (c)(2)(i) of this section must state that the increase will cease to apply to transactions that occurred prior to or within 14 days of provision of the notice, if the creditor receives six consecutive required minimum periodic payments on or before the payment due date, beginning with the first payment due following the effective date of the increase.
- If the significant change required to be disclosed pursuant to paragraph (c)(2)(i) of this section is an increase in a fee or charge required to be disclosed under §1026.6(b)(2)(ii), (b)(2)(iii), or (b)(2)(xii) based on the consumer's failure to make a minimum periodic payment within 60 days from the due date for that payment, the notice provided pursuant to paragraph (c)(2)(i) of this section must also state the reason for the increase.

Notice included with periodic statement. If a notice required by paragraph (c)(2)(i) of this section is included on or with a periodic statement, the information described in paragraph (c)(2)(iv)(A)(1) of this section must be disclosed on the front of any page of the statement. The summary of changes described in paragraph (c)(2)(iv)(A)(1) of this section must immediately follow the information described in paragraph (c)(2)(iv)(A)(2) through (c)(2)(iv)(A)(7) and, if applicable, paragraphs (c)(2)(iv)(A)(8), (c)(2)(iv)(B), and (c)(2)(iv)(C) of this section, and be substantially similar to the format shown in Sample G–20 or G–21 in Appendix G to this part.

Notice provided separately from periodic statement. If a notice required by paragraph (c)(2)(i) of this section is not included on or with a periodic statement, the information described in paragraph (c)(2)(iv)(A)(1) of this section must, at the creditor's option, be disclosed on the front of the first page of the notice or segregated on a separate page from other information given with the notice. The summary of changes required to be in a table pursuant to paragraph (c)(2)(iv)(A)(1) of this section may be on more than one page, and may use both the front and reverse sides, so long as the table begins on the front of the first page of the notice and there is a reference on the first page indicating that the table continues on the following page. The summary of changes described in paragraph (c)(2)(iv)(A)(1) of this section must immediately follow the information described in paragraph (c)(2)(iv)(A)(2) through (c)(2)(iv)(A)(7) and, if applicable, paragraphs (c)(2)(iv)(A)(8), (c)(2)(iv)(B), and (c)(2)(iv)(C), of this section, substantially similar to the format shown in Sample G–20 or G–21 in Appendix G to this part.

Notice not required. For open-end plans (not home secured) a creditor is not required to provide notice under this section:

- When the change involves charges for documentary evidence; a reduction of any component of a finance or other charge; suspension of future credit privileges (except as provided in paragraph (c)(2)(vi) of this section) or termination of an account or plan; when the change

results from an agreement involving a court proceeding; when the change is an extension of the grace period; or if the change is applicable only to checks that access a credit card account and the changed terms are disclosed on or with the checks in accordance with paragraph (b)(3) of this section;

- When the change is an increase in an annual percentage rate or fee upon the expiration of a specified period of time, provided that:
 - Prior to commencement of that period, the creditor disclosed in writing to the consumer, in a clear and conspicuous manner, the length of the period and the annual percentage rate that would apply after expiration of the period;
 - The disclosure of the length of the period and the annual percentage rate or fee that would apply after expiration of the period are set forth in close proximity and in equal prominence to the first listing of the disclosure of the rate that applies during the specified period of time; and
 - The annual percentage rate that applies after that period does not exceed the rate disclosed pursuant to paragraph (c)(2)(v)(B)(1) of this paragraph or, if the rate disclosed pursuant to paragraph (c)(2)(v)(B)(1) of this section was a variable rate, the rate following any such increase is a variable rate determined by the same formula (index and margin) that was used to calculate the variable rate disclosed pursuant to paragraph (c)(2)(v)(B)(1);
- When the change is an increase in a variable annual percentage rate in accordance with a credit card or other account agreement that provides for changes in the rate according to operation of an index that is not under the control of the creditor and is available to the general public; or
- When the change is an increase in an annual percentage rate, a fee or charge required to be disclosed under §1026.6(b)(2)(ii), (b)(2)(iii), (b)(2)(viii), (b)(2)(ix), or (b)(2)(xii), or the required minimum periodic payment due to the completion of a workout or temporary hardship arrangement by the consumer or the consumer's failure to comply with the terms of such an arrangement, provided that:
 - The annual percentage rate or fee or charge applicable to a category of transactions or the required minimum periodic payment following any such increase does not exceed the rate or fee or charge or required minimum periodic payment that applied to that category of transactions prior to commencement of the arrangement or, if the rate that applied to a category of transactions prior to the commencement of the workout or temporary hardship arrangement was a variable rate, the rate following any such increase is a variable rate determined by the same formula (index and margin) that applied to the category of transactions prior to commencement of the workout or temporary hardship arrangement; and
 - The creditor has provided the consumer, prior to the commencement of such arrangement, with a clear and conspicuous disclosure of the terms of the arrangement (including any increases due to such completion or failure). This disclosure must generally be provided in writing. However, a creditor may provide the disclosure of the terms of the arrangement orally by telephone, provided that the creditor mails or delivers a written disclosure of the terms of the arrangement to the consumer as soon as reasonably practicable after the oral disclosure is provided.

Reduction of the credit limit. For open-end plans (not home-secured), if a creditor decreases the credit limit on an account, advance notice of the decrease must be provided before an over-the-limit fee or a penalty rate can be imposed solely as a result of the consumer exceeding the newly decreased credit limit. Notice shall be provided in writing or orally at least 45 days prior to imposing the over-the-limit fee or penalty rate and shall state that the credit limit on the account has been or will be decreased.

Finance Charge Imposed at Time of Transaction: [12 C.F.R. §1026.9(d)]

Any person, other than the card issuer, who imposes a finance charge at the time of honoring a consumer's credit card, shall disclose the amount of that finance charge prior to its imposition.

The card issuer, other than the person honoring the consumer's credit card, has no responsibility for the disclosure required of the person honoring the card, and shall not consider any such charge for purposes of early credit card disclosures, initial account disclosures, or periodic statement disclosures.

Disclosures Upon Renewal of Credit or Charge Card: [12 C.F.R. §1026.9(e)]

The bank must make subsequent disclosures upon the renewal of credit or charge cards.

Notice Prior to Renewal: The card issuer that imposes any annual or other periodic fee to renew a credit or charge card, including any fee based on account activity or inactivity, or that has changed or amended any term of a cardholder's account required to be disclosed under §1026.6(b)(1) and (b)(2) that has not previously been disclosed to the consumer, shall mail or deliver written notice of the renewal. If the card issuer imposes any annual or other periodic fee for renewal, the notice shall be provided at least 30 days or one billing cycle, whichever is less, before the mailing or the delivery of the periodic statement on which any renewal fee is initially charged to the account. If the card issuer has changed or amended any term required to be disclosed under §1026.6(b)(1) and (b)(2) and such changed or amended term has not previously been disclosed to the consumer, the notice shall be provided at least 30 days prior to the scheduled renewal date of the consumer's credit or charge card. The notice shall contain the following information:

- The disclosures contained in §1026.60(b)(1) through (b)(7) that would apply if the account were renewed; and
- How and when the cardholder may terminate credit availability under the account to avoid paying the renewal fee, if applicable.

Notification on Periodic Statements: The renewal disclosures may be made on or with a periodic statement. If the disclosures are provided on the back of a periodic statement, the card issuer shall include a reference to the disclosure on the front of the statement.

Change in Credit Card Account Insurance Provider: [12 C.F.R. §1026.9(f)]

If the card issuer provides credit insurance and changes carriers, then this must be disclosed to the customer.

Notice Prior to Change: [12 C.F.R. §1026.9(f)(1)] If the card issuer decides to change credit insurance carriers, such as for accident and health, life, or unemployment insurance, the card issuer must mail or deliver to the cardholder written notice not less than 30 days before the change. The notice shall include:

- Any increase in the rate that will result from the change;
- Any substantial decrease in coverage that will result from the change; and
- A statement that the cardholder may discontinue the insurance.

Notice When Change in Provider Occurs: [12 C.F.R. §1026.9(f)(2)] If the change in insurance provider occurs, the card issuer shall provide a written notice no later than 30 days after the change that includes:

- The name and address of the new insurance provider;
- A copy of the new policy or group certificate containing the basic terms of the insurance, including the rate to be charged; and
- A statement that the cardholder may discontinue the insurance.

Substantial Decrease in Coverage: [12 C.F.R. §1026.9(f)(3)] A substantial decrease in coverage is a decrease in a significant term of coverage that might reasonably be expected to affect the cardholder's decision to continue the insurance. Significant terms of coverage include such items as:

- Type of coverage provided;
- Age at which coverage terminates or becomes more restrictive;
- Maximum insurable loan balance, maximum periodic benefit payment, maximum number of payments, or other term affecting the dollar amount of the coverage or benefit provided;
- Eligibility requirements and number and identity of persons covered;
- Definition of a key term of coverage, such as disability;
- Exclusions from or limitations on coverage; and
- Waiting periods and whether coverage is retroactive.

Combined Notification: [12 C.F.R. §1026.9(f)(4)]

The notices for change of insurance provider may be combined on or with a periodic statement, provided the timing requirements of the disclosures are met.

Increase in Rates Due to Delinquency or Default or as a Penalty: [12 C.F.R. §1026.9(g)]

Increases subject to this section. [12 C.F.R. §1026.9(g)(1)]. For open-end (not home-secured) consumer credit plans, except as provided in paragraph (g)(4) of this section, a creditor must provide a written notice to each consumer who may be affected when:

- A rate is increased due to the consumer's delinquency or default; or
- A rate is increased as a penalty for one or more events specified in the account agreement, such as making a late payment or obtaining an extension of credit that exceeds the credit limit.

Timing of written notice. [12 C.F.R. §1026.9(g)(2)]. Whenever any notice is required to be given pursuant to paragraph (g)(1) of this section, the creditor shall provide written notice of the increase in rate at least 45 days prior to the effective date of the increase. The notice must be provided after the occurrence of the events described in paragraphs (g)(1)(i) and (g)(1)(ii) of this section that trigger the imposition of the rate increase.

Disclosure Requirements for Rate Increases [12 C.F.R. §1026.9(g)(3)]

In general, if a creditor is increasing the rate due to delinquency or default or as a penalty, the creditor must provide the following information on the notice sent pursuant to paragraph (g)(1) of this section:

- A statement that the delinquency or default rate or penalty rate, as applicable, has been triggered;
- The date on which the delinquency or default rate or penalty rate will apply;
- The circumstances under which the delinquency or default rate or penalty rate, as applicable, will cease to apply to the consumer's account, or that the delinquency or default rate or penalty rate will remain in effect for a potentially indefinite time period;
- A statement indicating to which balances the delinquency or default rate or penalty rate will be applied;
- If applicable, a description of any balances to which the current rate will continue to apply as of the effective date of the rate increase, unless a consumer fails to make a minimum periodic payment within 60 days from the due date for that payment; and
- For a credit card account under an open-end (not home-secured) consumer credit plan, a statement of no more than four principal reasons for the rate increase, listed in their order of importance.

Rate increases resulting from failure to make minimum periodic payment within 60 days from due date. For a credit card account under an open-end (not home-secured) consumer credit plan, if the rate increase required to be disclosed pursuant to paragraph (g)(1) of this section is an increase pursuant to §1026.55(b)(4) based on the consumer's failure to make a minimum periodic payment within 60 days from the due date, the notice provided pursuant to paragraph (g)(1) of this section must also state that the increase will cease to apply to transactions that occurred prior to or within 14 days of provision of the notice, if the creditor receives six consecutive required minimum periodic payments on or before the payment due date, beginning with the first payment due following the effective date of the increase.

Format requirements

- If a notice required by paragraph (g)(1) of this section is included on or with a periodic statement, the information described in the paragraph titled “disclosure requirements for rate increases” of this section must be in the form of a table and provided on the front of any page of the periodic statement, above the notice described in paragraph (c)(2)(iv) of this section if that notice is provided on the same statement.
- If a notice required by paragraph (g)(1) of this section is not included on or with a periodic statement, the information described in the paragraph titled “disclosure requirements for rate increases” of this section must be disclosed on the front of the first page of the notice. Only information related to the increase in the rate to a penalty rate may be included with the notice, except that this notice may be combined with a notice described in paragraph (c)(2)(iv) or (g)(4) of this section.

Exceptions for Decrease in Credit Limit. [12 C.F.R. §1026.9(g)(4)]. A creditor is not required to provide a notice pursuant to paragraph (g)(1) of this section prior to increasing the rate for obtaining an extension of credit that exceeds the credit limit, provided that:

- The creditor provides at least 45 days in advance of imposing the penalty rate a notice, in writing, that includes:
 - A statement that the credit limit on the account has been or will be decreased;
 - A statement indicating the date on which the penalty rate will apply, if the outstanding balance exceeds the credit limit as of that date;
 - A statement that the penalty rate will not be imposed on the date specified in paragraph (g)(4)(i)(B) of this section, if the outstanding balance does not exceed the credit limit as of that date;
 - The circumstances under which the penalty rate, if applied, will cease to apply to the account, or that the penalty rate, if applied, will remain in effect for a potentially indefinite time period;
 - A statement indicating to which balances the penalty rate may be applied; and
 - If applicable, a description of any balances to which the current rate will continue to apply as of the effective date of the rate increase, unless the consumer fails to make a minimum periodic payment within 60 days from the due date for that payment; and
- The creditor does not increase the rate applicable to the consumer's account to the penalty rate if the outstanding balance does not exceed the credit limit on the date set forth in the notice and described in paragraph (g)(4)(i)(B) of this section.
- If a notice provided pursuant to paragraph (g)(4)(i) of this section is included on or with a periodic statement, the information described in paragraph (g)(4)(i) of this section must be in the form of a table and provided on the front of any page of the periodic statement; or
- If a notice required by paragraph (g)(4)(i) of this section is not included on or with a periodic statement, the information described in paragraph (g)(4)(i) of this section must be disclosed on the front of the first page of the notice. Only information related to the reduction in credit limit may be included with the notice, except that this notice may be combined with a notice described in paragraph (c)(2)(iv) or (g)(1) of this section.

Section 5: Miscellaneous Open End Rules

Crediting Payments: [12 C.F.R. §1026.10]

In general, the bank must credit payments to the customer's account as of the date of receipt, unless the delay in crediting does not result in a finance charge or other charge.

A creditor may specify reasonable requirements for payments that enable most consumers to make conforming payments. Examples of reasonable requirements for payments may include:

- Requiring that payments be accompanied by the account number or payment stub;
- Setting reasonable cut-off times for payments to be received by mail, by electronic means, by telephone, and in person (except as provided in paragraph (b)(3) of this section), provided that such cut-off times shall be no earlier than 5 p.m. on the payment due date at the location specified by the creditor for the receipt of such payments;
- Specifying that only checks or money orders should be sent by mail;
- Specifying that payment is to be made in U.S. dollars; or
- Specifying one particular address for receiving payments, such as a post office box.

In-person payments on credit card accounts. Payments on a credit card account under an open-end (not home-secured) consumer credit plan made in person at a branch or office of the bank prior to the close of business shall be considered received on the date the payment is made. The bank shall not impose a cut-off time earlier than the close of business. The bank may impose a cut-off time earlier than 5 p.m. for such payments, if the close of business of the branch or office is earlier than 5 p.m.

Nonconforming payments

General. If the bank specifies, on or with the periodic statement, requirements for the consumer to follow in making payments, but accepts a payment that does not conform to the requirements, the bank must credit the payment within five days of receipt.

Payment methods promoted by creditor. If a creditor promotes a method for making payments, such payments shall be considered conforming payments in accordance with this paragraph and shall be credited to the consumer's account as of the date of receipt, except when a delay in crediting does not result in a finance or other charge.

Adjustment of account. If the bank fails to credit the payment as noted, and a finance charge or other charge is levied, the charge must be reversed during the next billing cycle.

Crediting of payments when creditor does not receive or accept payments on due date.

- ***General.*** Except as provided in the next bullet point, if a bank does not receive or accept payments by mail on the due date for payments, the bank may generally not treat a payment received the next business day as late for any purpose. The "next business day" means the next day on which the bank accepts or receives payments by mail.
- ***Payments accepted or received other than by mail.*** If the bank accepts or receives payments made on the due date by a method other than mail, such as electronic or

telephone payments, the bank is not required to treat a payment made by that method on the next business day as timely, even if it does not accept mailed payments on the due date.

Limitations on fees related to method of payment. For credit card accounts under an open-end (not home-secured) consumer credit plan, a creditor may not impose a separate fee to allow consumers to make a payment by any method, such as mail, electronic, or telephone payments, unless such payment method involves an expedited service by a customer service representative of the creditor. The term “creditor” includes a third party that collects, receives, or processes payments on behalf of a creditor.

Changes by card issuer. If a card issuer makes a material change in the address for receiving payments or procedures for handling payments, and such change causes a material delay in the crediting of a payment to the consumer's account during the 60-day period following the date on which such change took effect, the card issuer may not impose any late fee or finance charge for a late payment on the credit card account during the 60-day period following the date on which the change took effect.

Treatment of Credit Balances: [12 C.F.R. §1026.11]

If a credit balance exceeds \$1.00, then the bank must:

- Credit the amount of the credit balance to the customer’s account;
- Refund any part of the remaining credit balance within seven business days from receipt of a written request from the customer; or
- Make a good faith effort to refund to the consumer by cash, check, or money order, or credit to a deposit account of the consumer, any part of the credit balance remaining in the account for more than six months. No further action is required if the consumer’s current location is not known to the creditor and cannot be traced through the consumer’s last known address or telephone number.

Account termination. A creditor shall not terminate an account prior to its expiration date solely because the consumer does not incur a finance charge.

A creditor may terminate an account that is inactive for three or more consecutive months. An account is inactive for purposes of this paragraph if no credit has been extended (such as by purchase, cash advance or balance transfer) and if the account has no outstanding balance.

Timely settlement of estate debts. In general, for credit card accounts under an open-end (not home-secured) consumer credit plan, card issuers must adopt reasonable written policies and procedures designed to ensure that an administrator of an estate of a deceased accountholder can determine the amount of and pay any balance on the account in a timely manner. This requirement does not apply to the account of a deceased consumer if a joint accountholder remains on the account.

Timely statement of balance. Upon request by the administrator of an estate, a card issuer must provide the administrator with the amount of the balance on a deceased consumer's account in a timely manner. Providing the amount of the balance on the account within 30 days of receiving the request is deemed to be timely.

Limitations after receipt of request from administrator. After receiving a request from the administrator of an estate for the amount of the balance on a deceased consumer's account, a card issuer must not impose any fees on the account (such as a late fee, annual fee, or over-the-limit fee) or increase any annual percentage rate, except as provided by §1026.55(b)(2).

A card issuer must waive or rebate any additional finance charge due to a periodic interest rate if payment in full of the balance disclosed to the administrator of an estate, as stated above, is received within 30 days after disclosure.

Special Credit Card Rules: [12 C.F.R. §1026.12]

There are several special provisions applicable only to credit card accounts. These are explained below.

Issuance of Credit Cards: [12 C.F.R. §1026.12(a)]

No credit card may be issued to any person except in response to an oral or written request or application for the card or as a renewal or substitute for an existing card.

Liability of Cardholder for Unauthorized Use: [12 C.F.R. §1026.12(b)]

An unauthorized use of the credit card is defined as the use of a credit card by a person, other than the cardholder, who does not have actual, implied, or apparent authority for such use, and from which the cardholder receives no benefit. In such instances, the customer is liable for up to \$50.00, even if the card is lost or stolen and no notice is given to the bank.

Conditions of Liability: [12 C.F.R. §1026.12(b)(2)]

A cardholder is liable for an unauthorized use of a credit card only if

- The credit card is an accepted credit card. "Accepted credit card" means any credit card that a cardholder has requested or applied for and received, or has signed, used, or authorized another person to use to obtain credit. Any credit card issued as a renewal or substitute in accordance with this paragraph becomes an accepted credit card when received by the cardholder.
- The card issuer has provided adequate notice of the cardholder's maximum potential liability and of the means by which the card issuer may be notified of loss or theft of the card. The notice must state that the cardholder's liability shall not exceed \$50 (or any lesser amount) and that the cardholder may give oral or written notification and shall describe a means of notification, such as an address, telephone number, or both. "Adequate notice" means a printed notice to a cardholder that sets forth clearly the pertinent facts so that the cardholder may reasonably be expected to have noticed it and understood its meaning. The notice may be given by any means reasonably assuring receipt by the cardholder.

- The card issuer has provided a means to identify the cardholder on the account or the authorized user of the card, such as a signature, photograph, or fingerprint on the card or other biometric means, or electronic or mechanical confirmation.

Notification to Card Issuer: [12 C.F.R. §1026.12(b)(3)]

Notification to a card issuer occurs when reasonable steps have been taken to provide the card issuer with information pertinent to the loss, theft or possible unauthorized use, regardless of whether any particular officer, employee, or agent of the card issuer does, in fact, receive the information. Notification may be given at the discretion of the person giving it, in person, by telephone, or in writing. Notification in writing is considered given at the time of receipt or, whether or not received, at the expiration of the time ordinarily required for transmission, whichever is earlier.

Effect of Other Applicable Law or Agreement: [12 C.F.R. §1026.12(b)(4)]

If a state law or an agreement between a cardholder and card issuer imposes a lesser liability on the cardholder, the lesser liability shall govern.

Business Use of Credit Cards: [12 C.F.R. §1026.12(b)(5)]

If the bank opens a business credit card account, and the business issues credit cards to 10 or more employees, the cardholder liability may be altered by contract. The risk of loss due to unauthorized use may be allocated between the bank and the business in any mutually advantageous manner. Absent such an agreement, the TIL limits apply. However, liability for unauthorized use may be imposed on an employee of the organization, by either the card issuer or the organization, only in accordance with this section of TIL.

Right of Cardholder to Assert Claims or Defenses Against Card Issuer: [12 C.F.R. §1026.12(c)(1)]

When a property or services dispute is not resolved satisfactorily with a person who honors credit cards, the cardholder may assert all claims against the issuer (other than tort claims). The cardholder may withhold payment up to the disputed amount and any finance or other charges imposed on the amount.

Adverse Credit Reports Prohibited: [12 C.F.R. §1026.12(c)(2)]

If a cardholder withholds payment of a disputed transaction, the card issuer cannot report that amount as delinquent until the dispute is settled or judgment is rendered.

Limitations: [12 C.F.R. §1026.12(c)(3)]

The right to assert claims against the card issuer is valid only if:

- The cardholder has made a good faith effort to resolve the dispute with the person honoring the credit card, and
- The amount of credit extended exceeds \$50 and the disputed transaction occurred in the same state as the cardholder's current address or, if not within the same state, within 100 miles from that address.

Exclusion. The limitations stated above shall not apply when the person honoring the credit card:

- Is the same person as the card issuer;
- Is controlled by the card issuer directly or indirectly;
- Is under the direct or indirect control of a third person that also directly or indirectly controls the card issuer;
- Controls the card issuer directly or indirectly;
- Is a franchised dealer in the card issuer's products or services; or
- Has obtained the order for the disputed transaction through a mail solicitation made or participated in by the card issuer.

Offsets by Card Issuer Prohibited: [12 C.F.R. §1026.12(d)]

The bank is prohibited from using offset on a customer's deposit account to pay or secure the credit card account.

This provision does not alter or affect the right of a card issuer acting under state or Federal law to do any of the following with regard to funds of a cardholder held on deposit with the card issuer if the same procedure is constitutionally available to creditors generally: obtain or enforce a consensual security interest in the funds; attach or otherwise levy upon the funds; or obtain or enforce a court order relating to the funds.

This does not prohibit a plan, if authorized in writing by the cardholder, under which the card issuer may periodically deduct all or part of the cardholder's credit card debt from a deposit account held with the card issuer (subject to the limitations in §1026.13(d)(1)).

Prompt Notification of Returns and Crediting of Refunds: [12 C.F.R. §1026.12(e)]

When a creditor other than the card issuer accepts the return of property or forgives a debt for services that is to be reflected as a credit to the consumer's credit card account, that creditor shall, within seven business days from accepting the return or forgiving the debt, transmit a credit statement to the card issuer through the card issuer's normal channels for credit statements.

The card issuer must, within 3 business days from receipt of a credit statement, credit the consumer's account with the amount of the refund.

If a creditor other than a card issuer routinely gives cash refunds to consumers paying in cash, the creditor shall also give credit or cash refunds to consumers using credit cards, unless it discloses at the time the transaction is consummated that credit or cash refunds for returns are not given. This section does not require refunds for returns nor does it prohibit refunds in kind.

Discounts: Tie-in Arrangements: [12 C.F.R. §1026.12(f)]

No card issuer may:

- Prohibit any person who honors a credit card from offering a discount to a consumer to induce the consumer to pay by cash, check, or similar means rather than by use of a credit card or its underlying account for the purchase of property or services; or
- Requiring merchant accounts to open or maintain any account or obtain any other service which is not essential to the operation of the credit card plan from the card issuer or any other person, as a condition of participation in a credit card plan. If maintenance of an account for clearing purposes is determined to be essential to the operation of the credit card plan, it may be required only if no service charges or minimum balance requirements are imposed.

Relation to Electronic Fund Transfer Act and Regulation E: [12 C.F.R. §1026.12(g)]

For guidance on whether Regulation Z (12 C.F.R. part 1026) or Regulation E (12 C.F.R. part 1005) applies in instances involving both credit and electronic fund transfer aspects, refer to Regulation E, 12 C.F.R. §1005.12(a) regarding issuance and liability for unauthorized use. On matters other than issuance and liability, this section applies to the credit aspects of combined credit/electronic fund transfer transactions, as applicable.

Section 6: Billing Error Resolution [12 C.F.R. §1026.13]

Definition of Billing Error: [12 C.F.R. §1026.13(a)]

The term “billing error” means:

- A reflection on or with a periodic statement of an extension of credit that is not made to the consumer or to a person who has actual, implied, or apparent authority to use the consumer’s credit card or open end credit plan.
- A reflection on or with a periodic statement of an extension of credit that is not identified in accordance with the requirements of §1026.7(a)(2) or §1026.7(b)(2), as applicable, and §1026.8.
- A reflection on or with a periodic statement of an extension of credit for property or services not accepted by the consumer or the consumer’s designee, or not delivered to the consumer or the consumer’s designee as agreed.
- A reflection on a periodic statement of the creditor’s failure to credit properly a payment or other credit issued to the consumer’s account.
- A reflection on a periodic statement of a computational or similar error of an accounting nature that is made by the creditor.
- A reflection on a periodic statement of an extension of credit for which the consumer requests additional clarification, including documentary evidence.
- The creditor’s failure to mail or deliver a periodic statement to the consumer’s last known address if that address was received by the creditor, in writing, at least 20 days before the end of the billing cycle for which the statement was required.

Billing Error Notice: [12 C.F.R. §1026.13(b)]

A billing error notice is a written notice from a consumer that:

- Is received by a creditor at the address disclosed under §1026.7(a)(9) or (b)(9), as applicable, no later than 60 days after the creditor transmitted the first periodic statement that reflects the alleged billing error;
- Enables the creditor to identify the consumer’s name and account number; and
- To the extent possible, indicates the consumer’s belief and the reasons for the belief that a billing error exists, and the type, date, and amount of the error.

The creditor may require that the written notice not be made on the payment medium or other material accompanying the periodic statement if the creditor so stipulates in the billing rights statement required by §§1026.6(a)(5) or (b)(5)(iii), and §1026.9(a). In addition, if the creditor stipulates in the billing rights statement that it accepts billing error notices submitted electronically, and states the means by which a consumer may electronically submit a billing error notice, a notice sent in such manner will be deemed to satisfy the written notice requirement for purposes of §1026.13(b).

Time for Resolution: [12 C.F.R. §1026.13(c)]

Upon receiving a notice of a billing error from a customer, the bank must do the following:

- Mail or deliver written acknowledgment to the customer within 30 days, unless the dispute is resolved before then; and
- Either correct the error and notify the customer, or notify the customer in writing within two billing cycles (but not more than 90 days from receipt of the dispute) why the billing is correct and the amount that is due.

Rules Pending Resolution: [12 C.F.R. §1026.13(d)]

Until a billing error is resolved, the following rules apply:

- ***Consumer's Right to Withhold Disputed Amount; Collection Action Prohibited.*** The consumer need not pay (and the creditor may not try to collect) any portion of any required payment that the consumer believes is related to the disputed amount (including related finance or other charges). If the cardholder has enrolled in an automatic payment plan offered by the card issuer and has agreed to pay the credit card indebtedness by periodic deductions from the cardholder's deposit account, the card issuer shall not deduct any part of the disputed amount or related finance or other charges if a billing error notice is received any time up to three business days before the scheduled payment date.
- ***Adverse Credit Reports Prohibited.*** The creditor or its agent shall not (directly or indirectly) make or threaten to make an adverse report to any person about the consumer's credit standing, or report that an amount or account is delinquent, because the consumer failed to pay the disputed amount or related finance or other charges.
- ***Acceleration of debt and restriction of account prohibited.*** A creditor shall not accelerate any part of the consumer's indebtedness or restrict or close a consumer's account solely because the consumer has exercised in good faith rights provided by this section. A creditor may be subject to the forfeiture penalty under 15 U.S.C. 1666(e) for failure to comply with any of the requirements of this section.
- ***Permitted creditor actions.*** A creditor is not prohibited from taking action to collect any undisputed portion of the item or bill; from deducting any disputed amount and related finance or other charges from the consumer's credit limit on the account; or from reflecting a disputed amount and related finance or other charges on a periodic statement, provided that the creditor indicates on or with the periodic statement that payment of any disputed amount and related finance or other charges is not required pending the creditor's compliance with this section.

Procedures if Billing Error Occurred as Asserted: [12 C.F.R. §1026.13(e)]

If a creditor determines that a billing error occurred as asserted, it shall, within 2 complete billing cycles (but in no event later than 90 days) after receiving a billing error notice:

- Correct the billing error and credit the consumer's account with any disputed amount and related finance or other charges, as applicable; and
- Mail or deliver a correction notice to the consumer.

Procedures if Different Billing Error or No Billing Error Occurred: [12 C.F.R. §1026.13(f)]

If, after conducting a reasonable investigation, a creditor determines that no billing error occurred or that a different billing error occurred from that asserted, the creditor shall, within 2 complete billing cycles (but in no event later than 90 days) after receiving a billing error notice:

- Mail or deliver to the consumer an explanation that sets forth the reasons for the creditor's belief that the billing error alleged by the consumer is incorrect in whole or in part;
- Furnish copies of documentary evidence of the consumer's indebtedness, if the consumer so requests; and
- If a different billing error occurred, correct the billing error and credit the consumer's account with any disputed amount and related finance or other charges, as applicable.

Creditor's Rights and Duties After Resolution: [12 C.F.R. §1026.13(g)]

If a creditor, after complying with all of the requirements of this section, determines that a consumer owes all or part of the disputed amount and related finance or other charges, the creditor:

- Shall promptly notify the consumer in writing of the time when payment is due and the portion of the disputed amount and related finance or other charges that the consumer still owes;
- Shall allow any time period disclosed, during which the consumer can pay the amount due without incurring additional finance or other charges;
- May report an account or amount as delinquent because the amount due remains unpaid after the creditor has allowed any time period disclosed or 10 days (whichever is longer) during which the consumer can pay the amount; but
- May not report that an amount or account is delinquent because the amount due remains unpaid, if the creditor receives (within the time allowed for payment) further written notice from the consumer that any portion of the billing error is still in dispute, unless the creditor also:
 - Promptly reports that the amount or account is in dispute;
 - Mails or delivers to the consumer (at the same time the report is made) a written notice of the name and address of each person to whom the creditor makes a report; and
 - Promptly reports any subsequent resolution of the reported delinquency to all persons to whom the creditor has made a report.

Reassertion of Billing Error: [12 C.F.R. §1026.13(h)]

A creditor that has fully complied with the requirements has no further responsibilities (other than as provided above in “Creditor’s Rights and Duties After Resolution” – bullet point four) if a consumer reasserts substantially the same billing error.

Relation to Electronic Fund Transfer Act and Regulation E: [12 C.F.R. §1026.13(i)]

If an extension of credit is incident to an electronic fund transfer, under an agreement between a consumer and a financial institution to extend credit when the consumer's account is overdrawn or to maintain a specified minimum balance in the consumer's account, the creditor shall comply with the requirements of Regulation E, 12 C.F.R. §1005.11 governing error resolution rather than this section.

Section 7: Determination of APR [12 C.F.R. §1026.14]

Determination of Annual Percentage Rate: [12 C.F.R. §1026.14]

General Rule: [12 C.F.R. §1026.14(a)]

The annual percentage rate is a measure of the cost of credit, expressed as a yearly rate. An annual percentage rate shall be considered accurate if it is not more than 1/8 of 1 percentage point above or below the annual percentage rate determined in accordance with this section.

An error in disclosure of the annual percentage rate or finance charge shall not, in itself, be considered a violation of this regulation if:

- The error resulted from a corresponding error in a calculation tool used in good faith by the creditor; and
- Upon discovery of the error, the creditor promptly discontinues use of that calculation tool for disclosure purposes and notifies the Bureau in writing of the error in the calculation tool.

Note: There is no significant issue here, so we have chosen to eliminate any additional information in this section.

Section 8: Credit and Charge Card Applications and Solicitations [12 C.F.R. §1026.60]

General Rules: [12 C.F.R. §1026.60]

The card issuer shall provide the disclosures required under this section on or with a solicitation or an application to open a credit or charge card account.

Definition of Solicitation: [12 C.F.R. §1026.60(a)(1)]

For purposes of this section, the term “solicitation” means an offer by the card issuer to open a credit or charge card account that does not require the consumer to complete an application. A “firm offer of credit” as defined in section 603(l) of the Fair Credit Reporting Act (15 U.S.C. 1681a(l)) for a credit or charge card is a solicitation for purposes of this section.

Form of Disclosures: [12 C.F.R. §1026.60(a)(2)]

The disclosures in §1026.60(b)(1) through (5) and (b)(7) through (15) (except (b)(1)(iv)(B)) made pursuant to (c), (d)(2), (e)(1), or (f) generally shall be in the form of a table with headings, content, and format substantially similar to any of the applicable tables found in G–10 in Appendix G to this part. The table must be provided in a prominent location on or with the application or solicitation and shall contain only the information required or permitted by the regulation. Other information may be presented on or with an application or solicitation, provided it appears outside the required table.

The disclosures required in (b)(1)(iv)(B), (b)(1)(iv)(C) and (b)(6) must be placed directly beneath the table.

When a tabular format is required, the following must be disclosed in bold text:

- Annual percentage rate;
- Introductory rate;
- Rate that will apply after a premium initial rate expires; and
- Fee or percentage amounts or maximum limits on fee amounts.

Bold text shall not be used for:

- The amount of any periodic fee that is not an annualized amount; and
- Other annual percentage rates or fee amounts disclosed in the table.

When an application or a solicitation is accessed in electronic form, the disclosures may be provided to the consumer in electronic form on or with the application or solicitation. The table required by this section must be provided in close proximity to the application or solicitation.

Fees based on a percentage: [12 C.F.R. §1026.60(a)(3)]

If the amount of any fee that must be disclosed is based on a percentage of another amount, such as charging an annual fee based on a percentage of the credit line, the percentage and what it will be applied to may be stated instead of a dollar amount.

Fees that vary by state: [12 C.F.R. §1026.60(a)(4)]

If the creditor provides credit in multiple states that have varying state law requirements pertaining to fees, such as cash advance, late payments, or overlimit fees, the creditor may disclose in the table a range of these fees rather than disclosing the amount of the fees. In such cases, the card issuer must include a statement that the amount of the fee varies from state to state and refers the consumer to a disclosure provided with the table where the amount of the fee is disclosed. A card issuer may not list fees for multiple states in the table.

Exceptions: [12 C.F.R. §1026.60(a)(5)]

This section does not apply to

- Home equity plans accessible by a credit or charge card that are subject to the requirements of §1026.40;
- Overdraft lines of credit tied to asset accounts accessed by check guarantee cards or by debit cards;
- Lines of credit accessed by check guarantee cards or by debit cards that can be used only at automated teller machines;
- Lines of credit accessed solely by account numbers;
- Additions of a credit or charge card to an existing open-end plan;
- General purpose applications unless the application, or material accompanying it, indicates that it can be used to open a credit or charge card account; or
- Consumer-initiated requests for applications.

Direct Mail and Electronic Applications and Solicitations: [12 C.F.R. §1026.60(b) & (c)]

The credit card issuer must provide the applicable disclosures on or with (1) an application to open a credit card account or (2) a solicitation not requiring an application to open a credit card account that is mailed or provided by electronic means to consumers.

Required Disclosures: [12 C.F.R. §1026.60(b)]

The card issuer must present the disclosures in the form of a table similar to any of the applicable tables found in G-10 in Appendix G of the regulation and must include the following information:

Annual percentage rate: The card issuer must disclose the annual percentage rate based on the periodic rate(s) used to compute the finance charge on an outstanding balance for purchases, cash advances, or balance transfers. If more than one rate applies to differing balances, then the range of balances to which each rate applies must be disclosed. The APR for purchases must be disclosed in at least 16-point type.

Variable rate information. If the plan has a variable rate, then the following must also be disclosed:

- The fact that the rate may vary; and
- How the rate is determined, including, the type of index or formula (disclosed within the table), the value of the index and the margin and any limitations on rate increases (cannot be disclosed within the table).

Discounted initial rate. If the plan has an introductory rate, then the following must also be disclosed in the table:

- The introductory rate, using the term “introductory” or “intro” in immediate proximity to the introductory rate;
- The time period that the introductory rate will remain in effect;
- The rate that would otherwise apply to the account;
- When the rate is not tied to an index or formula, the rate that will apply after the introductory rate expires; and
- For a variable-rate account, a rate based on the applicable index or formula in accordance with the accuracy requirements set forth in the regulation.

Premium initial rate. If the plan has an initial rate that is temporary and is higher than the rate that will apply after the temporary rate expires, then the following must also be disclosed:

- The premium initial rate and the time period that the rate will remain in effect;
- The rate for purchases in at least 16-point type;
- The rate that will apply after the premium initial rate expires, in at least 16-point type (disclosed within the table).

Penalty rates. In general, if a rate may increase as a penalty for one or more events specified in the account agreement, such as a late payment or an extension of credit that exceeds the credit limit, the card issuer must disclose the increased rate that may apply, a brief description of the event or events that may result in the increased rate, and a brief description of how long the increased rate will remain in effect.

Introductory rates. If an introductory rate is disclosed in the table or in any written or electronic promotional materials, the following must also be disclosed:

- A brief description (directly beneath the table) of the circumstances, if any, under which the introductory rate may be revoked, and
- The type of rate that will apply after the introductory rate is revoked.

Employee preferential rates. If a card issuer discloses in the table a preferential annual percentage rate for which only employees of the card issuer, employees of a third party, or other

individuals with similar affiliations with the card issuer or third party, such as executive officers, directors, or principal shareholders are eligible, the card issuer must briefly disclose directly beneath the table the circumstances under which such preferential rate may be revoked, and the rate that will apply after such preferential rate is revoked.

Rates that depend on consumer's creditworthiness. If the rate is determined by the consumer's creditworthiness, the following must also be disclosed:

- The specific rates or the range of rates that could apply; and
- A statement that the rate will depend on the consumer's creditworthiness, and other factors if applicable.
- If the rate is a penalty rate, the highest rate that could apply may be disclosed rather than the specific rates or range of rates that could apply.

APRs that vary by state. If the APR varies by state, the following may be disclosed in the table:

- The specific APR applicable to the account; or
- The range of APRs, if the disclosure includes a statement that the APR varies by state and refers the consumer to a disclosure provided with the table where the APR applicable to the account is disclosed.

APRs for multiple states may not be listed in the table.

Fees for issuance or availability: Any annual fee, such as a membership fee, or periodic fee, such as an activity or inactivity fee, must be disclosed as an annualized amount and how frequently it will be imposed. Any non-periodic fee that relates to opening an account must state that the fee is a one-time fee.

Fixed finance charge; minimum interest charge: Any minimum or fixed finance charge (exceeding \$1.00), such as minimum interest, must be disclosed along with a brief description of the charge. The \$1.00 amount will be adjusted periodically by the CFPB to reflect changes in the Consumer Price Index. At the card issuer's option, a minimum interest charge below this amount may be disclosed in the table.

Transaction charges: Any transaction charges that may be imposed for the use of the card for purchases must be disclosed.

Grace period: If the card issuer allows an interest-free or grace period, the date by which any credit extended for purchases may be repaid without finance charge must be disclosed. If no grace period is provided, then this fact must be disclosed. If the length of the grace period varies, the method of the variability, such as range of days, minimum number of days, or average number of days, must be disclosed. When disclosing a grace period, the phrase "How to Avoid Paying Interest on Purchases" shall be used as the heading for the row describing the grace period. If a grace period is not offered on all types of purchases, the phrase "Paying Interest" shall be used as the heading for the row describing this fact.

Balance computation method: The card issuer must disclose the name of the method used to calculate the balance on which the finance charge will be computed for purchases or an explanation of the method used. When determining which method to disclose, the card issuer shall assume that credit extended for purchases will not be repaid within the grace period, if any.

Statement on charge card payments: The card issuer must disclose a statement that charges incurred by use of the charge card are due when the periodic statement is received.

Cash advance fee: Any fee imposed for an extension of credit as a cash advance

Late payment fee: Any fee imposed for late payments

Over-the-limit fee: Any fee imposed for exceeding an approved credit limit

Balance transfer fee: Any fee imposed to transfer an outstanding balance

Returned-payment fee: Any fee imposed by the card issuer for a returned payment.

Required insurance, debt cancellation or debt suspension coverage:

- Any fee for credit life, accident, health, or loss-of-income insurance, debt cancellation or debt suspension coverage, if they are required as part of the plan; and
- A cross reference to any additional information provided about the insurance or coverage accompanying the application or solicitation, as applicable.

Available credit. If a card issuer requires fees for the issuance or availability of credit or requires a security deposit for such credit, and the total amount of the fees and/or security deposit that will be charged to the account when the account is opened is 15 percent or more of the minimum credit limit for the card, a card issuer must disclose the available credit remaining after these fees or security deposit are debited to the account, assuming that the consumer receives the minimum credit limit. In determining whether the 15 percent threshold test is met, the issuer must only consider fees for issuance or availability of credit, or a security deposit, that are required. If fees for issuance or availability are optional, these fees should not be considered in determining whether the disclosure must be given. Nonetheless, if the 15 percent threshold test is met, the issuer in providing the disclosure must disclose the amount of available credit calculated by excluding those optional fees, and the available credit including those optional fees. This paragraph does not apply with respect to fees or security deposits that are not debited to the account.

Web site reference. A reference to the Web site established by the CFPB and a statement that consumers may obtain on the Web site information about shopping for and using credit cards. Until January 1, 2013, issuers were allowed to substitute for this reference a reference to the Web site established by the Board of Governors of the Federal Reserve System.

Telephone Applications and Solicitations: [12 C.F.R. §1026.60(d)]

The card issuer generally must disclose information during a telephone application or solicitation for credit card accounts in one of the following manners:

Oral Disclosures. The card issuer may disclose the following items of the direct mail disclosure, above, orally during a telephone solicitation to open a credit or charge card account. The oral disclosures must be accurate as of the time they are given.

- Annual percentage rate
- Fees for issuance or availability
- Fixed finance charge; minimum interest charge

- Transaction charges
- Grace period
- Balance computation period
- Statement on charge card payments
- Available credit

Alternative Disclosure. The oral disclosure need not be given if the card issuer:

- Does not impose an annual or membership fee; or
- Imposes such a fee but provides the consumer with a right to reject the plan; and
- The card issuer discloses in writing within 30 days after the consumer requests the card, but no later than the delivery of the card, the following:
 - the above-cited disclosures; and
 - as applicable, the fact that the consumer need not accept the card or pay the fee, until the consumer uses the card or has made a payment on the account after receiving a billing statement.

These disclosures must be accurate as of the time they are mailed or delivered. A variable APR is accurate if it was in effect at the time the disclosures are mailed or delivered; or in effect as of a specified date (which rate is then updated from time to time, but no less frequently than each calendar month).

Applications and Solicitations Made Available to General Public: [12 C.F.R. §1026.60(e)]

The card issuer has two alternatives to provide the above-cited disclosures on, or with, applications or solicitations not requiring an application that are made available to the general public, such as contained in a catalog, magazine, or generally available publication.

Disclosure of Required Credit Information. The above-cited disclosures may be included in a prominent location on or with the application or solicitation. In addition, the date the required information was printed, including a statement that the information was accurate of that date and is subject to change after that date, must be disclosed, along with a statement that the consumer should contact the card issuer for any change in the information since it was printed and a toll-free telephone number or a mailing address for that purpose. The disclosures must be accurate as of the date of printing. A variable annual percentage rate is accurate if it was in effect within 30 days before printing. (See Appendix G-11)

No Disclosure of Credit Information. If the card issuer decides to provide none of the disclosures on or with the application or solicitation, then it may state in a prominent location on the application or solicitation:

- That there are costs associated with the use of the card; and
- That the consumer may contact the card issuer to request specific information about the costs and include a toll-free telephone number and a mailing address for that purpose. (See Appendix G-11)

Prompt Response to Requests for Information. Upon receiving a request for any information cited above, the card issuer must promptly and fully disclose the information requested.

In-Person Applications and Solicitations [12 C.F.R. §1026.60(f)]

A card issuer shall disclose the above cited disclosures on or with an application or solicitation that is initiated by the card issuer and given to the consumer in person. A card issuer complies with the regulation if they provide disclosures in accordance with the “direct mail and electronic applications and solicitations” or the “disclosure of required credit information under the applications and solicitations made available to the general public.”

Balance Calculation Methods Defined: [12 C.F.R. §1026.60(g)]

The card issuer may describe by name the following methods without regard to minor variations, such as:

- The allocation of payments;
- Whether the finance charge begins to accrue on the transaction date or the date of transaction posting;
- The existence or length of a grace period; and
- Whether the balance is adjusted by such charges as late fees, annual fees, and unpaid finance charges.

Average Daily Balance Including New Purchases: [12 C.F.R. §1026.60(g)(1)(i)]

This balance is figured by adding the outstanding balance, including new purchases and deducting payments and credits, for each day in the billing cycle, and then dividing by the number of days in the billing cycle.

Average Daily Balance Excluding New Purchases: [12 C.F.R. §1026.60(g)(1)(ii)]

This balance is figured by adding the outstanding balance, excluding new purchases and deducting payments and credits, for each day in the billing cycle, and then dividing by the number of days in the billing cycle.

Adjusted Balance: [12 C.F.R. §1026.60(g)(2)]

This balance is figured by deducting payments and credits made during the billing cycle from the outstanding balance at the beginning of the billing cycle.

Previous Balance: [12 C.F.R. §1026.60(g)(3)]

This balance is the outstanding balance at the beginning of the billing cycle.

Daily Balance: [12 C.F.R. §1026.5a(g)(4)]

For each day in the billing cycle, this balance is figured by taking the beginning balance each day, adding any new purchases, and subtracting any payments and credits.

Section 9: Record Retention: [12 C.F.R. §1026.25]

Subpart D Miscellaneous

Record Retention: [12 C.F.R. §1026.25]

TIL documents must be retained for a period of two years following the required action or disclosure, unless extended by order from a regulatory agency or court. Typically, most banks keep them for the life of the loan.

Use of Annual Percentage Rate in Oral Disclosures: [12 C.F.R. §1026.26]

Open-End Credit

In an oral response to a consumer's inquiry about the cost of open-end credit, only the annual percentage rate or rates shall be stated, except that the periodic rate or rates also may be stated. If the annual percentage rate cannot be determined in advance because there are finance charges other than a periodic rate, the corresponding annual percentage rate shall be stated, and other cost information may be given.

Section 10: Subpart G: Special Rules Applicable to Credit Card Accounts and Open End Credit Offered to College Students

Introduction

The following is the regulatory text for Subpart G: Special Rules Applicable to Credit Card Accounts and Open End Credit Offered to College Students. We have elected to omit §1026.55, §1026.58 and §1026.59 from this manual as they typically would not apply to a community bank.

Ability to Pay 12 C.F.R. §1026.51

Regulatory Text

§1026.51 Ability to Pay

(a) General rule.

(a)(1) Consideration of ability to pay.

- i. A card issuer must not open a credit card account for a consumer under an open-end (not home-secured) consumer credit plan, or increase any credit limit applicable to such account, unless the card issuer considers the ability of the consumer to make the required minimum periodic payments under the terms of the account based on the consumer's income or assets and current obligations.
- ii. Reasonable policies and procedures. Card issuers must establish and maintain reasonable written policies and procedures to consider a consumer's income or assets and current obligations. Reasonable policies and procedures to consider a consumer's ability to make the required payments include a consideration of at least one of the following: the ratio of debt obligations to income; the ratio of debt obligations to assets; or the income the consumer will have after paying debt obligations. It would be unreasonable for a card issuer to not review any information about a consumer's income, assets, or current obligations, or to issue a credit card to a consumer who does not have any income or assets.

§1026.51(a)

(2) Minimum periodic payments.

- (i) Reasonable method. For purposes of paragraph (a)(1) of this section, a card issuer must use a reasonable method for estimating the minimum periodic payments the consumer would be required to pay under the terms of the account.
- (ii) Safe harbor. A card issuer complies with paragraph (a)(2)(i) of this section if it estimates required minimum periodic payments using the following method:
 - (A) The card issuer assumes utilization, from the first day of the billing cycle, of the full credit line that the issuer is considering offering to the consumer; and
 - (B) The card issuer uses a minimum payment formula employed by the issuer for the

product the issuer is considering offering to the consumer or, in the case of an existing account, the minimum payment formula that currently applies to that account, provided that:

- (1) If the applicable minimum payment formula includes interest charges, the card issuer estimates those charges using an interest rate that the issuer is considering offering to the consumer for purchases or, in the case of an existing account, the interest rate that currently applies to purchases; and
- (2) If the applicable minimum payment formula includes mandatory fees, the card issuer must assume that such fees have been charged to the account.

§1026.51(b)

Rules affecting young consumers.

- (1) Applications from young consumers. A card issuer may not open a credit card account under an open-end (not home-secured) consumer credit plan for a consumer less than 21 years old, unless the consumer has submitted a written application and the card issuer has:
 - (i) Financial information indicating the consumer has an independent ability to make the required minimum periodic payments on the proposed extension of credit in connection with the account, consistent with paragraph (a) of this section; or
 - (ii)
 - (A) A signed agreement of a cosigner, guarantor, or joint applicant who is at least 21 years old to be either secondarily liable for any debt on the account incurred by the consumer before the consumer has attained the age of 21 or jointly liable with the consumer for any debt on the account, and
 - (B) Financial information indicating such cosigner, guarantor, or joint applicant has the ability to make the required minimum periodic payments on such debts, consistent with paragraph (a) of this section.

§1026.51(b)

(2) Credit line increases for young consumers.

- (i) If a credit card account has been opened pursuant to paragraph (b)(1)(ii) of this section, no increase in the credit limit may be made on such account before the consumer attains the age of 21 unless:
 - (A) At the time of the contemplated increase, the consumer has an independent ability to make the required minimum periodic payments on the increased limit consistent with paragraph (b)(1)(i) of this section; or
 - (B) A cosigner, guarantor, or joint applicant who is at least 21 years old agrees in writing to assume liability for any debt incurred on the account, consistent with paragraph (b)(1)(ii) of this section.

- (ii) If a credit card account has been opened pursuant to paragraph (b)(1)(ii) of this section, no increase in the credit limit may be made on such account before the consumer attains the age of 21 unless the cosigner, guarantor, or joint accountholder who assumed liability at account opening agrees in writing to assume liability on the increase.

Limitations on Fees 12 C.F.R. §1026.52

The Regulatory Text

§1026.52 Limitations on fees.

- (a) Limitations during first year after account opening.
 - (1) General rule. Except as provided in paragraph (a)(2) of this section, if a card issuer charges any fees to a credit card account under an open-end (not home-secured) consumer credit plan during the first year after the account is opened, the total amount of fees the consumer is required to pay with respect to the account during that year must not exceed 25 percent of the credit limit in effect when the account is opened. For purposes of this paragraph, an account is considered open no earlier than the date on which the account may first be used by the consumer to engage in transactions.
 - (2) Fees not subject to limitations. Paragraph (a) of this section does not apply to:
 - (i) Late payment fees, over-the-limit fees, and returned-payment fees; or
 - (ii) Fees that the consumer is not required to pay with respect to the account.
 - (3) Rule of construction. This paragraph (a) does not authorize the imposition or payment of fees or charges otherwise prohibited by law.
- (b) Limitations on penalty fees. A card issuer must not impose a fee for violating the terms or other requirements of a credit card account under an open-end (not home-secured) consumer credit plan unless the dollar amount of the fee is consistent with paragraphs (b)(1) and (b)(2) of this section.
 - (1) General rule. Except as provided in paragraph (b)(2) of this section, a card issuer may impose a fee for violating the terms or other requirements of a credit card account under an open-end (not home-secured) consumer credit plan if the dollar amount of the fee is consistent with either paragraph (b)(1)(i) or (b)(1)(ii) of this section.
 - (i) Fees based on costs. A card issuer may impose a fee for violating the terms or other requirements of an account if the card issuer has determined that the dollar amount of the fee represents a reasonable proportion of the total costs incurred by the card issuer as a result of that type of violation. A card issuer must reevaluate this determination at least once every twelve months. If as a result of the reevaluation the card issuer determines that a lower fee represents a reasonable proportion of the total costs incurred by the card issuer as a result of that type of violation, the card issuer must begin imposing the lower fee within 45 days after completing the reevaluation. If as a result of the reevaluation the card issuer determines that a higher fee represents a reasonable proportion of the total costs

incurred by the card issuer as a result of that type of violation, the card issuer may begin imposing the higher fee after complying with the notice requirements in §1026.9.

- (ii) Safe harbors. A card issuer may impose a fee for violating the terms or other requirements of an account if the dollar amount of the fee does not exceed, as applicable:
 - (A) \$26.00; **NOTE: \$27 for 2015, \$27 for 2016**
 - (B) \$37.00 if the card issuer previously imposed a fee pursuant to paragraph (b)(1)(ii)(A) of this section for a violation of the same type that occurred during the same billing cycle or one of the next six billing cycles; or **NOTE: \$38 for 2015 and \$37 for 2016 (decrease)**
 - (C) Three percent of the delinquent balance on a charge card account that requires payment of outstanding balances in full at the end of each billing cycle if the card issuer has not received the required payment for two or more consecutive billing cycles.
 - (D) The amounts in paragraphs (b)(1)(ii)(A) and (b)(1)(ii)(B) of this section will be adjusted annually by the Bureau to reflect changes in the Consumer Price Index.

(2) Prohibited fees

- (i) Fees that exceed dollar amount associated with violation.
 - (A) Generally. A card issuer must not impose a fee for violating the terms or other requirements of a credit card account under an open-end (not home-secured) consumer credit plan that exceeds the dollar amount associated with the violation.
 - (B) No dollar amount associated with violation. A card issuer must not impose a fee for violating the terms or other requirements of a credit card account under an open-end (not home-secured) consumer credit plan when there is no dollar amount associated with the violation. For purposes of paragraph (b)(2)(i) of this section, there is no dollar amount associated with the following violations:
 - (1) Transactions that the card issuer declines to authorize;
 - (2) Account inactivity; and
 - (3) The closure or termination of an account.
- (ii) Multiple fees based on a single event or transaction. A card issuer must not impose more than one fee for violating the terms or other requirements of a credit card account under an open-end (not home-secured) consumer credit plan based on a single event or transaction. A card issuer may, at its option, comply with this prohibition by imposing no more than one fee for violating the terms or other requirements of an account during a billing cycle.

Allocation of Payments 12 C.F.R. §1026.53

Regulatory Text

§1026.53 Allocation of payments.

- (a) General rule. Except as provided in paragraph (b) of this section, when a consumer makes a payment in excess of the required minimum periodic payment for a credit card account under an open-end (not home-secured) consumer credit plan, the card issuer must allocate the excess amount first to the balance with the highest annual percentage rate and any remaining portion to the other balances in descending order based on the applicable annual percentage rate.
- (b) Special rules.
 - (1) Accounts with balances subject to deferred interest or similar programs. When a balance on a credit card account under an open-end (not home-secured) consumer credit plan is subject to a deferred interest or similar program that provides that a consumer will not be obligated to pay interest that accrues on the balance if the balance is paid in full prior to the expiration of a specified period of time:
 - (i) Last two billing cycles. The card issuer must allocate any amount paid by the consumer in excess of the required minimum periodic payment consistent with paragraph (a) of this section, except that, during the two billing cycles immediately preceding expiration of the specified period, the excess amount must be allocated first to the balance subject to the deferred interest or similar program and any remaining portion allocated to any other balances consistent with paragraph (a) of this section; or
 - (ii) Consumer request. The card issuer may at its option allocate any amount paid by the consumer in excess of the required minimum periodic payment among the balances on the account in the manner requested by the consumer.
 - (2) Accounts with secured balances. When a balance on a credit card account under an open-end (not home-secured) consumer credit plan is secured, the card issuer may at its option allocate any amount paid by the consumer in excess of the required minimum periodic payment to that balance if requested by the consumer.

Limitations on the Imposition of Finance Charges 12 C.F.R. §1026.54

Regulatory Text

§1026.54 Limitations on the imposition of finance charges.

- (a) *Limitations on imposing finance charges as a result of the loss of a grace period.*
 - (1) General rule. Except as provided in paragraph (b) of this section, a card issuer must not impose finance charges as a result of the loss of a grace period on a credit card account under an open-end (not home-secured) consumer credit plan if those finance charges are based on:
 - (i) Balances for days in billing cycles that precede the most recent billing cycle; or

- (ii) Any portion of a balance subject to a grace period that was repaid prior to the expiration of the grace period.
- (2) Definition of grace period. For purposes of paragraph (a)(1) of this section, “grace period” has the same meaning as in §1026.5(b)(2)(ii)(B)(3).
- (b) *Exceptions.* Paragraph (a) of this section does not apply to:
 - (1) Adjustments to finance charges as a result of the resolution of a dispute under §1026.12 or §1026.13; or
 - (2) Adjustments to finance charges as a result of the return of a payment.

Limitations on Increasing Annual Percentage Rates, Fees, and Charges 12 C.F.R. §1026.55 [omitted]

Fees or Charges for Transactions That Exceed the Credit Limit 12 C.F.R. §1026.56

Regulatory Text

§1026.56 Requirements for over-the-limit transactions.

- (a) ***Definition.*** For purposes of this section, the term “over-the-limit transaction” means any extension of credit by a card issuer to complete a transaction that causes a consumer’s credit card account balance to exceed the credit limit.
- (b) ***Opt-in requirement.***
 - (1) General. A card issuer shall not assess a fee or charge on a consumer’s credit card account under an open-end (not home-secured) consumer credit plan for an over-the-limit transaction unless the card issuer:
 - (i) Provides the consumer with an oral, written or electronic notice, segregated from all other information, describing the consumer’s right to affirmatively consent, or opt in, to the card issuer’s payment of an over-the-limit transaction;
 - (ii) Provides a reasonable opportunity for the consumer to affirmatively consent, or opt in, to the card issuer’s payment of over-the-limit transactions;
 - (iii) Obtains the consumer’s affirmative consent, or opt-in, to the card issuer’s payment of such transactions;
 - (iv) Provides the consumer with confirmation of the consumer’s consent in writing, or if the consumer agrees, electronically; and
 - (v) Provides the consumer notice in writing of the right to revoke that consent following the assessment of an over-the-limit fee or charge.
 - (2) Completion of over-the-limit transactions without consumer consent. Notwithstanding the absence of a consumer’s affirmative consent under paragraph (b)(1)(iii) of this section, a card issuer may pay any over-the-limit transaction on a consumer’s account

provided that the card issuer does not impose any fee or charge on the account for paying that over-the-limit transaction.

- (c) **Method of election.** A card issuer may permit a consumer to consent to the card issuer's payment of any over-the-limit transaction in writing, orally, or electronically, at the card issuer's option. The card issuer must also permit the consumer to revoke his or her consent using the same methods available to the consumer for providing consent.
- (d) **Timing and placement of notices.**
- (1) Initial notice.
 - (i) General. The notice required by paragraph (b)(1)(i) of this section shall be provided prior to the assessment of any over-the-limit fee or charge on a consumer's account.
 - (ii) Oral or electronic consent. If a consumer consents to the card issuer's payment of any over-the-limit transaction by oral or electronic means, the card issuer must provide the notice required by paragraph (b)(1)(i) of this section immediately prior to obtaining that consent.
 - (2) Confirmation of opt-in. The notice required by paragraph (b)(1)(iv) of this section may be provided no later than the first periodic statement sent after the consumer has consented to the card issuer's payment of over-the-limit transactions.
 - (3) Notice of right of revocation. The notice required by paragraph (b)(1)(v) of this section shall be provided on the front of any page of each periodic statement that reflects the assessment of an over-the-limit fee or charge on a consumer's account.
- (e) **Content.**
- (1) Initial notice. The notice required by paragraph (b)(1)(i) of this section shall include all applicable items in this paragraph (e)(1) and may not contain any information not specified in or otherwise permitted by this paragraph.
 - (i) Fees. The dollar amount of any fees or charges assessed by the card issuer on a consumer's account for an over-the-limit transaction;
 - (ii) APRs. Any increased periodic rate(s) (expressed as an annual percentage rate(s)) that may be imposed on the account as a result of an over-the-limit transaction; and
 - (iii) Disclosure of opt-in right. An explanation of the consumer's right to affirmatively consent to the card issuer's payment of over-the-limit transactions, including the method(s) by which the consumer may consent.
 - (2) Subsequent notice. The notice required by paragraph (b)(1)(v) of this section shall describe the consumer's right to revoke any consent provided under paragraph (b)(1)(iii) of this section, including the method(s) by which the consumer may revoke.
 - (3) Safe harbor. Use of Model Forms G-25(A) or G-25(B) of Appendix G to this part, or substantially similar notices, constitutes compliance with the notice content requirements of paragraph (e) of this section.
- (f) **Joint relationships.** If two or more consumers are jointly liable on a credit card account under an open-end (not home-secured) consumer credit plan, the card issuer shall treat the affirmative consent of any of the joint consumers as affirmative consent for that

account. Similarly, the card issuer shall treat a revocation of consent by any of the joint consumers as revocation of consent for that account.

- (g) **Continuing right to opt in or revoke opt-in.** A consumer may affirmatively consent to the card issuer's payment of over-the-limit transactions at any time in the manner described in the notice required by paragraph (b)(1)(i) of this section. Similarly, the consumer may revoke the consent at any time in the manner described in the notice required by paragraph (b)(1)(v) of this section.
- (h) **Duration of opt-in.** A consumer's affirmative consent to the card issuer's payment of over-the-limit transactions is effective until revoked by the consumer, or until the card issuer decides for any reason to cease paying over-the-limit transactions for the consumer.
- (i) **Time to comply with revocation request.** A card issuer must comply with a consumer's revocation request as soon as reasonably practicable after the card issuer receives it.
- (j) **Prohibited practices.** Notwithstanding a consumer's affirmative consent to a card issuer's payment of over-the-limit transactions, a card issuer is prohibited from engaging in the following practices:
 - (1) Fees or charges imposed per cycle.
 - (i) General rule. A card issuer may not impose more than one over-the-limit fee or charge on a consumer's credit card account per billing cycle, and, in any event, only if the credit limit was exceeded during the billing cycle. In addition, except as provided in paragraph (j)(1)(ii) of this section, a card issuer may not impose an over-the-limit fee or charge on the consumer's credit card account for more than three billing cycles for the same over-the-limit transaction where the consumer has not reduced the account balance below the credit limit by the payment due date for either of the last two billing cycles.
 - (ii) Exception. The prohibition in paragraph (j)(1)(i) of this section on imposing an over-the-limit fee or charge in more than three billing cycles for the same over-the-limit transaction(s) does not apply if another over-the-limit transaction occurs during either of the last two billing cycles.
 - (2) Failure to promptly replenish. A card issuer may not impose an over-the-limit fee or charge solely because of the card issuer's failure to promptly replenish the consumer's available credit following the crediting of the consumer's payment under §1026.10.
 - (3) Conditioning. A card issuer may not condition the amount of a consumer's credit limit on the consumer affirmatively consenting to the card issuer's payment of over-the-limit transactions if the card issuer assesses a fee or charge for such service.
 - (4) Over-the-limit fees attributed to fees or interest. A card issuer may not impose an over-the-limit fee or charge for a billing cycle if a consumer exceeds a credit limit solely because of fees or interest charged by the card issuer to the consumer's account during that billing cycle. For purposes of this paragraph (j)(4), the relevant fees or interest charges are charges imposed as part of the plan under §1026.6(b)(3).

Reporting and Marketing Rules for College Student Open-end Credit 12 C.F.R. §1026.57

Regulatory Text

§1026.57 Reporting and marketing rules for college student open-end credit.

(a) *Definitions:*

- (1) College student credit card. The term “college student credit card” as used in this section means a credit card issued under a credit card account under an open-end (not home-secured) consumer credit plan to any college student.
- (2) College student. The term “college student” as used in this section means a consumer who is a full-time or part-time student of an institution of higher education.
- (3) Institution of higher education. The term “institution of higher education” as used in this section has the same meaning as in sections 101 and 102 of the Higher Education Act of 1965 (20 U.S.C. 1001 and 1002).
- (4) Affiliated organization. The term “affiliated organization” as used in this section means an alumni organization or foundation affiliated with or related to an institution of higher education.
- (5) College credit card agreement. The term “college credit card agreement” as used in this section means any business, marketing or promotional agreement between a card issuer and an institution of higher education or an affiliated organization in connection with which college student credit cards are issued to college students currently enrolled at that institution.

(b) *Public disclosure of agreements.* An institution of higher education shall publicly disclose any contract or other agreement made with a card issuer or creditor for the purpose of marketing a credit card.

(c) *Prohibited inducements.* No card issuer or creditor may offer a college student any tangible item to induce such student to apply for or open an open-end consumer credit plan offered by such card issuer or creditor, if such offer is made:

- (1) on the campus of an institution of higher education;
- (2) near the campus of an institution of higher education; or
- (3) at an event sponsored by or related to an institution of higher education.

(d) *Annual report to the Bureau.*

(1) Requirement to report. Any card issuer that was a party to one or more college credit card agreements in effect at any time during a calendar year must submit to the Bureau an annual report regarding those agreements in the form and manner prescribed by the Bureau.

(2) Contents of report. The annual report to the Bureau must include the following:

- (i) identifying information about the card issuer and the agreements submitted,

including the issuer's name, address, and identifying number (such as an RSSD ID number or tax identification number);

- (ii) a copy of any college credit card agreement to which the card issuer was a party that was in effect at any time during the period covered by the report;
 - (iii) a copy of any memorandum of understanding in effect at any time during the period covered by the report between the card issuer and an institution of higher education or affiliated organization that directly or indirectly relates to the college credit card agreement or that controls or directs any obligations or distribution of benefits between any such entities;
 - (iv) the total dollar amount of any payments pursuant to a college credit card agreement from the card issuer to an institution of higher education or affiliated organization during the period covered by the report, and the method or formula used to determine such amounts;
 - (v) the total number of credit card accounts opened pursuant to any college credit card agreement during the period covered by the report; and
 - (vi) the total number of credit card accounts opened pursuant to any such agreement that were open at the end of the period covered by the report.
- (3) Timing of reports. Except for the initial report described in this §1026.57(d)(3), a card issuer must submit its annual report for each calendar year to the Bureau by the first business day on or after March 31 of the following calendar year.

Internet Posting of Credit Card Agreements 12 C.F.R. §1026.58

[omitted]

Reevaluation of Rate Increases 12 C.F.R. §1026.59

[omitted]