

Attachment I
Proposed Truth in Lending Act Study

Purposes of each disclosure and possible goals for testing

Schumer box disclosures:

- *Purpose:* These disclosures are given on or with direct-mail solicitations and applications for credit cards to help consumers shop for credit cards.
- *Proposed goals for testing:*
 1. What credit terms are important to consumers as they shop for credit cards?
 2. What formats are effective in presenting these key credit terms to consumers so that they can understand and use them to shop for credit cards?
 3. The statute requires that, in a direct mail solicitation, the information be presented in a tabular format.
 4. Are there variations on the current tabular model that would significantly improve the disclosure's utility?

Initial disclosures:

- *Purpose:* These disclosures are given when the credit card account is opened to inform consumers about the terms of the credit card. These disclosures are usually combined with other contract terms, and are not subject to any particular formatting requirements or models (other than the disclosures must be clear and conspicuous).
- *Proposed goals for testing:*
 1. What key terms need to be disclosed to consumers at account opening so that consumers can quickly understand the important terms of the credit card, to prevent "surprises" when they open accounts or later?
 2. Would highlighting key terms improve the effectiveness of account-opening disclosures? If so, what formats are effective in highlighting these key terms to consumers so that consumers can locate information easily?
 3. Would a format requirement similar to the Schumer box that highlights some or all of the same terms in the Schumer box significantly improve account-opening disclosures?

Periodic statement disclosures:

- *Purpose:* These disclosures typically are given on a monthly basis to inform the consumer about the transactions, fees and finance charges incurred in the previous billing cycle. The disclosures also inform consumers of the date by which they must pay the new balance in order to avoid additional finance charges, and the annual percentage rates (APRs) that apply to the account. The disclosures also typically inform consumers about their rights to dispute charges and how to exercise those rights.
- *Proposed goals for testing:*
 1. What information on the periodic statement is most important to consumers?
 2. Information about transactions, fees, and finance charges incurred in the past billing cycle.

3. Information about how payments were allocated in the past billing cycle.
4. Information on how to avoid fees and finance charges in future billing cycles.
5. Information on when payments are due and effects of making only the minimum payment.
6. Information so consumers can “do the math” to verify that the finance charges were calculated correctly.
7. Information on how to dispute charges.
8. Information about key terms on the account to help them compare their existing account with credit card offers.
9. What are effective ways to present the most important information to consumers?
10. Do consumers want or need information about the cost of credit in the previous billing cycle? If so, what are effective ways to express this information to consumers? Effective APR? Total fee amount?

Change-in-terms notices:

- *Purpose:* These disclosures are given when a change is made to key terms of the account.
- *Proposed goals of testing:*
 1. What do consumers want to know from these change-in-terms notices? Just the change being made? Key terms of the account so that they can compare their existing account with other credit card offers?
 2. What formats are effective in presenting this key information to consumers so they will notice, understand and be able to use the information?
 3. What are effective ways to deliver change-in-terms notices to consumers so that they will notice them? Separate mailing? Statement messages or stuffers in periodic statements?
 4. What actions do consumers take in response to change-in-terms notices? Begin to shop for another card? How much advance notice do consumers need before the change becomes effective? Is a longer time needed when certain terms are being changed (such as APRs), than when other terms are changed?

Convenience checks/Balance transfer checks:

- *Purpose:* Convenience checks and balance transfer checks are given to consumers as additional devices to access their credit card accounts.
- *Proposed goals of testing:*
 1. What disclosures do consumers need or want on convenience checks/balance transfer checks? Is it sufficient to refer the consumer to the initial disclosures for key terms (e.g., fee for using the check)?
 2. What formats are effective to present the key terms to consumers on convenience checks/balance transfer checks so that they will notice, understand, and be able to use the information?