

Press Release

FEDERAL RESERVE press release



Release Date: December 18, 2008

For immediate release

The Federal Reserve Board on Thursday approved final rules that would better protect credit card users by prohibiting certain unfair acts or practices and improving the disclosures consumers receive in connection with credit card accounts and other revolving credit plans.

The final rules prohibiting certain credit card practices were adopted under the Federal Trade Commission Act, and are being issued concurrently with substantially similar final rules by the Office of Thrift Supervision and the National Credit Union Administration. Among other things, the rules will:

- Protect consumers from unexpected interest charges, including increases in the rate during the first year after account opening and increases in the rate charged on pre-existing credit card balances.
- Forbid banks from imposing interest charges using the "two-cycle" billing method.
- Require that consumers receive a reasonable amount of time to make their credit card payments.
- Prohibit the use of payment allocation methods that unfairly maximize interest charges.
- Address subprime credit cards by limiting the fees that reduce the amount of available credit.

In finalizing the rules on unfair credit card practices, the Board carefully considered information obtained through consumer testing and more than 60,000 comment letters received during the comment period.

"The revised rules represent the most comprehensive and sweeping reforms ever adopted by the Board for credit card accounts," said Federal Reserve Chairman Ben S. Bernanke. "These protections will allow consumers to access credit on terms that are fair and more easily understood."

The Board is also adopting final rules to revise the disclosures consumers receive in connection with credit card accounts and other revolving credit plans to ensure that information is provided in a timely manner and in a form that is readily understandable. These rules amend Regulation Z (Truth in Lending) and conclude a comprehensive review of the open-end credit rules. The final rules under Regulation Z require changes to the format, timing, and content requirements for credit card applications and solicitations and for the disclosures that consumers receive throughout the life of an open-end account. Many of the changes reflect the result of consumer testing conducted on behalf of the Board during its review.

"Our intent is to increase transparency and fairness in how credit card and deposit accounts operate, thereby enhancing competition and empowering consumers to better manage their accounts and avoid unnecessary costs," said Federal Reserve Governor Randall S. Kroszner. "The rules represent

a significant step forward in consumer protection. By ensuring fairness and making credit terms easier to understand, these safeguards should allow more consumers to benefit from using credit."

Both of the final rules addressing credit card accounts take effect on July 1, 2010.

The Board is separately proposing rules to protect consumers that use overdraft services offered by their bank. The rule solicits public comment on proposed amendments to Regulation E (Electronic Fund Transfers) intended to provide consumers a choice regarding their institution's payment of overdrafts for automated teller machine withdrawals and one-time debit card transactions. The Board is proposing two alternative approaches to providing consumer choice, including a proposed requirement that would require institutions to obtain consumers' affirmative consent (or opt-in) before any overdraft fees or charges may be imposed on consumers' accounts. The comment period for the Regulation E proposal ends 60 days after publication in the *Federal Register*.

In a related move, the Board is adopting final amendments to Regulation DD (Truth in Savings) to address depository institutions' disclosure practices related to overdraft services. The effective date for the final rules adopted under Regulation DD is January 1, 2010.

All four *Federal Register* notices are attached. Publication of each of the rules is expected shortly.

[Highlights of Rules Regarding Credit Card Accounts and Overdraft Services \(27 KB PDF\)](#)

[Statement by Chairman Ben S. Bernanke](#)

[Statement by Governor Randall S. Kroszner](#)

[Federal Register notice, Regulation AA \(848 KB PDF\)](#)

[Federal Register notice, Regulation DD \(110 KB PDF\)](#)

[B-10 \(70 KB PDF\) Aggregate fee model](#)

[Federal Register notice, Regulation E \(367 KB PDF\)](#)

Model forms and samples:

1. [A-9 \(23 KB PDF\) Model consent form for overdraft services](#)
2. [A-9 \(A\) \(24 KB PDF\) Model opt-out form for account opening](#)
3. [A-9 \(B\) \(9 KB PDF\) Model opt-out form for periodic statements](#)

[Review and Testing of Overdraft Notices \(1.94 MB PDF\)](#)

[Federal Register notice, Regulation Z \(2.18 MB PDF\)](#)

Model forms and samples:

1. [G-10 \(A\) \(81 KB PDF\) Applications and solicitations model form \(credit cards\)](#)
2. [G-10 \(B\) \(77 KB PDF\) Applications and solicitations sample \(credit cards\)](#)
3. [G-10 \(C\) \(79 KB PDF\) Applications and solicitations sample \(credit cards\)](#)
4. [G-10 \(D\) \(32 KB PDF\) Applications and solicitations model form \(charge cards\)](#)
5. [G-10 \(E\) \(111 KB PDF\) Applications and solicitations sample \(charge cards\)](#)
6. [G-17 \(A\) \(83 KB PDF\) Account-opening model form](#)

7. [G-17 \(B\) \(77 KB PDF\)](#) Account-opening sample
8. [G-17 \(C\) \(79 KB PDF\)](#) Account-opening sample
9. [G-17 \(D\) \(79 KB PDF\)](#) Account-opening sample (line of credit)
10. [G-18 \(A\) \(158 KB PDF\)](#) Periodic statement transactions: interest charges; fees sample
11. [G-18 \(D-E\) \(29 KB PDF\)](#) Periodic statement new balance, due date, late payment, and minimum payment sample (credit cards) and periodic statement new balance, due date, and late payment sample (open-end plans (non-credit-card accounts))
12. [G-18 \(F\) \(170 KB PDF\)](#) Periodic statement form
13. [G-18 \(G\) \(197 KB PDF\)](#) Periodic statement form
14. [G-19 \(18 KB PDF\)](#) Checks accessing a credit card sample
15. [G-20 \(100 KB PDF\)](#) Change-in-terms sample
16. [G-21 \(149 KB PDF\)](#) Penalty rate increase sample

[Design and Testing of Effective Truth in Lending Disclosures: Findings from Qualitative Consumer Research \(3.78 MB PDF\)](#)

[Design and Testing of Effective Truth in Lending Disclosures: Findings from Experimental Study \(3 MB PDF\)](#)