

The Credit Card Accountability, Responsibility and Disclosure Act

On July 22, 2009, the Federal Reserve Board (Fed) published in the federal register an interim final rule to amend regulation Z to implement two provisions of the credit card accountability and disclosure (card) act. The interim regulations are effective August 20, 2009, but are open to a public comment period that closes on September 21, 2009. While most of the credit card act is effective February 22, 2010, two provisions were singled out to become effective 90 days after the law was enacted, and are therefore effective August 20, 2009. Section 101 of the new law applies only to credit cards and requires that change in term notices be provided at least 45 days in advance before increasing the annual percentage rate (APR) or changing significant terms, rather than the current 15 day notice period. The second provision, found in section 106 of the credit card act and also effective August 20th, applies to all open end credit, in addition to credit card accounts, and requires that periodic statements be provided at least 21 days before the payment due date (or the end of a grace period) in order for the credit union to charge a late fee, report the account delinquent to credit bureaus, or impose a penalty rate. The application of these provisions to all open end credit plans, combined with the upcoming August 20th effective date, presents significant compliance challenges for credit unions and will require most major changes in programs and procedures that have been in place for over a quarter of a century. It was understood that the 21 day requirement was one of many provisions drafted over the weekend of May 16-17 by the Senate Banking committee. The bill was then passed by the Senate on May 19th, passed by the house without amendment on May 20th, and signed into law on May 22nd. As a result, no hearings were held on this bill and no input was possible by credit unions or others. Comprehensive changes to regulation Z's open end disclosure rules were previously adopted by the Fed in January, 2009, and are still scheduled to become effective July 1, 2010, including a requirement that 45 days notice will have to be given for changing terms of all open end loans. other provisions of the comprehensive regulation Z changes and the unfair or deceptive acts or practices rules that were also issued this past January will be revised to the extent there are provisions that are inconsistent or duplicative with the card act.