The Credit Card Accountability Responsibility and Disclosure Act of 2009
Section by Section Summary

Sec. 1. Short Title
Sec. 2. Regulatory Authority

Title I – CONSUMER PROTECTION

Sec. 101. Prior notice of rate increases required. Prohibits increase in APR without 45 days' notice. Prohibits applying rate increases retroactively to existing balances. Requires clear notice of right to cancel credit card when APR is raised.

Sec. 102. Freeze on interest rate terms and fees on canceled cards. Prevents APR from being raised, or repayment terms being cancelled, if a cardholder cancels a card.

Sec. 103. Limits on fees and interest charges.

- Prohibits double cycle billing: Prohibits credit card issuers imposing interest charges on any portion of a balance that is paid by the due date.

- Over-the-limit fee restrictions: Cardholders must be given the option of having a fixed credit limit that cannot be exceeded, and card companies cannot charge overlimit fees on cardholders with fixed limits. Cardholders may elect to prohibit the creditor from completing overlimit transactions that will result in a fee or constitute a default under the credit agreement. Overlimit charges can only be charged when an extension of credit, rather than a fee or interest charge, causes the credit limit to be exceeded. Overlimit charges can only be applied once during a billing cycle.

- Prohibits charging interest on fees: Prohibits the charging of interest on credit card transaction fees, such as late fees and overlimit fees.

- Limits on charging certain fees: Prohibits credit card issuers from charging a fee to allow a credit card holder to pay a credit card debt, whether payment is by mail, telephone, electronic transfer, or otherwise. Requires fees to be reasonably related to cost. Foreign currency exchange fees may only be imposed in an account transaction if the fee reasonably reflects costs incurred by the creditor and the creditor publicly discloses its method for calculating the fee.

Sec. 104. Consumer right to reject card before notice is provided of open account. Gives cardholders who get preapproved the right to reject the card up until they activate it without having their credit adversely affected.

Sec. 105. Use of terms clarified. Prevents card companies from using the terms "fixed rate" and "prime rate" in a misleading way by establishing a single definition.

Sec. 106. Application of card payments. Prohibits credit card companies from setting early deadlines for credit card payments. Requires payments to be applied first to the credit card balance with the highest rate of interest, and to minimize finance charges. Prohibits late fees if the card issuer delayed crediting the payment. Prohibits card companies from charging late fees when a cardholder presents proof of mailing payment within 7 days of the due date.

Sec. 107. Length of billing period. Requires credit card statements to be mailed 21 days before the bill is due (current requirement is 14 days).

Sec. 108. Prohibition on universal default and unilateral changes to cardholder agreements. Prevents credit card issuers from increasing interest rates on cardholders in good standing for reasons unrelated to the cardholder's behavior with respect to that card. Prevents credit card issuers from changing the terms of a credit card contract for the length of the card agreement. Allows penalty rate increases only for specific, material actions or omissions of the consumer specified in the card agreement. Requires issuers to lower penalty rates that have been imposed on a cardholder after 6 months if the cardholder commits no further violations.

Sec. 109. Enhanced penalties. Increases existing penalties for companies that violate the Truth in Lending Act for credit card customers.

Sec. 110. Enhanced oversight. Requires the credit card issuer's primary regulator to evaluate the credit card policies and procedures of card issuers to ensure compliance with credit card requirements and prohibitions. Improves existing data collection efforts related to credit card interest rates, fees, and profits.

Sec. 111. Clerical amendments.

Title II – ENHANCED CONSUMER DISCLOSURES

Sec. 201. Payoff timing disclosures. Requires credit card issuers to provide individual consumer account information and to disclose the period of time it will take the cardholder to pay off the card balance if only minimum monthly payments are made. Also requires issuers to disclose the total amount of interest the cardholder will pay to pay off the card balance if only minimum monthly payments are made.

Sec. 202. Requirements relating to late payment deadlines and penalties. Requires full disclosure in billing statements of required payment due dates and applicable late payment penalties. Requires that cardholders be given a reasonable period to make payment. Requires that payment at local branches be credited same-day.

Sec. 203. Renewal disclosures. Requires card issuers to provide account disclosures to consumers upon card renewal when the terms of the card have changed.

Title III – PROTECTION OF YOUNG CONSUMERS

Sec. 301. Extensions of credit to underage consumers. Requires that credit card issuers, when soliciting to persons under the age of 21, obtain an application that contains either: (1) the signature of a parent, guardian, other qualified individual willing to take financial responsibility for the debt; (2) information indicating an independent means of repaying any credit extended; or (3) proof that the applicant has completed a certified financial literacy or financial education course.

Sec. 302. Restrictions on certain affinity cards. Mandates that credit card issuers, as a condition for entering into commission-based affinity cards with higher education institutions, require that all affinity card customers under the age of 21, comply with the requirements listed above.

Sec. 303. Protection of young consumers from prescreened offers of credit. Prohibits consumer reporting agencies from furnishing reports in connection with firm offers of credit or insurance that are not initiated by consumers under age 21. Allows consumers who are at least 18, but not yet 21, to elect, in writing, to have their names and addresses included in any list of names provided by such agencies in connection with such transactions.

Title IV – FEDERAL AGENCY COORDINATION

Sec. 401. Inclusion of all Federal banking agencies. Amends the Federal Trade Commission Act to transfer to each federal banking agency, with respect to depository institutions it supervises, the authority to prescribe regulations governing unfair or deceptive practices by banks and savings and loan institutions. Requires the federal banking agencies to prescribe such regulations: (1) jointly to the extent practicable; and (2) in consultation with the Federal Trade Commission (FTC). Instructs the Comptroller General to report to Congress on the status of regulations of the federal banking agencies and the NCUA regarding unfair and deceptive acts or practices by depository institutions.

Title V – MISCELLANEOUS PROVISIONS

Section 501. Study and report on interchange fees. Requires the Comptroller General of the GAO to conduct a study on interchange fees and their effects on merchants and consumers, and to report the findings to Congress in 180 days.

Section 502. Study and report on credit card rating system. Requires the Comptroller General of the GAO to establish a Credit Card Safety Rating Commission that will determine whether a rating system to allow cardholders to quickly assess the level of safety of credit card agreements would be beneficial to consumers, and to make recommendations to Congress concerning how such a system should be devised.