



REGULATION Z CREDIT CARDS RULES

Important Definitions: 1026.2

Card issuer: A person that issues a credit card or that person's agent.

Cardholder: A person to whom a credit card is issued, or a person who has agreed to pay charges originated on a card issued to another person.

Consumer: A cardholder or natural person to whom consumer credit is offered or extended.

Credit Card: A card or single credit device that can be used to access credit.

Credit Card Account: An open-end credit plan that is not a home equity plan or overdraft line of credit and is accessed by a credit card.

Grace Period: A period within which any credit extended may be repaid without incurring a finance charge due to a periodic interest rate.

Over the Limit Transaction: An extension of credit by the bank made to cover a consumer's transaction that results in the consumer's balance exceeding the credit limit.

Protected Balance: The amount owed for a category of transactions to which an increased APR or an increased fee or charge cannot be applied after the APR, fee, or charge for that category of transactions has been increased.

Solicitation: An offer by a 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 for a credit or charge card is a solicitation under the Regulation Z rules.

General Requirements:

All disclosures must be written and clear and conspicuous; however, not all disclosures have to be retainable. The disclosures for credit and charge card applications and solicitations and the credit and charge card renewal disclosures do not have to be in a retainable form. Applications and solicitations may be provided to the consumer in electronic form without regard to the consumer consent or other provisions of the E-Sign Act.

The credit card rules in Reg. Z are found in Subpart G. There are two categories of credit card requirements. One that generally applies to all credit cards and another that specifically relates to credit cards for people under 21 years of age. In addition to general open-end credit requirements, there are also special regulation Z provisions related to credit cards which fall under the open-end credit scope. It is important to note that there are often requirements beyond the scope of Regulation Z. Just like in Regulation E, there can be specific requirements related to the

branded card provider. For example, there are specific prohibitions against using credit cards to pay other loans but those are based on contractual requirements and not regulatory requirements.

The requirements for credit cards come from the Credit Card Act and actually predate Regulation Z. There are specific disclosures that relate to credit cards including requirements related to formatting. For example, the requirement to have application and solicitation in a tabular format.

Credit card disclosure requirements under Regulation Z fall into five groups that track the lifecycle of a credit card:

- Disclosures that must be included in any advertisement for a credit card.
- Special disclosure requirements at the application and solicitation stage.
- Account-opening disclosures detailing the “general rules of the game” prior to the first transaction on the account.
- Monthly billing statements providing specific transaction disclosures.
- Subsequent disclosures regarding renewals, changes in terms previously disclosed, and billing error rights.

Credit Card Application and Solicitation Requirements: 12 CFR 1026.60

Disclosures must be made in connection with credit card applications and solicitations. The term “solicitation” means an offer by the bank to open a credit or charge card account that does not require the customer to complete an application. An FCRA “firm offer of credit” is considered a solicitation. The bank must make disclosures in the form of a table with headings, content, and format similar to those tables found in G-10 in Appendix G to Regulation Z. This table must be located in a prominent location on or with an application or solicitation. If provided electronically, then the table must be located in close proximity to the application or solicitation.

If the consumer accesses an application or solicitation electronically, then the disclosures may be provided electronically without regard to the consumer consent requirements of the E-Sign Act. For telephone applications and solicitations, the bank must orally disclose the information listed below, to the extent applicable, in any telephone application or solicitation that the bank initiates. The disclosures must be accurate when made.

The bank must disclose the items set forth below on or with an application or a solicitation:

| Written Disclosure | Phone Disclosure |
|--|---|
| Each periodic rate, expressed as an Annual Percentage Rate (APR), that may be used to compute the finance charge on an outstanding balance for purchases, balance transfers and cash advances. | APR |
| Variable rate information | Variable rate information |
| Discounted or premium initial rates | Discounted or premium initial rates |
| Penalty rates – including when introductory rates are revoked | Penalty rates – including when introductory rates are revoked |
| APRs that vary by state | APRs that vary by state |
| Annual fees | Annual fees |
| One-time account opening fees | One-time account opening fees |
| Fixed finance charge | Fixed finance charge |
| Minimum interest charge | Minimum interest charge |
| Transaction charges | Transaction charges |
| Grace period | Grace period |

| | |
|--|--|
| Charge card payment statements | Charge card payment statements |
| Balance computation method | Balance computation method |
| Cash advance fee | Available credit after fees/security deposit |
| Late payment fee | |
| Over-the-limit fee | |
| Balance transfer fee | |
| Returned-payment fee | |
| Required insurance/debt-cancellation | |
| Available credit after fees/security deposit | |
| CFPB's Website | |

Model Form G-10(B)

| Interest Rates and Interest Charges | |
|--|--|
| Annual Percentage Rate (APR) for Purchases | 8.99% to 19.99% when you open your account, based on your creditworthiness. After that, your APR will vary with the market based on the Prime Rate. |
| APR for Balance Transfers | 15.99% This APR will vary with the market based on the Prime Rate. |
| APR for Cash Advances | 21.99% This APR will vary with the market based on the Prime Rate. |
| Penalty APR and When it Applies | 28.99% This APR may be applied to your account if you: 1) Make a late payment; 2) Go over your credit limit twice in a six-month period; 3) Make a payment that is returned; or 4) Do any of the above on another account that you have with us. How Long Will the Penalty APR Apply?: If your APRs are increased for any of these reasons, the Penalty APR will apply until you make six consecutive minimum payments when due. |
| How to Avoid Paying Interest on Purchases | Your due date is at least 25 days after the close of each billing cycle. We will not charge you any interest on purchases if you pay your entire balance by the due date each month. |
| Minimum Interest Charge | If you are charged interest, the charge will be no less than \$1.50. |
| For Credit Card Tips from the Consumer Financial Protection Bureau | To learn more about factors to consider when applying for or using a credit card, visit the website of the Consumer Financial Protection Bureau at http://www.consumerfinance.gov/learnmore |
| Fees | |
| Annual Fee | None |
| Transaction Fees | |
| • Balance Transfer | Either \$5 or 3% of the amount of each transfer, whichever is greater (maximum fee: \$100). |
| • Cash Advance | Either \$5 or 3% of the amount of each cash advance, whichever is greater. |
| • Foreign Transaction | 2% of each transaction in U.S. dollars. |
| Penalty Fees | |
| • Late Payment | Up to \$35 . |
| • Over-the-Credit Limit | Up to \$35 . |
| • Returned Payment | Up to \$35 . |
| Other Fees | |
| • Required Account Protector Plan | \$0.79 per \$100 of balance at the end of each statement period. See back for details. |
| How We Will Calculate Your Balance: We use a method called "average daily balance (including new purchases)." | |

Payments: 12 CFR 1026.10

Payments made in person must be treated as received on the date that payment is made. The bank may not set a cut-off time for in-person payments earlier than the close of business for any branch or office that may accept payments. However, the cut-off time may be earlier than 5:00 p.m. if the office or branch accepting payments closes before 5:00 p.m.

The bank may not charge a fee to allow consumers to make a payment by any method unless the payment method involves an expedited service by a customer service representative of either the bank or a third-party processor used by the bank.

If the bank changes the address for receiving payments and that change causes a material delay in crediting payments to consumers' accounts during the 60-day period following the change, then the bank may not charge a late fee during that 60-day period

Other Requirements

In addition to specific disclosures, credit card accounts have specific protections related to the terms of the loan.

| Practice | Protection |
|-----------------------------------|--|
| Periodic Cycle | At least 21 days |
| Two-Cycle Billing | Prohibited |
| Promotional Rates | Must be stable for at least six months |
| Rates and Fees | Must be stable for one year |
| Consideration of Ability to Repay | Required |
| Policies and Procedures | Must have a set debt to income/debt-to-assets ratio or minimum amount the consumer will have after paying debt |

Allocation of Payments: 12 CFR 1026.53

When the borrower pays more than the minimum amount due, the bank is required to allocate the funds in a specific fashion. The bank must first apply the excess funds to pay the balance with the highest APR and continue paying the other balances in a descending order based on APR. There are of course exceptions to the rule:

- 1) Cards on a deferred interest program; and
- 2) Account with secured balances.

Reevaluation of Rate Increases: 12 CFR 1026.59

The credit card rules also require that if the bank increases an APR on a credit card account on or after January 1, 2009, it must reevaluate whether the reasons for the increase have changed and if appropriate, reduce the APR. This reevaluation must be done at least once every six months. This review requirement does not apply to a rate increase in an APR that was previously lowered because of an SCRA interest rate reduction request once the rate reduction no longer applies. The review requirements also do not apply to charged off accounts.

Limitations on Fees: 12 CFR 1026.52

In addition, during the first year after a credit card account is opened, the total amount of fees imposed by the bank may not be greater than 25 percent of the credit limit in place at account opening. An account is considered to be open no earlier than the date the consumer may first use the account for transactions. Also, there is a prohibition against penalty fees that exceed the dollar amount associated with a violation. Furthermore, multiple penalty fees may not be imposed for violations based on a single event or transaction (for example, a returned payment also results in a late payment). The bank may, at its option, comply with this limitation by imposing no more than one penalty fee per billing cycle. This limitation does not apply to late payment fees, over-the-limit fees, returned payment fees, and fees that the consumer is not required to pay under the plan.

Requirements for Over-the-Limit Transactions: 12 CFR 1026.56

An over-the-limit transaction is an extension of credit by the bank made to cover a consumer's transaction that results in the consumer's balance exceeding the credit limit. Banks are required to allow a consumer to opt-in for over-the-limit fees. The bank may use Model Forms G-25(A) of Appendix G of the regulation as a safe harbor for the over-the-credit limit opt-in requirement.

G-25(A) Model Form for Credit Card Consent for Over-the Credit Limit Transactions

YOUR CHOICE REGARDING OVER-THE-CREDIT LIMIT COVERAGE

Unless you tell us otherwise, we will decline any transaction that causes you to go over your credit limit. If you want us to authorize these transactions, you can request over-the-credit limit coverage.

If you have over-the-credit limit coverage and you go over your credit limit, we will charge you a fee of up to \$35. We may also increase your APRs to the Penalty APR of XX.XX%. You will only pay one fee per billing cycle, even if you go over your limit multiple times in the same cycle.

Even if you request over-the-credit limit coverage, in some cases we may still decline a transaction that would cause you to go over your limit, such as if you are past due or significantly over your credit limit.

If you want over-the-limit coverage and to allow us to authorize transactions that go over your credit limit, please:

—Call us at [telephone number];

—Visit [Web site]; or

—Check or initial the box below and return the form to us at [address].

I want over-the-limit coverage. I understand that if I go over my credit limit, my APRs may be increased, and I will be charged a fee of up to \$35. [I have the right to cancel this coverage at any time.]

I do not want over-the-limit coverage. I understand that transactions that exceed my credit limit will not be authorized.]

Printed Name:

Date:

[Account Number]:

Credit Card Account Periodic Statements

Credit card account periodic statements include the same information as regular open-end credit but add information about the cost of credit should the borrower only make the minimum payment.

| Credit Card Periodic Statement Content |
|--|
| Previous Balance |
| Transaction Activity |
| Credits |
| Periodic Rates |
| Balances used to determine rate |
| Finance Charges – “Interest Charges” - Grouped |
| Finance Charges – “Interest Charges” - Itemized |
| Finance Charges – Interest Charges – type of transaction total |
| Other Charges – “Fees” - Grouped |
| Other Charges - “Fees” - Itemized |
| “Fees” – Period Total |
| “Fees- Calendar Year total |
| Grace Period |
| Billing Error Address |
| Closing Date of Cycle |
| New Balance Total |
| Due Date |
| Late Fees/Late Payment charge |
| Deferred Interest Information |
| Repayment Disclosure – Minimum Payment warning |
| Minimum Repayment Estimate and statement |

Model Form G-18(F)

XXX Bank Credit Card Account Statement
 Account Number XXXX XXXX XXXX XXXX
 February 21, 2012 to March 22, 2012

| Summary of Account Activity | |
|-----------------------------|-------------------|
| Previous Balance | \$535.07 |
| Payments | -\$450.00 |
| Other Credits | -\$13.45 |
| Purchases | +\$529.57 |
| Balance Transfers | +\$785.00 |
| Cash Advances | +\$318.00 |
| Past Due Amount | +\$0.00 |
| Fees Charged | +\$69.45 |
| Interest Charged | +\$10.89 |
| New Balance | \$1,784.53 |
| Credit limit | \$2,000.00 |
| Available credit | \$215.47 |
| Statement closing date | 3/22/2012 |
| Days in billing cycle | 30 |

QUESTIONS?
 Call Customer Service 1-XXX-XXX-XXXX
 Lost or Stolen Credit Card 1-XXX-XXX-XXXX

| Payment Information | | |
|---|--|---|
| New Balance | | \$1,784.53 |
| Minimum Payment Due | | \$53.00 |
| Payment Due Date | | 4/20/12 |
| Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a late fee of up to \$35 and your APRs may be increased up to the Penalty APR of 28.99%. | | |
| 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. For example: | | |
| If you make no additional charges using this card and each month you pay... | You will pay off the balance shown on this statement in about... | And you will end up paying an estimated total of... |
| Only the minimum payment | 10 years | \$3,284 |
| \$62 | 3 years | \$2,232 (Savings=\$1,052) |
| If you would like information about credit counseling services, call 1-800-XXX-XXXX. | | |

Please send billing inquiries and correspondence to:
 PO Box XXXX, Anytown, Anystate XXXX

| Important Changes to Your Account Terms | |
|---|--------|
| The following is a summary of changes that are being made to your account terms. Changes to APRs described below are due to changes in market conditions. For more detailed information, please refer to the booklet enclosed with this statement. | |
| These changes will impact your account as follows: | |
| Transactions made on or after 4/9/12: As of 5/10/12, changes to APRs described below will apply to these transactions. | |
| Transactions made before 4/9/12: Current APRs will continue to apply to these transactions. | |
| If you are already being charged a higher Penalty APR for purchases: In this case, changes to APRs described below will not go into effect at this time. These changes will go into effect when the Penalty APR no longer applies to your account. | |
| Revised Terms, as of 5/10/12 | |
| APR for Purchases | 16.99% |

| Transactions | | | | |
|-------------------|------------|-----------|--------------------------------------|-----------|
| Reference Number | Trans Date | Post Date | Description of Transaction or Credit | Amount |
| 5884186PS0389W6YM | 2/22 | 2/23 | Store #1 | \$2.05 |
| 0544400060ZLV72VL | 2/24 | 2/25 | Store #2 | \$12.11 |
| 55541860705RDYD0X | 2/24 | 2/25 | Store #3 | \$4.63 |
| 554328609008W90M0 | 2/24 | 2/25 | Store #4 | \$114.95 |
| 054830709LYMRPT4L | 2/24 | 2/25 | Store #5 | \$7.35 |
| 854338203FS80O0Z5 | 2/25 | 2/25 | Pymt Thank You | \$450.00- |

(transactions continued on next page)

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION

Page 1 of 2

Please detach this portion and return with your payment to insure proper credit. Retain upper portion for your records.

Account Number: XXXX XXXX XXXX XXXX
 New Balance \$1,784.53
 Minimum Payment Due \$53.00
 Payment Due Date 4/20/12

AMOUNT ENCLOSED: \$

Please indicate address change and additional cardholder requests on the reverse side.

XXX Bank
 P.O. Box XXXX
 Anytown, Anystate XXXXX



Internet Posting and Submission of Credit Card Agreements: 12 CFR 1026.58

There is also a requirement to send the Consumer Financial Protection Bureau credit card agreements at the end of every quarter. The bank must also post the agreement on the bank's website. However, the bank is not required to submit its credit card agreements quarterly to CFPB if it has fewer than 10,000 open credit card accounts and the bank must be required to submit to the CFPB to be required to post its agreements on the bank's website. Thus, for banks that have less than 10,000 open credit card accounts, they are not required to either submit or post. One caveat to this exception is that the bank is still required to give the original agreement to a borrower who requests it. The bank can accomplish that by either providing the agreement upon request or posting it on its website.

Credit Card Rules Affecting Young Consumers: Subpart G, 12 CFR 1026.51

A bank is prohibited from opening a credit card account for a consumer under 21 years old, unless the bank received a written application and the bank has ensured that the consumer has the ability to repay. For credit card approvals the bank needs to ensure it has documentation that the consumer has an independent ability to repay or it must have a signed agreement of a co-signor, guarantor, or joint applicant who is at least 21 years old and will be secondarily or jointly liable on the account for any debt incurred by the consumer before the consumer reaches the age of 21.

In addition to the ability to repay requirements, there are also specific requirements related to increasing the amount of credit. For a credit card account opened for a consumer under 21, no increase in the credit limit can be made unless, the consumer has the independent ability to repay on the increased limit **or** a co-signer, guarantor, or joint applicant who is at least 21 years old agrees in writing to assume the liability for any debt incurred on the account. For a credit card account opened for a consumer under 21, using a cosigner, guarantor, or joint applicant, no increase can be made, unless the co-signer, guarantor, or joint applicant agrees (in writing) to assume liability on the increase.

Subsequent Disclosures: 12 CFR 1026.9

The creditor may provide the annual billing rights statement, which outlines the consumer's rights and the creditor's responsibilities:

- i. By sending it in one billing period per year to each consumer that gets a periodic statement for that period; or
- ii. By sending a copy to all of its accountholders sometime during the calendar year but not necessarily all in one billing period (for example, sending the annual notice in connection with renewal cards or when imposing annual membership fees).

Model Form G-3(A)

G-3(A)—Long-Form Billing-Error Rights Model Form (Plans Other Than Home-Equity Plans)

Your Billing Rights: Keep This Document For Future Use

This notice tells you about your rights and our responsibilities under the Fair Credit Billing Act.

What To Do If You Find A Mistake On Your Statement

If you think there is an error on your statement, write to us at:

[Creditor Name]

[Creditor Address]

[You may also contact us on the Web: [Creditor Web or email address]]

In your letter, give us the following information:

- *Account information:* Your name and account number.
- *Dollar amount:* The dollar amount of the suspected error.
- *Description of problem:* If you think there is an error on your bill, describe what you believe is wrong and why you believe it is a mistake.

You must contact us:

- Within 60 days after the error appeared on your statement.
- At least 3 business days before an automated payment is scheduled, if you want to stop payment on the amount you think is wrong.

You must notify us of any potential errors *in writing* [or electronically]. You may call us, but if you do, we are not required to investigate any potential errors and you may have to pay the amount in question.

What Will Happen After We Receive Your Letter

When we receive your letter, we must do two things:

1. Within 30 days of receiving your letter, we must tell you that we received your letter. We will also tell you if we have already corrected the error.
2. Within 90 days of receiving your letter, we must either correct the error or explain to you why we believe the bill is correct.

While we investigate whether or not there has been an error:

- We cannot try to collect the amount in question, or report you as delinquent on that amount.
- The charge in question may remain on your statement, and we may continue to charge you interest on that amount.
- While you do not have to pay the amount in question, you are responsible for the remainder of your balance.
- We can apply any unpaid amount against your credit limit.

After we finish our investigation, one of two things will happen:

- *If we made a mistake:* You will not have to pay the amount in question or any interest or other fees related to that amount.
- *If we do not believe there was a mistake:* You will have to pay the amount in question, along with applicable interest and fees. We will send you a statement of the amount you owe and the date payment is due. We may then report you as delinquent if you do not pay the amount we think you owe.

If you receive our explanation but still believe your bill is wrong, you must write to us within *10 days* telling us that you still refuse to pay. If you do so, we cannot report you as delinquent without also reporting that you are questioning your bill. We must tell you the name of anyone to whom we reported you as delinquent, and we must let those organizations know when the matter has been settled between us.

If we do not follow all of the rules above, you do not have to pay the first \$50 of the amount you question even if your bill is correct.

Your Rights If You Are Dissatisfied With Your Credit Card Purchases

If you are dissatisfied with the goods or services that you have purchased with your credit card, and you have tried in good faith to correct the problem with the merchant, you may have the right not to pay the remaining amount due on the purchase.

To use this right, all of the following must be true:

1. The purchase must have been made in your home state or within 100 miles of your current mailing address, and the purchase price must have been more than \$50. (NOTE: Neither of these are necessary if your purchase was based on an advertisement we mailed to you, or if we own the company that sold you the goods or services.)
2. You must have used your credit card for the purchase. Purchases made with cash advances from an ATM or with a check that accesses your credit card account do not qualify.
3. You must not yet have fully paid for the purchase.

If all of the criteria above are met and you are still dissatisfied with the purchase, contact us *in writing* [or electronically] at:

[Creditor Name]

[Creditor Address]

[[Creditor Web or email address]]

While we investigate, the same rules apply to the disputed amount as discussed above. After we finish our investigation, we will tell you our decision. At that point, if we think you owe an amount and you do not pay, we may report you as delinquent.

Model Form G-4(A)

G-4(A)—ALTERNATIVE BILLING-ERROR RIGHTS MODEL FORM (PLANS OTHER THAN HOME-EQUITY PLANS)

What To Do If You Think You Find A Mistake On Your Statement

If you think there is an error on your statement, write to us at:

[Creditor Name]

[Creditor Address]

[You may also contact us on the Web: [Creditor Web or email address]]

In your letter, give us the following information:

- *Account information:* Your name and account number.
- *Dollar amount:* The dollar amount of the suspected error.
- *Description of Problem:* If you think there is an error on your bill, describe what you believe is wrong and why you believe it is a mistake.

You must contact us within 60 days after the error appeared on your statement.

You must notify us of any potential errors *in writing* [or electronically]. You may call us, but if you do we are not required to investigate any potential errors and you may have to pay the amount in question.

While we investigate whether or not there has been an error, the following are true:

- We cannot try to collect the amount in question, or report you as delinquent on that amount.
- The charge in question may remain on your statement, and we may continue to charge you interest on that amount. But, if we determine that we made a mistake, you will not have to pay the amount in question or any interest or other fees related to that amount.

- While you do not have to pay the amount in question, you are responsible for the remainder of your balance.
- We can apply any unpaid amount against your credit limit.

Your Rights If You Are Dissatisfied With Your Credit Card Purchases

If you are dissatisfied with the goods or services that you have purchased with your credit card, and you have tried in good faith to correct the problem with the merchant, you may have the right not to pay the remaining amount due on the purchase.

To use this right, all of the following must be true:

1. The purchase must have been made in your home state or within 100 miles of your current mailing address, and the purchase price must have been more than \$50. (NOTE: Neither of these is necessary if your purchase was based on an advertisement we mailed to you, or if we own the company that sold you the goods or services.)
2. You must have used your credit card for the purchase. Purchases made with cash advances from an ATM or with a check that accesses your credit card account do not qualify.
3. You must not yet have fully paid for the purchase.

If all of the criteria above are met and you are still dissatisfied with the purchase, contact us *in writing* [or electronically] at:

[Creditor Name]

[Creditor Address]

[[Creditor Web address]]

While we investigate, the same rules apply to the disputed amount as discussed above. After we finish our investigation, we will tell you our decision. At that point, if we think you owe an amount and you do not pay we may report you as delinquent.

The creditor must also provide an advance notice 45 day before making any significant changes to the account. Significant changes generally include increases in certain interest rates and fees, increases to the minimum amount due, or changes to the grace period or the way interest is calculated (basically, the information disclosed at account opening).

When a creditor makes these types of changes, the consumer has the right to reject the change. If the consumer rejects the change, the creditor is permitted to terminate or suspend credit privileges, provided this right is spelled out in the credit card agreement. The notification of this "right to reject" must be included with the change in terms notice, again, 45 days in advance. The notice must provide the following information about the consumer's right to reject:

- A statement that the consumer has the right to reject the change before the effective date;
- Instructions on how the consumer can reject the change, including a toll-free number the consumer can use to notify the creditor of the rejection; and
- A statement that if the consumer rejects the change, further advances under the plan will be terminated or suspended, if applicable

The model language can be found in Appendix G to Regulation Z, in G-21, which states:

"You have the right to reject these changes, unless you become more than 60 days late on your account. However, if you do reject these change, you will not be able to use your account for new transactions. You can reject these changes by calling us at 1-800-000-0000."

Credit Card Issues

CFPB Summer 2019 Supervisory Highlights

- In one or more examinations completed in 2018, CFPB examiners found that their institutions failed to clearly and conspicuously provide disclosures required by triggering terms in online advertisements. In some instances, the triggered disclosures were available to consumers via a hyperlink, which was not labeled in a way that referred to the triggered disclosures. Once the consumers clicked on the hyperlink, they would have to then navigate through an online application before arriving at triggered disclosures. In other instances, consumers had to click on multiple hyperlinks and could only view the triggered disclosures after completing an eight-page application.
- In one or more examinations completed in 2018, examiners found that one or more credit card issuers misled consumer credit card holders by sending collection letters that suggested that the issuers could repossess consumers' automobiles, or foreclose on homes, where the cards were secured by the autos or homes. The issuers did not repossess any vehicles or foreclose on any mortgages in connection with delinquent credit card accounts, and it was against the policies of the issuers to do so. The representations by the issuers in the collection letters were likely to mislead consumers into believing that they might be subject to repossession or foreclosure for delinquent credit card accounts if they had an automobile loan or mortgage with the issuers. The misrepresentations were material since they were likely to induce cardholders to change their conduct with respect to their delinquent credit card accounts.
- In one or more examinations, examiners found that credit card issuers misled or were likely to mislead consumers by representing in prescreened offers of credit that secured credit card accounts subject to an annual fee would be "periodically" reviewed for upgrade. In fact, the issuers did not review such accounts for a year or more but did not provide additional disclosures to accountholders or modify their marketing materials. Such representations were reasonably likely to mislead consumers about the timing for a potential upgrade and were material to consumers' decisions to apply for a secured card account and to existing cardholders' decisions to maintain their secured card accounts.

CFPB vs Citibank – Consent Order June 2018

The settlement found that Citibank failed to reassess and adjust APRs on 1.75 million credit card accounts over an eight-year period. Under TILA, creditors must reassess APRs at least once every six months and maintain proper documentation, providing a written notice when APRs increase and why they rose. While the act doesn't require creditors to reduce consumers' APRs during the review, it does require them to take reasonable action to ensure they are charging consumers fair and reasonable rates. The CFPB found that Citibank was not abiding by these regulations, hence requiring the \$335 million repayment to consumers. The CFPB did not fine Citibank any civil monetary penalties due to the fact that they had "self-identified and self-reported the violations to the Bureau, and self-initiated remediation to affected consumers."

CFPB Summer Supervisory Highlights 2017

- Examiners observed that one or more credit card issuers violated Regulation Z by failing to provide the requisite tabular disclosures with the account opening materials provided to numerous cardholders. Specifically, the account-opening disclosures were missing the table set forth in Appendix G-17 of Regulation Z, resulting in consumers receiving incomplete disclosures. At one or more entities, this violation was attributed to an employee entry error which caused a failure in printing the disclosure, controls that were not appropriately structured to detect errors, and the entity's lack of an independent disclosure review.
- During at least one examination, consumers were provided with the opportunity to pay their credit card bill by using one of two pay-by-phone services. The first pay-by-phone service permitted consumers to make an expedited payment for a predetermined fee, credited the same day or the following business day. The second pay-by-phone service allowed consumers to arrange future payments options free of charge to be credited to the consumer's account as soon as two days after the call. Customer service representatives had scripts to read to consumers that described both the fee-based expedited payment option and the free future payments option. The CSRs were not following the script in its entirety and often read the script for expedited payments only. Typically, the CSRs did not inform consumers of any free payment options until after the consumer authorized the expedited phone payment and the customer service representatives did not inform consumers that the payment could be paid free of charge by phone by not expediting when the payment was credited, which resulted in consumers incurring fees for expedited payments that could have been avoided. This practice was found to be deceptive because these customer service representatives made an implied misrepresentation to consumers paying over the phone that all of the pay-by-phone services carried a fee.
- During one or more examinations, examiners observed that institutions: (1) failed to provide consumers with a timely written acknowledgement of receipt of a billing error notice; (2) generally failed to timely comply with the billing error resolution procedures; (3) failed to limit the liability of cardholders for unauthorized use to the lesser of \$50 or the amount of money, property, labor or services obtained by the unauthorized use before the card issuer is notified; (4) before a billing error was resolved, made or threatened to make an adverse credit report concerning the consumer's credit standing, or that the amount or account was delinquent, because the consumer failed to pay the disputed amount or applicable related finance or other charges; (5) failed to timely correct billing errors and credit consumers' accounts with disputed amounts or related finance or other charges, as applicable; (6) failed to send (or send timely), consumers a correction notice where the issuer concluded that the billing error occurred as asserted; (7) failed to conduct (or conduct timely), a reasonable investigation before determining that no billing error occurred; or (8) failed to provide (or provide timely), consumers with a written explanation for its determination as to why it concluded that a billing error did not occur. At one or more institutions, management failed to perform sufficient due diligence of a service provider hired to perform intake of incoming phone calls from customers who reported billing errors and other disputes and ceased doing business with the service provider because of increasing complaints about the service provider's customer service. One or more entities failed to have sufficient documentation of its monitoring of service providers and did not audit its oversight of service providers.
- Examiners determined that one or more entities violated the FDCPA by attempting to collect a debt directly from the authorized user of a credit card even though the authorized user was not financially responsible for the debt. The practice of soliciting payment from a non-obligated user in a manner that implies that the authorized user is personally responsible for the debt constitutes a deceptive means to collect a debt in violation of the FDCPA

CFPB Compliance Bulletin 2017-01

In a public enforcement action, the Bureau alleged that an institution and its service provider engaged in deceptive acts or practices when it gave delinquent credit card holders the false impression that they had to pay \$14.95 to make payment by phone when, in fact, the sole purpose of that fee was to expedite phone payments. Specifically, the Bureau alleged that the institution or its service provider: (i) misrepresented in credit card agreements that the fee's purpose was to allow payment by phone, when its purpose was solely to ensure payment posted the same day it was made; (ii) failed to disclose during collection calls that the fee's purpose was solely to expedite payment, and in certain circumstances misrepresented that the fee was a "processing fee"; (iii) volunteered that consumers could make payment using a checking account and triggered the fee by setting such payments to post immediately by default; and (iv) failed to disclose the existence of no-cost payment alternatives, including free next-day payment.

CFPB Encourages More Transparent Promotions

On Thursday, June 8, 2017, the CFPB announced it had [sent letters](#) to top retail credit card companies encouraging them to use more transparent transactions, particularly when using deferred-interest promotions for credit cards.

The CFPB encouraged credit card companies to consider more straightforward promotions that are less risky for consumers rather than the deferred interest promotions because deferred interest, with its back-end pricing, tends to make potential costs more confusing and is less transparent.

The CFPB report raised several issues with deferred-interest promotions, including:

- Consumers paying more than the promotional balance: More than half of the people who incur deferred-interest charges and have other purchases on the account pay more than the full amount of their promotional balance during the promotional period. More than one third pay more than 150 percent of the full amount of their promotional balance during the promotional period.

Many consumers may be able to meet the terms of the promotion but fail to do so within the set time period: A 2015 CFPB study found that many consumers who do not repay the promotional balance within the promotional period do pay off the remaining amount of the balance and the deferred-interest charges shortly thereafter. This suggests that the interest charges may have caught consumers by surprise.

CFPB vs First National Omaha – Consent Order August 2016

The CFPB charged First National Bank of Omaha of deceiving consumers into listening to their debt cancellation sales pitches by implying that the consumer had to stay on the phone while their credit cards were being activated, even though the activation process was nearly instantaneous. In addition, First National and its marketers allegedly deceived consumers into enrolling in these programs without proper authorization or by implying that the program was free.

While the products were advertised as easy to cancel, the CFPB found that the bank instructed and incentivized its customer representatives to make this process difficult. The bank also maintained and enforced strict requirements effectively preventing most consumers from benefiting from the debt cancellation services. For example, First National defined "pre-existing" health conditions that would disqualify a consumer from exercising a debt cancellation claim to include any condition that occurred up to six months *after* enrollment.

With regard to the credit monitoring product, First National was required to obtain written authorization and personal verification information before it could access a consumer's credit information and provide the service. The CFPB noted that in many cases consumers never actually received the credit monitoring services that they paid for because the bank either failed to properly process their authorization or could not correctly match the consumer's information with the information on file with the credit agencies. Instead of resolving these errors, the bank allegedly continued to bill these costumers for credit monitoring services they were not receiving.

Interesting note: The enforcement action covered activities that occurred between December 1997 and October 2012 – a period extending from soon after the CFPB's first action against deceptive add-on product practices to over a decade **before** the CFPB even existed. This is a reminder that the CFPB believes its authority to prohibit deceptive acts and practices through administrative enforcement actions extends retroactively.

The CFPB ordered First National Bank of Omaha to provide \$27.75 million in relief to roughly 257,000 consumers harmed by illegal practices with credit card add-on products. The bank used deceptive marketing to lure consumers into debt cancellation add-on products and it charged consumers for credit monitoring services they did not receive. First National Bank of Omaha also paid a \$4.5 million civil money penalty to the CFPB.

[CFPB vs Wells Fargo – Consent Order September 2016](#)

CFPB charged Wells Fargo Bank, N.A. for the widespread illegal practice of secretly opening unauthorized deposit and credit card accounts. Spurred by sales targets and compensation incentives, employees opened more than two million deposit and credit card accounts that may not have been authorized by consumers. The consent order stated that Well Fargo engaged in the following acts and practices: (1) opened unauthorized deposit accounts for existing customers and transferred funds to those accounts from their owners' other accounts, all without their customers' knowledge or consent; (2) submitted applications for credit cards in consumers' names using consumers' information without their knowledge or consent; (3) enrolled consumers in online banking services that they did not request; and (4) ordered and activated debit cards using consumers' information without their knowledge or consent.

Wells Fargo will pay full restitution to all victims and a \$100 million fine to the CFPB's Civil Penalty Fund. The bank will also pay an additional \$35 million penalty to the Office of the Comptroller of the Currency, and another \$50 million to the City and County of Los Angeles.